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Successful Completion of Institutional Placement

Sydney, Australia - 10 August, 2010 - Eastern Star Gas Limited (ASX:ESG OTCQX:ESGLY), Eastern Star Gas Limited (ASX:ESG, OTCQX:ESGLY) is pleased to announce today that it has successfully completed the underwritten institutional placement ("Placement") announced yesterday of approximately 119.1 million shares to raise A\$100 million.

The Placement was significantly oversubscribed with strong demand from both new institutional and sophisticated investors and existing ESG shareholders. The Placement was priced at \$0.84 per share, a discount of 5.4% to the 5 day volume weighted average price.

Settlement of the new shares issued under the Placement is scheduled to take place on Monday, 16 August 2010, with anticipated quotation and trading of the new shares on ASX on Tuesday, 17 August 2010. New shares issued under the Placement will rank equally with existing shares. The new shares represent approximately 13.2% of pre placement issued capital.

ESG Managing Director, Mr David Casey, said "We are pleased with the significant support we received from existing shareholders including Santos, as well as from new investors. The capital raising strengthens the balance sheet following the acquisition of a parcel of land at Newcastle, and enables ESG to continue to pursue its ongoing growth initiatives, including exploration, evaluation and development planning."

Credit Suisse (Australia) Limited and RBS Morgans Corporate Limited acted as Joint Lead Managers and Underwriters of the Placement. Flagstaff Partners acted as financial adviser to ESG.

Trading in ESG shares on ASX is anticipated to resume at 10:00am today.

See disclaimer on page 3.

