

Bimonthly Drilling Report

Sydney, Australia - 15 July, 2009 - 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.

Bibblewindi 26H Lateral Production Well

Spud Date: 18/6/2009

Rig Release Date: 4/7/2009

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

Location: Latitude: 30° 37' 20.91"S
Longitude: 149° 36' 7.00"E

Rig: Lucas - Mitchell DRS026

Objective:

Bibblewindi 26H is the tri-lateral well to be drilled as part of the Bibblewindi West lateral pilot programme. This lateral pilot specifically addresses the Upper Maules Creek (or Namoi) coal, which is prevalent over large areas of PEL238 but has no current reserves booked.

The pilot will also determine the ability of lateral pilots to access and drain thinner coal development, with the Namoi seam averaging 3 to 5m in this pilot area. The pilot incorporates lessons learnt from the initial Bibblewindi lateral programme and is designed as a tri-lateral with three arms off the horizontal build well. The pilot is located approximately 4km west of the existing Bibblewindi 9-spot vertical well pilot.

Well Status/Results:

As at this report date, Bibblewindi 26H has successfully completed all three laterals, intersecting the Bibblewindi 22, 23 and 24 and 25 vertical production wells. Over the next month the vertical production wells will be completed along with completion of the production gathering system back to the Bibblewindi Gas Plant.

Bibblewindi 20 Vertical Appraisal Well

Spud Date: 6/7/2009
Rig Release Date: 12/7/2009
Permit: PEL238 - ESG 65% interest & Santos 35% interest.
Location: Latitude: 30° 40' 56.28"S
Longitude: 149° 37' 27.03"E
Rig: Lucas - Mitchell DRS026

Objective:

Bibblewindi 20 is the first of three vertical appraisal wells to be drilled in the southern area of the Bibblewindi and Dewhurst fields to continue to appraise the areal extent and quality of this field, and to assist in further reserves certification. The well is designed with a completion that provides sufficient flexibility for it to be utilised in the future as a vertical intersection well for a lateral programme, with casing set above the target Bohena coals and then drilled through the coal.

Well Status/Results:

As at this report date, Bibblewindi 20 has reached a total depth of 1004.0m. Production casing has been set at 850.0m and the main Bohena coal seam target has been drilled in preparation for lateral intersection. Bibblewindi 20 intersected a total of 20.9m of coal within the Maules Creek section, including 19.8m of coal within the Bohena seam.

Current Operations:

The well is currently suspended pending lateral drilling operations.

Dewhurst 9 Vertical Appraisal Well

Spud Date:

Rig Release Date:

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

Location: Latitude: 30° 42' 58.40"S
Longitude: 149° 39' 16.60"E

Rig: Lucas - Mitchell DRS026

Objective:

Dewhurst 9 is the second of three vertical appraisal wells to be drilled in the southern area of the Bibblewindi and Dewhurst fields to continue to appraise the areal extent and quality of this field, and to assist in further reserves certification. The well is designed with a completion that provides sufficient flexibility for it to be utilised in the future as a vertical intersection well for a lateral programme, with casing set above the target Bohena coals and then drilled through the coal.

Well Status/Results:

As at this report date, Dewhurst 9 well lease is under final preparation and scheduled maintenance is being conducted to the rig.

Current Operations:

Rig preparing to mobilise to lease.

Coonarah 9 Corehole

Spud Date: 30/4/2009

Rig Release Date: 14/7/2009

Permit: PPL 3 - ESG 65% interest & Santos 35% interest.

Location: Latitude: 30°22' 15.11"S
Longitude: 149° 34' 15.05"E

Rig: McDermott Rig #27

Objective:

Coonarah 9 is designed as a follow up to the encouraging Hoskisson seam results encountered in Coonarah 2 to assist in optimising the location of a production pilot. In addition to establishing the lateral extent of favourable Hoskissons characteristics, this well will be deepened to test the Bohena seam on the eastern flank of the field. Any production pilot in this location will have the benefit of early commercialisation utilising the existing pipeline infrastructure connected to the Wilga Park Power Station.

Well Status/Results:

As at this report, Coonarah 9 has reached a total depth of 1023.9m. The well has been drilled and cored through the Black Jack coals and Maules Creek coal targets. Since the last report significant repairs were required to the rig, causing several days delay. The well confirmed the continuation of favourable CSG characteristics within the Hoskissons seam across the southeast portion of the Coonarah field and work has commenced on designing a production pilot to further test this coal. The secondary Bohena target was faulted out at this location. A subsequent well has been planned in a more optimal location to test the Bohena seam in the area to the east of Coonarah-9.

