



\$50m Placement Completed

Not for release in the United States

Sydney, Australia - 12 March, 2009 - Eastern Star Gas Limited (ASX:ESG) is pleased to announce that it has successfully raised \$50 million through a partially underwritten placement to institutional and sophisticated investors. The placement was facilitated by Patersons Securities and was heavily oversubscribed.

Mr David Casey, Managing Director of ESG, said that "the capital raising ensures ESG has the financial capability to continue its active CSG reserves upgrade programme, the objective of which is to achieve certified 2P gas reserves of at least 1,300 PJ by the end of 2009".

Mr Casey added that "ESG's present strong market position was a key motivation for early completion of the capital raising. We are delighted with the support received from new and existing investors, particularly given the current economic environment. It is a show of confidence in ESG and the potential of the Narrabri Coal Seam Gas Project".

About 70% of funds raised from the share placement will be used for drilling of production pilots and coreholes in a programme of work that is expected to see certified reserves increased well beyond the present 2009 target. A further 20% will be expended on gas gathering infrastructure, allowing pilot production gas to be used at Wilga Park Power Station in the near term and forming part of the longer term gas production system. Funds will also be applied to certification of gas reserves in farm-in acreage to the north of PEL 238.

Details of the placement are as follows:

- 90,909,100 ordinary shares to be issued at a price of \$0.55 each;
- \$0.55 represents a 13.3% discount to the 10 day VWAP of Friday 6 March 2009;
- new shares will rank equally with existing shares;
- issue was partially underwritten to \$30 million;
- settlement on 17 March 2009;
- expected date of quotation on ASX - 18 March 2009;
- made pursuant to Section 708 of the Corporations Act.

Eastern Star has requested the lifting of the suspension voluntarily requested by it on Tuesday 10 March 2009 and seeks reinstatement of the Company securities.

This announcement has been prepared for publication in Australia and may not be released in the United States. This announcement does not constitute an offer of securities for sale in the United States and any securities described in this announcement may not be offered or sold in the United States absent registration under the US Securities Act of 1933 or an exemption from registration.

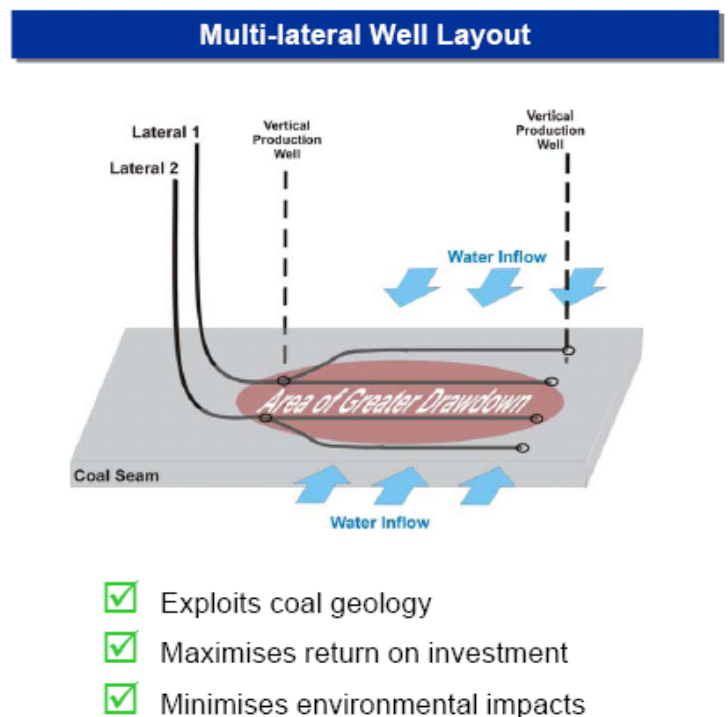
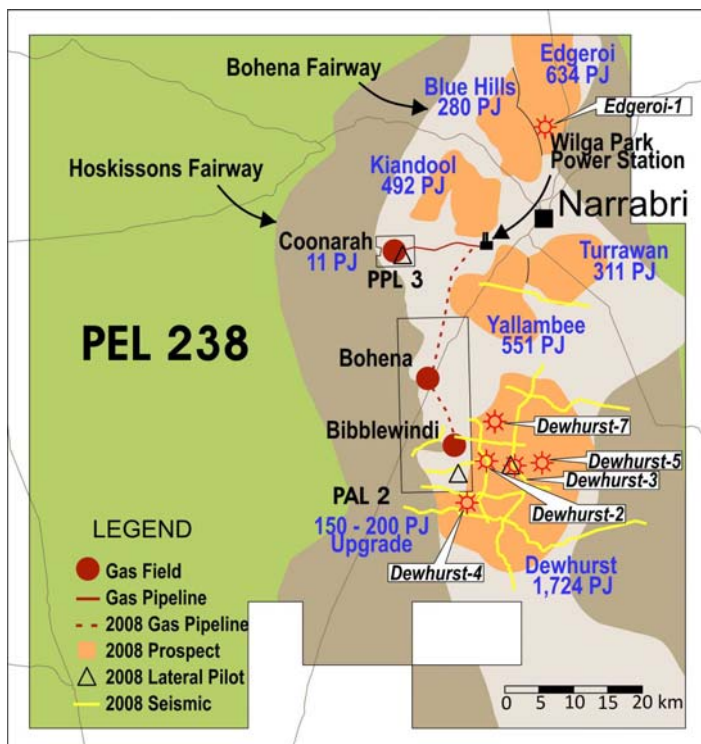
About ESG

(ASX:ESG) 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 Gstar Exploration Limited (AMEX: GST TSX: YGA). 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 the dominant proportion of Australia's coal seam gas production. Production testing is underway at two locations (Biblewindi and Bohena) and, on the basis of the production pilots and the first four coreholes drilled in the Dewhurst area, 2P gas reserves of 336 Petajoules and 3P gas reserves of 1,300 Petajoules were independently certified as at on 30 September 2008.

Further reserves will be generated in 2008/09 in PEL238 through the current corehole programme and the completion of 4 multi-lateral production pilot wells at Biblewindi and Dewhurst. The in-seam, or horizontal, section of the multi-lateral wells will have a notional length of around 1 km (3,300 feet), and will be drilled perpendicular to the fracture system within the target coal seams to maximise connectivity resulting in many times greater flow rates than can be achieved from vertical, fracture-stimulated wells.

Test gas from the production pilots will be connected into ESG'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).



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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