

Court approves convening of shareholder meeting

Sydney, Australia - 22 September, 2011 - Eastern Star Gas (ASX:ESG; OTCQX:ESGLY) announces that the Federal Court of Australia has today approved the convening of a meeting of ESG shareholders to consider and vote on a proposal by Santos Ltd (“Santos”) to acquire all the issued ordinary shares of ESG not already held by Santos and TRUenergy Investments Pty Limited (“TRUenergy”) through a Scheme of Arrangement (“the Proposal” or “the Scheme”). Concurrent to the Scheme, Santos also proposes to acquire all ESG shares held by TRUenergy (“TRU Acquisition”).

The Scheme will be considered at the Scheme Meeting to be held at 10 am on 28 October 2011 at the Grand Ballroom No 2, Shangri La Hotel, 176 Cumberland Street, the Rocks, Sydney, New South Wales.

The TRU Acquisition will be considered at a general meeting of ESG shareholders to be held at 11 am (or as soon thereafter as the Scheme Meeting is concluded or adjourned) on 28 October 2011 at the Grand Ballroom No 2, Shangri La Hotel, 176 Cumberland Street, the Rocks, Sydney, New South Wales.

Information relating to the Scheme of Arrangement, including the notice convening the Scheme Meeting, general meeting and an Independent Expert’s Report, will be included in a Scheme Booklet which will be mailed to ESG shareholders next week following registration of the Scheme Booklet with the Australian Securities and Investments Commission and lodgement with the ASX.

A further announcement attaching the Scheme Booklet will be released by ESG following ASIC registration.

About LNGN

The LNG Newcastle Project (LNGN) is a key step in the commercialisation of the significant reserves of gas held by ESG in the Narrabri Gas Project.

ESG proposes to use electric motor driven mid-scale LNG technology at Newcastle. Pairs of 0.5 million tonne per annum liquefaction units will be installed in 1 million tonne per annum (MMtpa) trains. ESG has purchased the 24 hectare parcel of land on Kooragang Island as a site for the LNGN Project. It is envisaged the site will be capable of accommodating capacity up to 4 MMtpa.

LNG will be stored on site for loading into specially built LNG carriers. As an established port in close proximity to Narrabri, Newcastle is the stand-out location for a gas liquefaction and export project. Approvals processes, arrangements for port access, and water and electricity sourcing arrangements are being progressed

The advantages of electric motor driven mid-scale technology

The electric motor driven, mid scale, single mixed refrigerant technology offers multiple advantages, especially for LNG projects fed by coal seam gas, including:

- Low capital cost and quick construction, owing to modular design;
- High reliability, high efficiency and low environmental impact;
- Operational flexibility and train size ideally suited for coal seam gas; and
- Small footprint and low noise are ideal for Kooragang Island location.

Project ownership and timetable

ESG is working with Hitachi Ltd, Toyo Engineering Corporation and other specialist organisations with a view to committing to development of the LNGN Project by around the end of 2011 with potential for first LNG export by 2015.

It is anticipated purchasers of LNG from the LNGN Project will also take equity in Project.

Project benefits

The LNGN Project will deliver significant benefits to NSW including employment, capital investment and enhanced security of gas supply as well as Royalty income.



*Schematic of LNG Newcastle Project at Kooragang Island
(Image courtesy of Toyo Engineering Corporation)*

