



Bimonthly Drilling Report

Sydney, Australia - 16 December, 2009 - Eastern Star Gas Limited (ASX:ESG OTCQX:ESGLY) today announced its bimonthly drilling update on its coal seam gas drilling operations in PEL238 and PEL 6, around the township of Narrabri, in Northern New South Wales Australia.

Dewhurst 17H Lateral Production Well

Spud Date: 28/11/2009
Rig Release Date: 7/12/2009
Permit: PEL238 - ESG 65% interest & Santos QNT 35% interest.
Location: Latitude: 30°33' 10.30"S
Longitude: 149° 46' 10.53"E
Rig: Lucas - Mitchell DRS026

Objective:

Dewhurst 17H is the second of three single lateral production wells to be drilled as part of the Dewhurst lateral pilot programme. This pilot, which incorporates three single lateral wells drilled perpendicular to the fracture system and intersecting three vertical drainage wells, is located approximately 0.2 km southeast of Dewhurst 18H. This pilot is aimed at reserve growth in the Dewhurst Field.

Well Status/Results:

As at this report date, Dewhurst 17H had reached a total depth of 2048.0m (MD) and had intersected the Dewhurst 14 vertical production well.

Current Operations:

The well is currently suspended pending well completion and surface facility construction.

Dewhurst 16H Lateral Production Well

Spud Date: 13/11/2009

Rig Release Date: 9/12/2009

Permit: PEL238 - ESG 65% interest & Santos QNT 35% interest.

Location: Latitude: 30°33' 16.27"S
Longitude: 149° 46' 7.47"E

Rig: Lucas - Mitchell DRS026

Objective:

Dewhurst 16H is the last of three single lateral production wells to be drilled as part of the Dewhurst lateral pilot programme. This pilot, which incorporates three single lateral wells drilled perpendicular to the fracture system and intersecting three vertical drainage wells, is located approximately 14km north-east of the existing Bibblewindi 9-spot vertical well pilot. This pilot is aimed at reserve growth in the Dewhurst Field.

Well Status/Results:

As at this report date, Dewhurst 16H has reached a depth of 1277.0m (MD). The well will drill ahead to intersect and connect the Dewhurst 13 vertical production well.

Current Operations:

The well is currently drilling ahead.

Rosevale 1/1A Corehole

Spud Date: 4/11/2009

Rig Release Date:

Permit: PEL238 - ESG 65% interest & Santos QNT 35% interest.

Location: Latitude: 30°24' 11.15"S

Longitude: 149° 32' 17.69"E

Rig: McDermott Rig #27

Objective:

Rosevale 1/1A is designed to evaluate the coal seam gas potential of the Hoskissons seam to the west of the recent successful tests at Coonarah 9 and Tintfield 1, and will be deepened to delineate the Early Permian coal development near the western edge of the Maules Creek Formation.

Well Status/Results:

Intermediate casing has been set in Rosevale 1A at a depth of 422.7m and drilling operations were subsequently suspended for the Christmas shut-down.

Current Operations:

The well is suspended pending recommencement of drilling operations in early January 2010 following the Christmas shutdown.

Gwydir 1 Corehole

Spud Date: 28/10/2009

Rig Release Date:

Permit: PEL 6 - ESG 50% interest & Orion Petroleum (ASX:OIP) 47.5% interest, minor parties 2.5% interest.

Location: Latitude: 29° 31' 18.66"S
Longitude: 150° 11' 21.74"E

Rig: Boart Longyear Rig 1200-8

Objective:

Gwydir 1 is the third and final well to be drilled as part of the Stage 1 farmin program into the PEL 6, 427 and 428. Following the drilling of this well Eastern Star Gas will complete the Stage 1 farmin and have earned a 50%, 50% and 40% interest in the CSG rights of the three licences respectively. Gwydir 1 is the first CSG well to be drilled in PEL 6 and is designed as a reconnaissance exploration well to determine the CSG characteristics of coals within the Triassic Moolayember Formation.

Well Status/Results:

As at this report date, Gwydir 1 has reached a depth of 759.0m after intersecting a total of 4.0m of coal in the Moolayember Formation. The well will now be deepened to provide stratigraphic control on the eastern side of the Taroom Trough and assess whether Permian coal bearing sediments are present in this location.