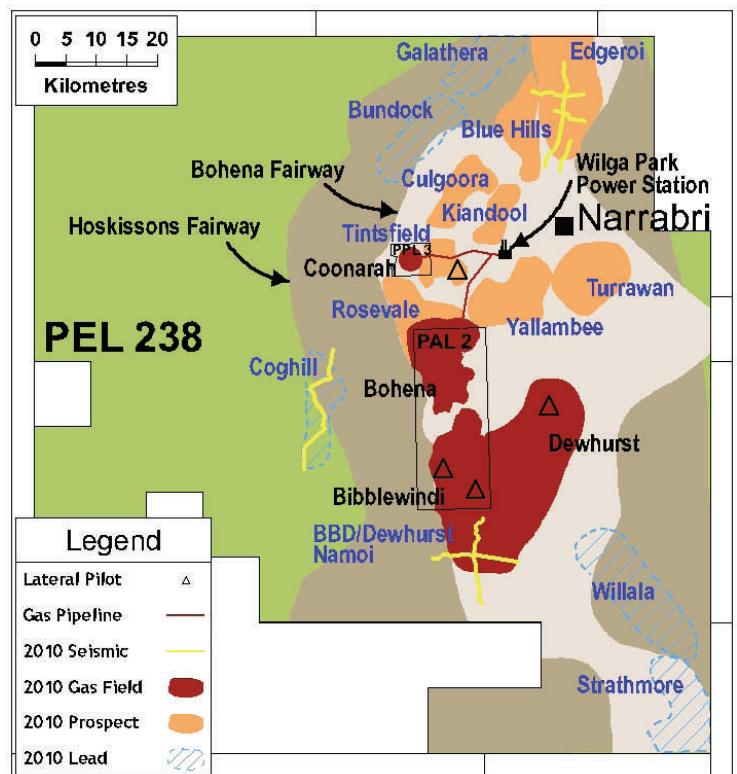
About ESG

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

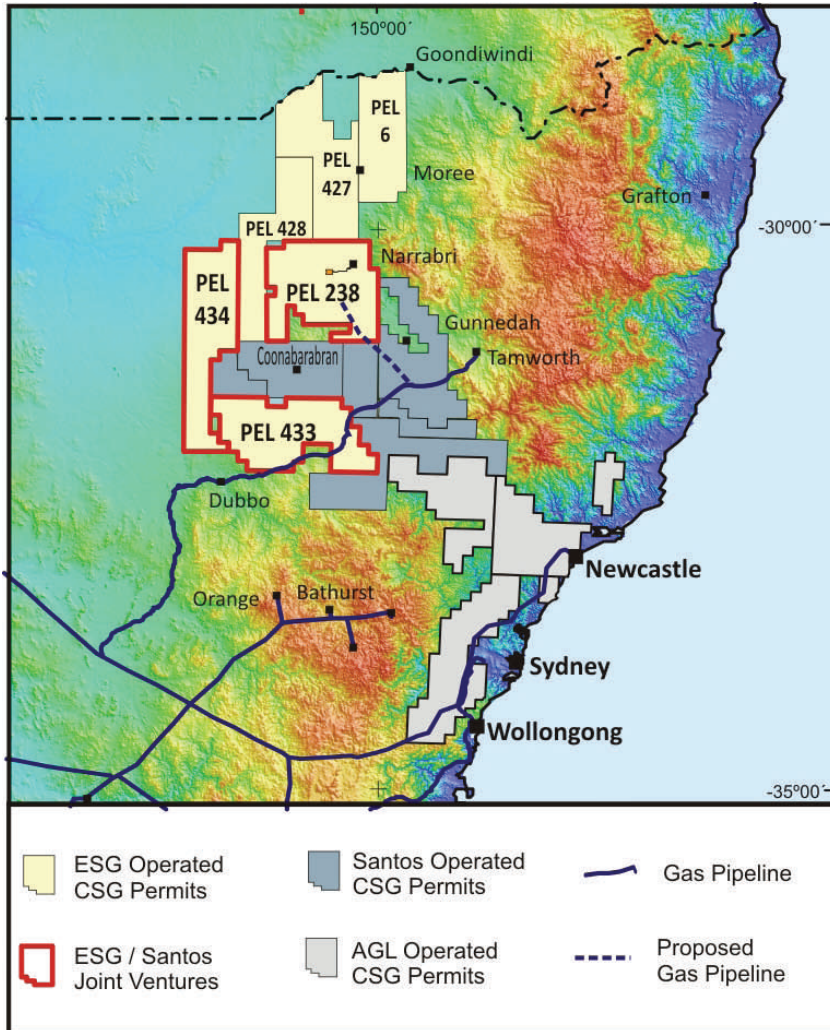
The Company's main activity, the Narrabri Coal Seam Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in the PEL 238 and is the Operator. The remaining 35% interest is held by Santos Limited (ASX: STO). PEL 238 covers 7,920 kms² (1.96 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 four locations; the Bibblewindi vertical pilot, Bibblewindi multi-lateral pilot, Bibblewindi West and Bohena vertical pilot. As at 31 December 2009, certified 2P reserves increased by 152% to 1520 PJ (of which ESG's net interest is 988 PJ). The updated gas reserves estimate takes into account the flow testing of the multi-lateral production pilots at Bibblewindi and Bibblewindi West, and outstanding results from coreholes and appraisal vertical wells drilled across the Dewhurst area. At the same time certified 3P reserves increased by 43% to 2,797 PJ (of which ESG's net interest is 1,818 PJ).

Further upgrading of reserves will take place during 2010 in PEL238 through an ongoing corehole programme and production from multi-lateral production pilots, including new pilots to be brought on line Dewhurst and Tintfield. Like the Bibblewindi multi-lateral pilots, the 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 pilot production test gas. Arrangements are also being developed for full scale commercialisation of the Narrabri CSG Project. In particular, ESG is finalising terms for supply of 20 PJ/a of gas to ERM Power for use in a power station approved for development at Wellington (south of Narrabri) and is, with the Hitachi and Toyo Engineering Corporations, completing a detailed investigation into the feasibility of exporting liquefied natural gas (NLNG) from Newcastle. NLNG exports could commence as early as 2014 at an initial level of 1 Mtpa. Over and above these key near-term pursuits, ESG also has in place MoU's for the supply of gas to Macquarie Generation (up to 500 PJ) and to Babcock & Brown (up to 40 PJ/a), in both cases for use in gas fuelled power station developments.



PEL238 Prospects & Leads Map



Important information and disclaimer

The Placement referred to in this announcement is subject to the investor restrictions set out in the announcement titled 'Institutional Placement Investor Presentation,' lodged with ASX on 9 August 2010.

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