

Eastern Star Gas Exceeds 2009 Reserves Target

152% Increase in Certified 2P Gas Reserves to 1,520 PJ

Sydney, Australia - 1 February, 2010 - Eastern Star Gas Limited (ASX:ESG; OTCQX:ESGLY, "ESG") announced today a significant upgrade of the independently certified Proven and Probable (2P) gas reserves of the Narrabri Coal Seam Gas Project in northern NSW. As at 31 December 2009, certified 2P reserves have been increased by 152 % to 1,520 PJ (of which ESG's net interest is 988 PJ), while certified 3P reserves have increased by 43% to 2,797 PJ (of which ESG's net interest is 1,818 PJ).

Mr David Casey, Managing Director of ESG, said "the updated gas reserves estimate takes into account pilot production and other exploration data up to the end of 2009 and exceeds our stated 2P reserves target of 1,300 PJ. This result confirms beyond doubt the lateral well methodology pioneered by ESG during 2009 is ideally suited to the coals targeted at Narrabri and provides the foundation for greater results ahead in 2010".

Mr Casey added "The upgrade primarily reflects an increase in the extent of gas reserves certified for the Bohena coal seam but, for the first time, the Namoi coal seam has made a material contribution. The inclusion of the Namoi seam in independently certified gas reserves has been possible given the outstanding early performance of the Bibblewindi West production pilot, as announced late last year".

Narrabri CSG Project Gas Reserves

(Note: ESG has a 65% interest in the tabulated reserves)

Category	Previous 30 June 2009	Current 31 December 2009
1P	33 PJ	115 PJ
2P	602 PJ	1,520 PJ
3P	1,959 PJ	2,797 PJ

Disclosure regarding Certifications

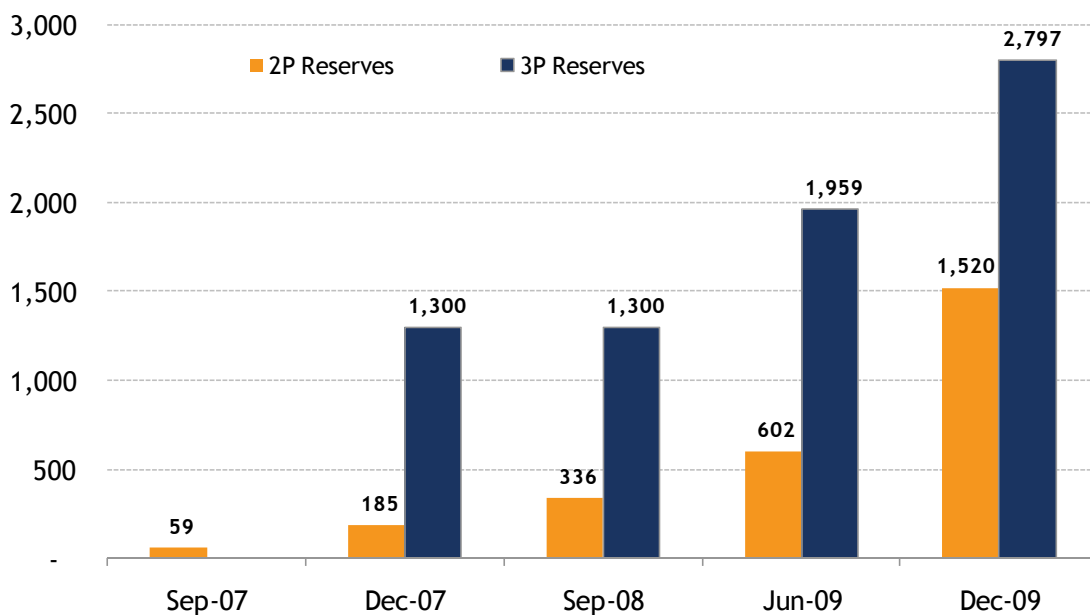
The gas reserves estimates provided in this statement were determined by Mr John Hattner of Netherland, Sewell and Associates Inc, Dallas, Texas, USA, in accordance with Petroleum Resource Management System guidelines. Mr Hattner is a full-time employee of NSAI, and is a qualified person as defined under the ASX Listing Rule 5.11 and consents to the use of the reserves figures in this announcement.

"This upgrade is testament to the hard work and technical ability of the Eastern Star Gas team. The application of lateral well technology and focussed exploration has unlocked what is now a major resource for NSW and the east coast market. The upgrade in reserves will ensure that ESG is well placed to pursue its staged approach to commercialisation of reserves through existing MoUs along with additional material domestic gas sale opportunities under review".

Mr Casey also said “it is expected that further progressive increases in certified gas reserves will continue to be booked as production from the Bibblewindi Multi-lateral and Bibblewindi West production pilots climbs, as the Dewhurst and Tintfield production pilots are brought on line and as the areal extent and quality of the Namoi resource is further demonstrated. For example, given the performance of the Bibblewindi West pilot, we are confident we will see significant increases over the coming months in gas production from the Bibblewindi Multi-lateral pilot, where the target Bohena coal is similar to, but up to 5 times thicker than, the Namoi coal at Bibblewindi West”.