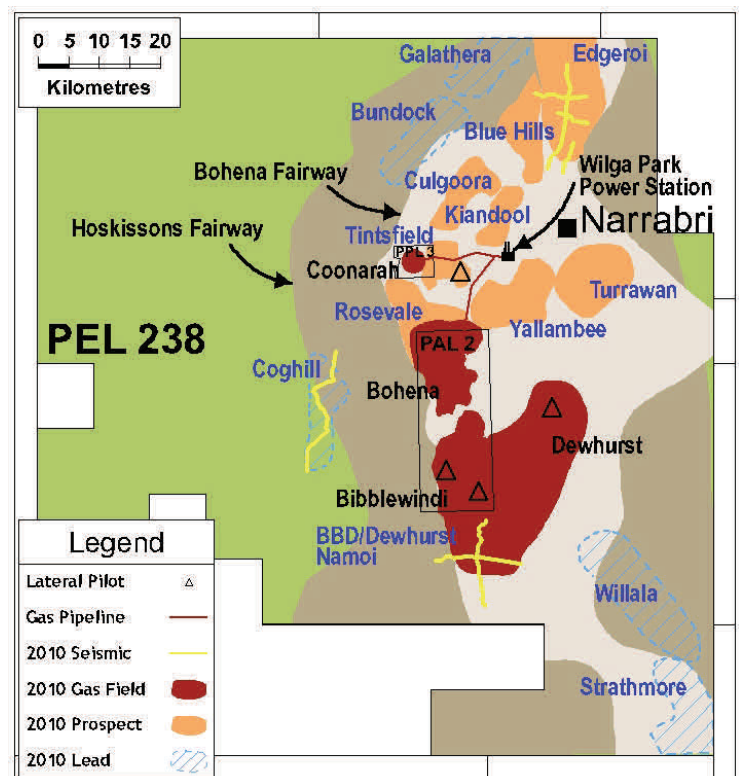
About ESG

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

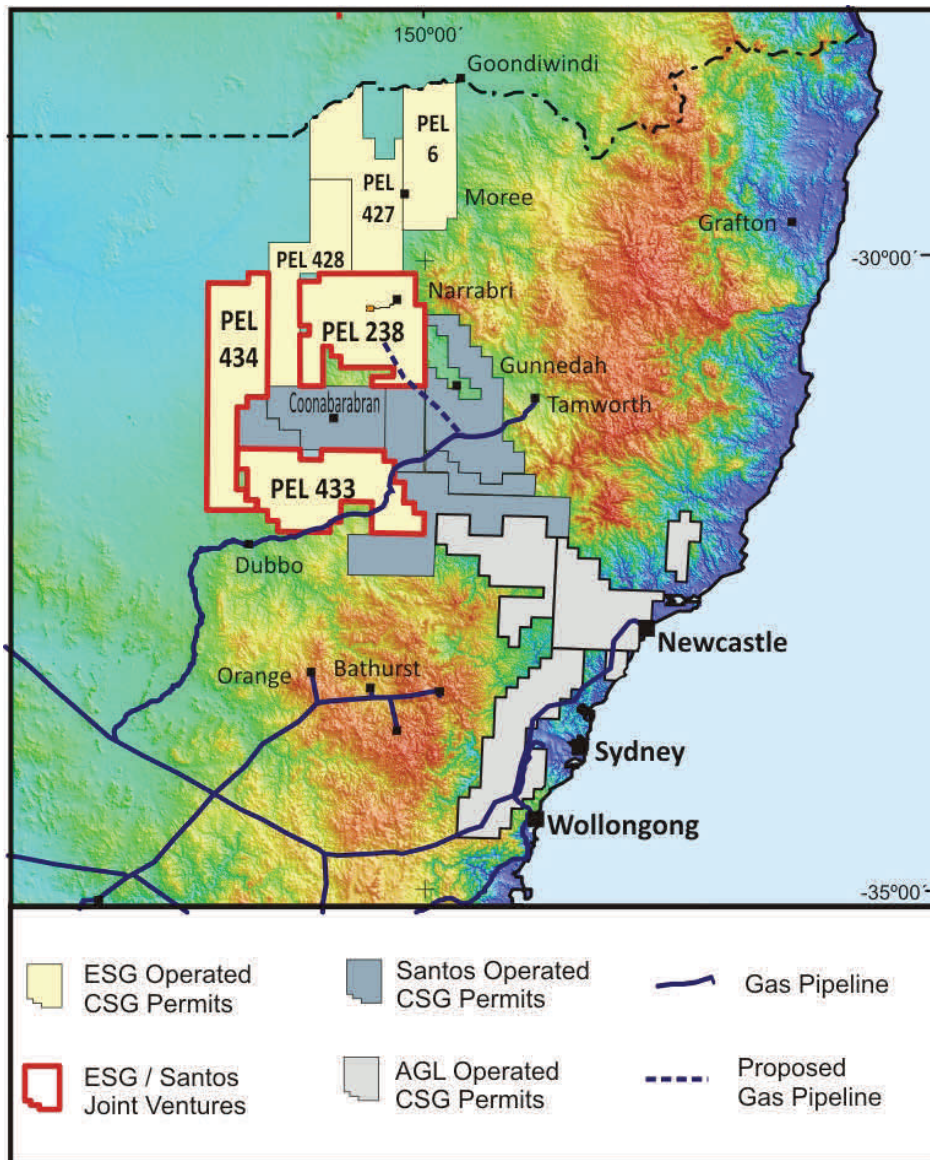
The Company's main activity, the Narrabri Gas Project, is located in Petroleum Exploration Licence 238 adjacent to the township of Narrabri in the state of New South Wales Australia. ESG holds a 65.0% interest in PEL 238 and is the Operator. The remaining 35% interest is held by Santos Limited (ASX: 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 tri-lateral pilot and Bohena vertical pilot. As at 31 December 2009, independently certified 2P reserves were 1520 PJ (of which ESG's net interest is 988 PJ). The 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. Certified 3P reserves total 2,797 PJ (of which ESG's net interest is 1,818 PJ).

Further upgrading of reserves will take place during 2011 through an ongoing corehole programme and production from multi-lateral production pilots, including new pilots to be brought on line at Dewhurst and Tintsville. Like the Bibblewindi multi-lateral pilots, the new pilots 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 Gas Project. In particular, ESG is pursuing opportunities for supply of gas to new gas fuelled power stations including one proposed for development at Wellington (south of Narrabri). The opportunity for export of liquefied natural gas (LNG) from Newcastle is also being investigated (see About LNGN). LNG exports could commence as early as 2015 at an initial level of 1 Mtpa.



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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