Yallambee 1 Corehole

Spud Date: 15/7/2009

Rig Release Date:

Permit: PEL238 - ESG 65% interest & Gastar 35% interest.

Location: Latitude: 30° 27' 8.03"S

Longitude: 149° 42' 56.82"E

Rig: McDermott Rig #27

Objective:

Yallambee-1 is designed to test both the Hoskissons and Bohena seams at a location approximately 14 kilometres northeast of the Bohena field. The well is located on trend from the Dewhurst area and is anticipated to have similar thick Bohena coal development. Should favourable CSG characteristics be encountered it is expected that this area will be suitable for a lateral pilot for early reserves certification given the similarities to Dewhurst.

Well Status/Results:

As at this report, the rig is on site preparing to spud.

Current Operations:

Rigging up to 100%.

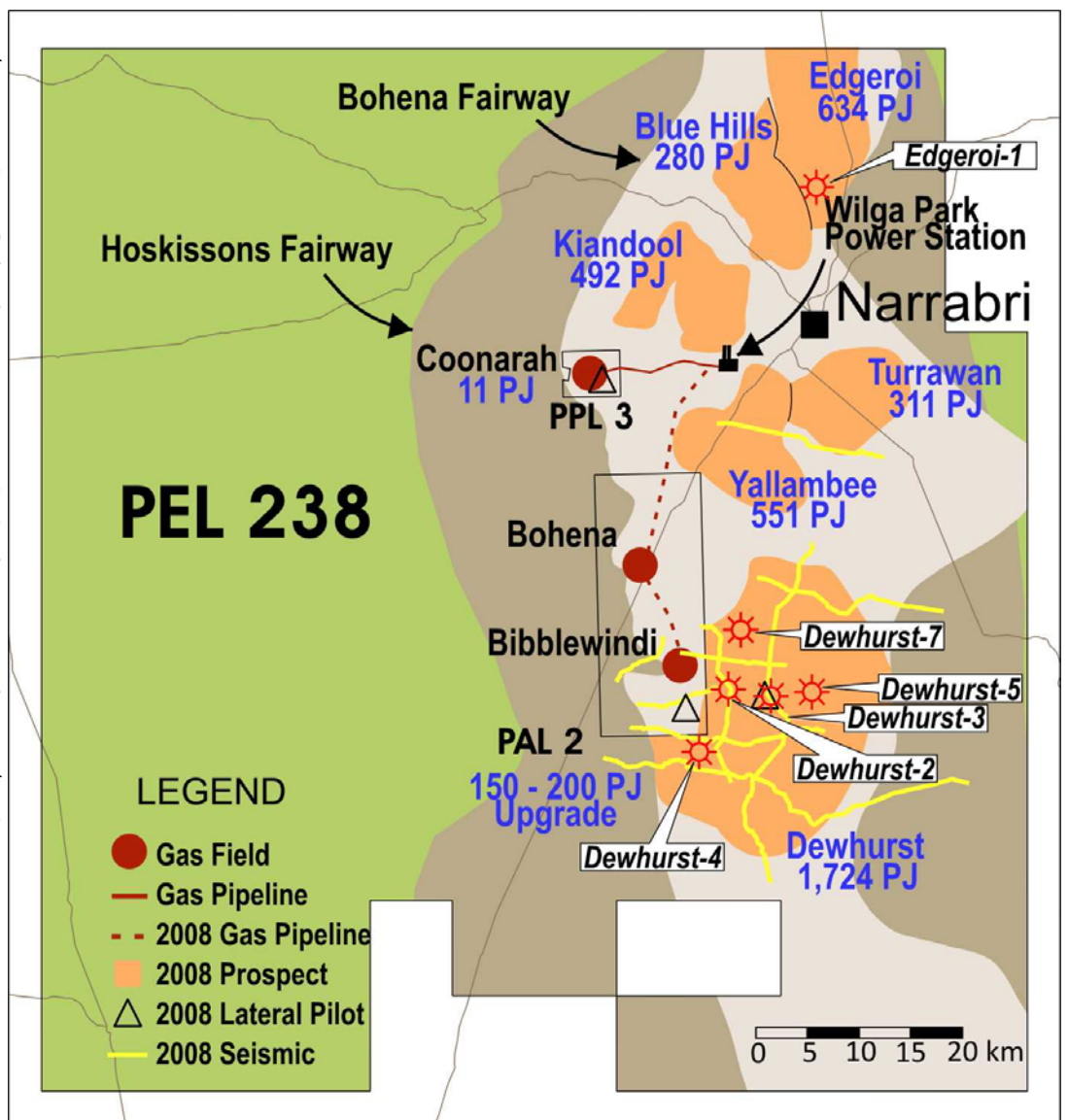
About ESG

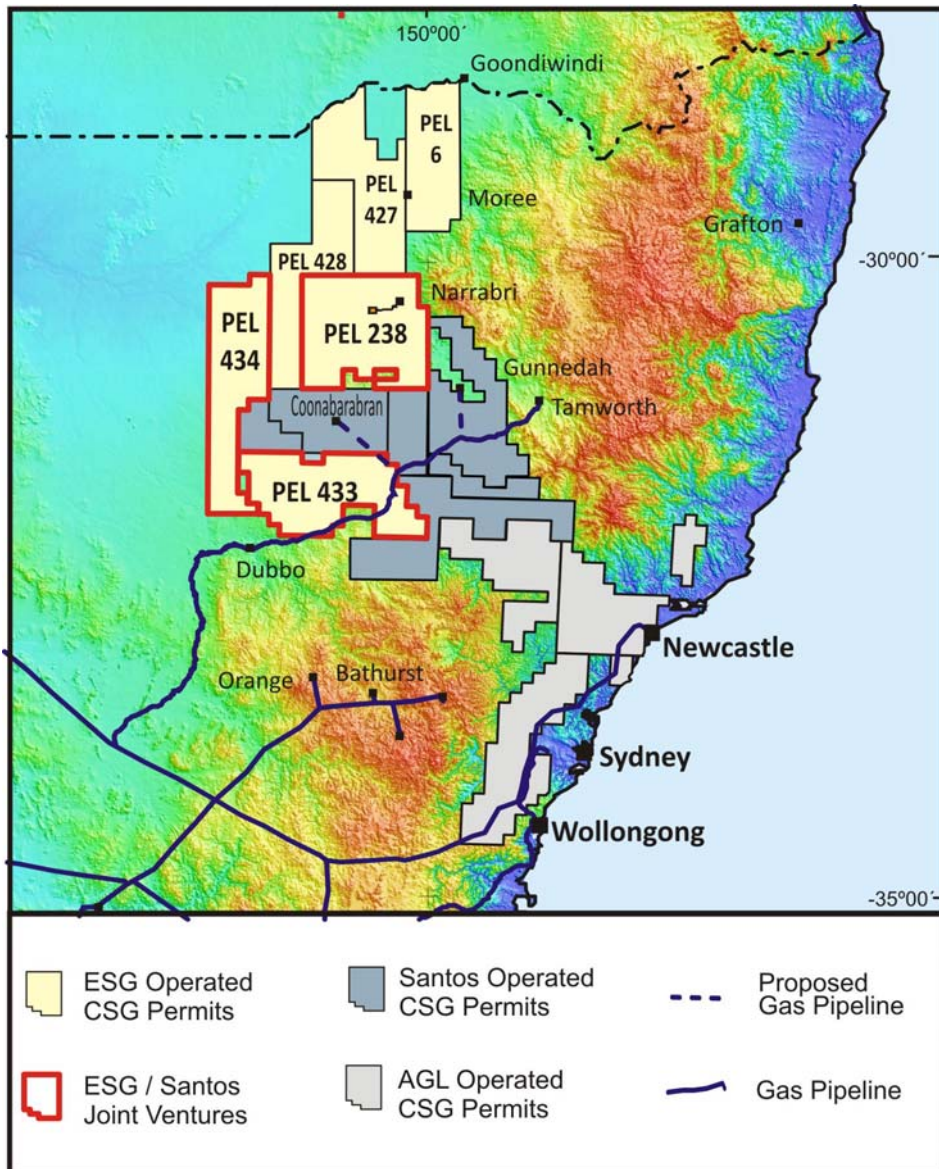
ESG is focused on exploration, development and production of coal seam gas in Australia.

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 was recently acquired by Santos Ltd (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 two locations (Bibblewindi 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 Bibblewindi 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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