Narrabri CSG Project Gas Reserves Growth 2007 - 2009

(Note: ESG has a 65% interest in the reserves)



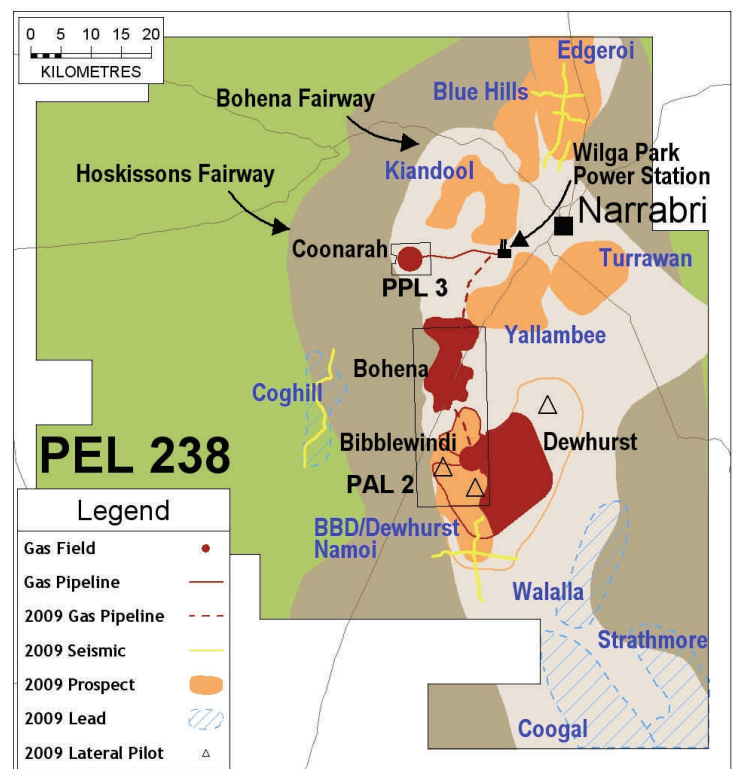
About ESG

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

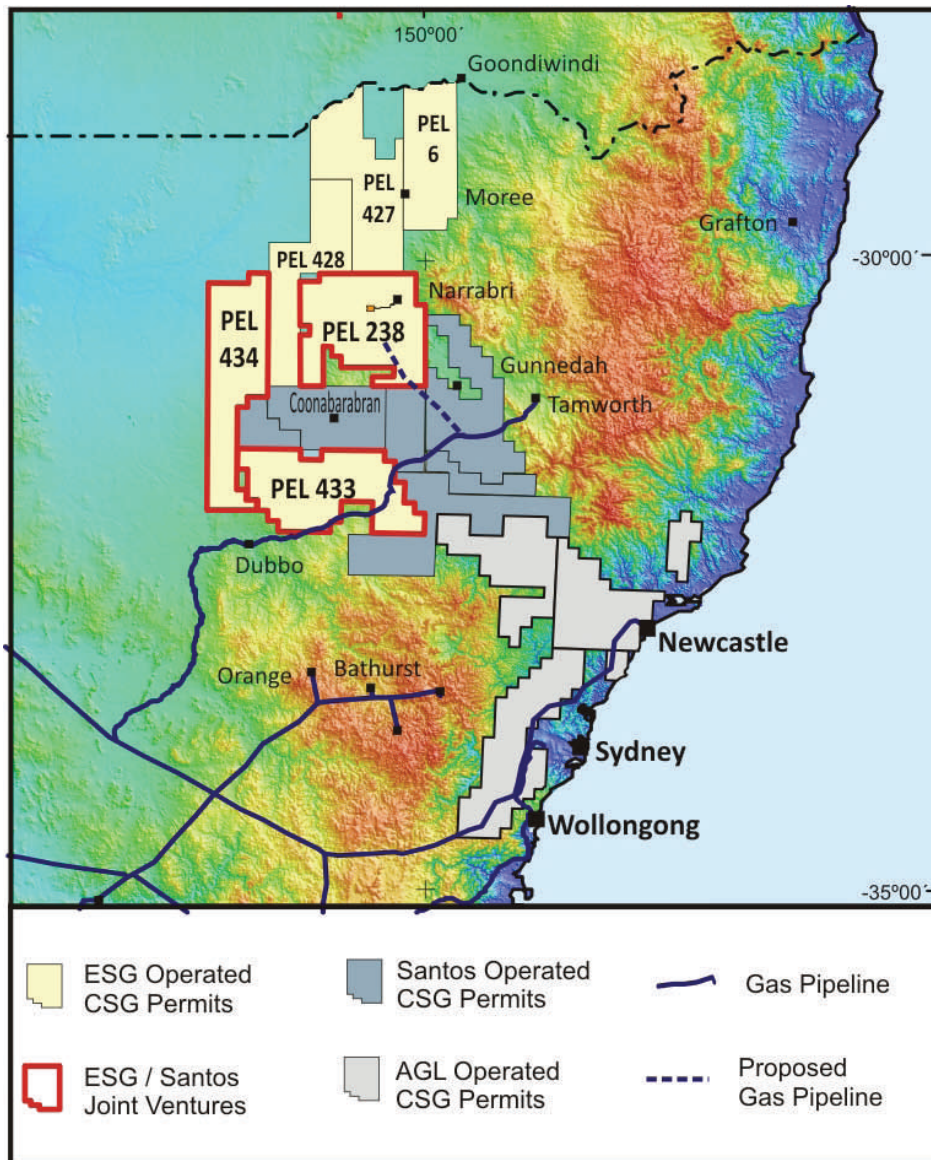
The Company's main activity, the Narrabri Coal Seam Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in the PEL 238 and is the Operator. The remaining 35% interest is held by Santos 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 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 Tintsville. 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 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.

For further information contact:

David Casey	Peter Lansom	Street Address:
Managing Director	Exec. Director - Operations	Level 7, 51 Pitt Street,
Tel: 61 2 9251 5599	Tel: 61 7 3136 1515	Sydney NSW 2000

Postal Address:
GPO Box 4526,
Sydney NSW 2001
office@easternstar.com.au