

Bimonthly Drilling Report

Sydney, Australia - 3 May, 2010 - Eastern Star Gas Limited (ASX:ESG OTCQX:ESGLY) today announced its bimonthly drilling update on its coal seam gas drilling operations in PEL238, around the township of Narrabri, in Northern New South Wales Australia.

Going forward these reports will be issued on a monthly basis while production drilling activities are in recess until later in 2010.

Edgeroi 2 Corehole

Spud Date: 29/02/2010

Rig Release Date:

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

Location: Latitude: 30 07' 9.47"S
Longitude: 149 47' 34.28"E

Rig: Boart Longyear 1200-8

Objective:

Edgeroi 2 is located in the northern region of PEL 238. The well is designed to evaluate the coal seam gas potential of the Maules Creek coal seams to the north of the recent successful test at Edgeroi 1, which is located 11.3 km south of Edgeroi 2 and intersected 16.2m of net coal in the Maules Creek Formation. The well will also evaluate the Hoskissons coal seam in the northern region of the permit.

Well Status/Results:

As at this report date Edgeroi 2 has reached a depth of 994.3m. Preliminary indications show to date the well has intersected 3m of coal in the Hoskissons seam and 1m of coal in the Maules Creek Formation.

Current Operations:

Current operations are coring ahead in the Maules Creek Formation.

Blue Hills 2 Corehole

Spud Date: 17/04/2010

Rig Release Date:

Permit: PEL 238 - ESG 65% interest & Santos QNT 35% interest.

Location: Latitude: 30 15' 5.16"S

Longitude: 149 43' 32.30"E

Rig: Boart Longyear 1200-1

Objective:

Blue Hills 2 is located in the northern region of PEL 238. The well is designed to evaluate the coal seam gas potential of the Maules Creek coal seams to the south of the recent successful test at Edgeroi 1, which is located 7 km northeast of Blue Hills 2 and intersected 16.2m of net coal in the Maules Creek Formation. The well will also evaluate the Hoskissons coal seam in the northern region of the permit.

Well Status/Results:

As at this report date Blue Hills 2 had reached a depth of 664.3m.

Current Operations:

The current operations at the well are coring ahead in the Black Jack Formation.