Current Operations:

The well is currently coring ahead.

About ESG

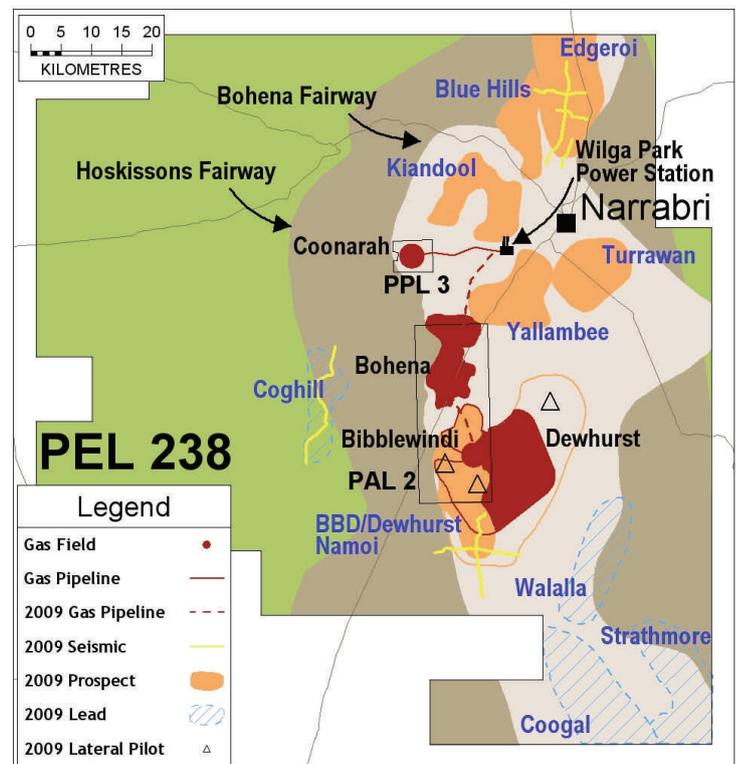
Eastern Star Gas (ASX:ESG OTCQX:ESGLY), is focused on exploration, development and production of coal seam gas in Australia.

The Company's main activity, the Narrabri Coal Seam Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in the PEL 238 and is the Operator. The remaining 35% interest is held by Santos Limited (ASX: STO). PEL 238 covers 9,100 kms² (2.25 million acres) of the Gunnedah Basin, the most lightly explored portion of the Bowen-Gunnedah-Sydney Basin complex which presently supplies a large proportion of Australia's coal seam gas production. Production testing is underway at three locations; the Bibblewindi vertical pilot, Bibblewindi multi-lateral pilot and Bohena vertical pilot. As at 30 June 2009, certified 2P reserves increased by 79% to 602 PJ (of which ESG's net interest is 392 PJ). The updated gas reserves estimate takes into account the flow testing of the Bibblewindi West multi-lateral pilot and the outstanding results from coreholes and appraisal vertical wells drilled across the Dewhurst area. At the same time certified 3P reserves increased by 51% to 1,959 PJ (of which ESG's net interest is 1,273 PJ).