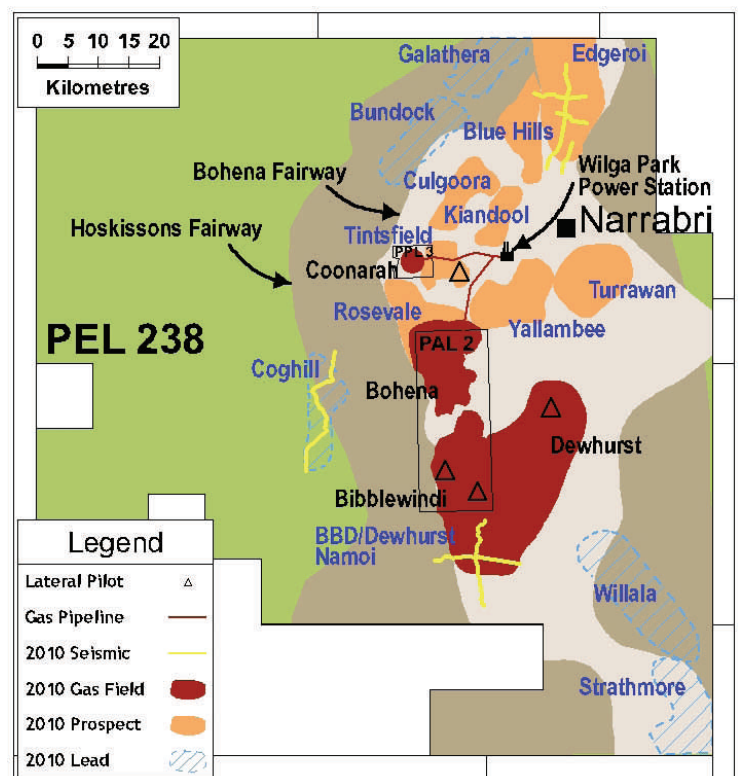
About ESG

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

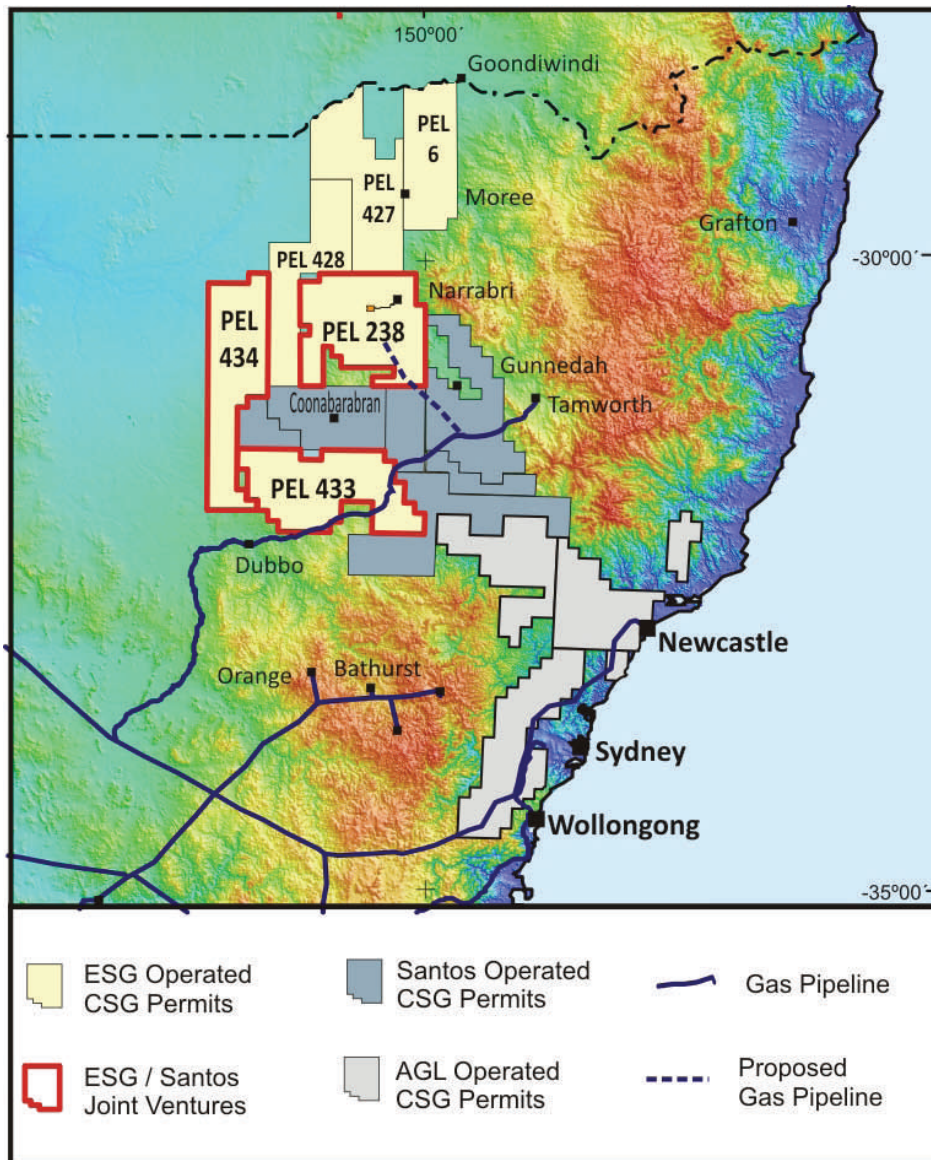
The Company's main activity, the Narrabri Coal Seam Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in the PEL 238 and is the Operator. The remaining 35% interest is held by Santos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

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