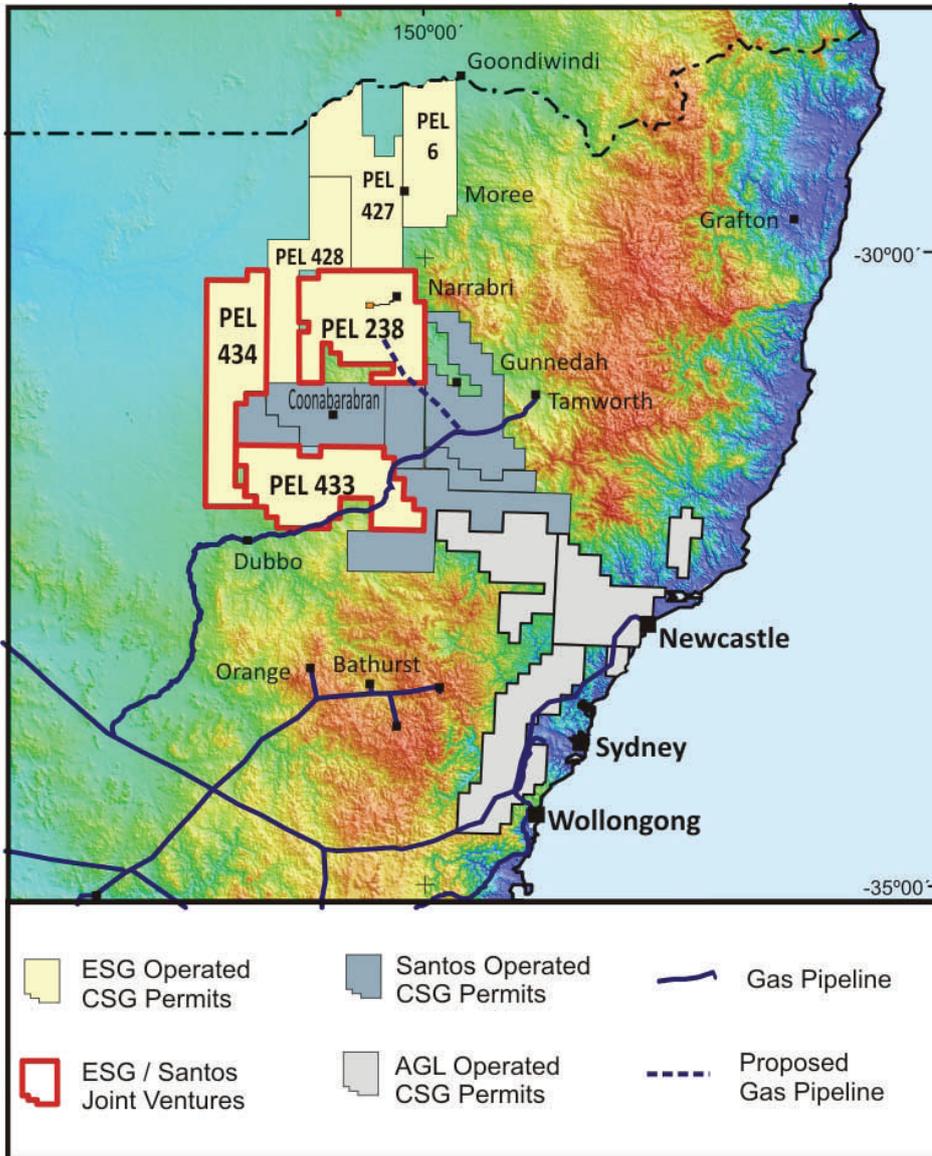
Further upgrading of reserves will be generated in 2009/10 in PEL238 through an ongoing corehole programme and the tie in and completion of 3 additional multi-lateral production pilots at Bibblewindi West, Dewhurst and Coonarah.

Like the Bibblewindi multi-lateral pilots, new pilots will incorporate in-seam, or horizontal wells with a length of around 750 - 1,000m (up to 3,300 feet) drilled perpendicular to the fracture system of the target coal seams. This well design maximises connectivity with the coal, resulting in many times greater flow rates than can be achieved from vertical, fracture-stimulated wells.

Test gas from the production pilots is delivered by flowline to the joint venture's Wilga Park Power Station which will, be expanded to take production test gas in addition to gas currently supplied from ESG's Coonarah gas field. MOU's for the supply of gas from PEL 238 have been signed with Macquarie Generation (up to 500 PJ) and Babcock & Brown (up to 40 PJ/a).



PEL238 Prospects & Leads Map



This announcement contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. One should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside the Company's control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on the Company's beliefs, assumptions and expectations of our future performance, taking into account information currently available to the Company. These beliefs, assumptions and expectations can change as a result of many possible events or factors, including those events and factors described in "Risk Factors" in the prospectus, not all of which are known to the Company. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of these statements. The Company will update the information in this press release only to the extent required under applicable securities laws. If a change occurs, the Company's business, financial condition, liquidity and results of operations may vary materially from those expressed in the aforementioned forward-looking statements.

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