

**ASX ANNOUNCEMENT: 15 March 2010****MD on Further Reserve Upgrade & Strategy**

Open Briefing with Managing Director David Casey

Eastern Star Gas Limited  
Level 7, 51 Pitt Street  
Sydney NSW 2000**In this Open Briefing<sup>®</sup>, Eastern Star Gas MD David Casey discusses**

- latest reserve upgrade at Narrabri
- ongoing capital needs and opportunities
- pilot drilling progress at Tintsville

**Open Briefing interview:****[openbriefing.com](http://openbriefing.com)**

Eastern Star Gas Limited (ASX code: ESG) has upgraded its 2P (Proven and Probable) gas reserves for the Narrabri Coal Seam Gas Project in northern NSW to 1,520 petajoules (PJ) [100%-basis]. How important is this upgrade in your pursuit of Gas Sales Agreements and marketing options? What about infrastructure? Have you made any progress in these areas since the upgrade? What options are you considering?

**MD David Casey**

With the recent upgrade of gas reserves we now have in place what we consider to be the critical mass to achieve economies of scale in development of processing and downstream infrastructure, especially gas pipelines. The reserves upgrade is therefore important from a marketing perspective as it allows us to realise the best possible wellhead value.

We have commenced detailed work on environmental approvals and land access with a view to securing final approval for development of infrastructure that is required to supply gas to our target markets which as previously indicated and subject to approvals, could potentially commence in 2011.

We are currently investigating several options for sales of gas from the Narrabri CSG Project, both into the existing east coast gas market and also to new greenfield opportunities, most particularly for electricity generation.

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A significant number of new LNG projects are planned for Australia. You have also indicated interest in new ‘frontier’ opportunities including LNG. What is the status of your investigations and can we expect to see any developments over coming months? Will the reported global glut of LNG impact your planning?

**MD David Casey**

I can confirm our interest in opportunities such as LNG, methanol production and gas-to-liquids, especially now that the reserve and resource potential of the Narrabri CSG Project is so clear. In addition to realising upside for ESG shareholders, projects of this nature can deliver significant employment, investment and income benefits for NSW.

Contrary to what several industry observers suggest, the market for LNG beyond about 2013-14 is healthy. We have ourselves had multiple approaches from willing buyers. Reflecting the interest we are seeing, we are continuing to explore the potential for export of LNG. While we have an open mind regarding the best way to enter the LNG market, we are interested in investigating the potential for development of an LNG project at Newcastle. Newcastle is attractive as it is an established port and, in relative terms, is close to the Narrabri CSG Project.

We feel ESG is in the fortunate position of not only having multiple domestic marketing opportunities, but at the same time, given the size of our reserve and resource base, genuine opportunities to participate in the Australian LNG industry.

We have had a series of independent studies carried out to confirm the technical and commercial potential for export of LNG through Newcastle and, over coming months we will continue to work with Government and its agencies to determine the strategic viability of such a development.

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Given your current reserves position and commercialisation opportunities are you likely to need to raise capital in the near future.

**MD David Casey**

There is no need to raise capital in the near future. Our monthly cash spending profile will dramatically reduce from March 2010, as our focus shifts to commercialisation of current reserves, reserve upgrades from our current pilots and delineation of additional resource potential in ESG’s five other permits as well as PEL238.

Our funding requirements will obviously depend on which commercialisation opportunities we pursue. We are investigating multiple funding options for later in 2010, which may or may not include an equity component. Ultimately, ESG’s capital requirements will depend on the scale, timing and order of our commercialisation opportunities.

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ESG is presently drilling at Tintsville, west of the Wilga Park Power Station. What progress has been made so far and will the Tintsville pilot supply gas into the power station? What is the status of expansion of the power station?

### MD David Casey

The Tintsville pilot will be the first pilot to target the Hoskissons coal seam. Like the deeper Bohena and Namoi seams targeted at the Bibblewindi and Dewhurst pilots, the Hoskissons coal seam is vertically fractured. The Tintsville pilot will incorporate three single lateral wells, each intersecting one vertical production well. The Tintsville pilot will be tied into Wilga Park when required to coincide with the progressive expansion of the power station

We are presently finalising financing arrangements for the next stage expansion of the power station. On the basis of our expectations for performance of the lateral pilots, it remains our intention to expand the power station to its full approved capacity of 40 MW.

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Thank you David.

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For more information about Eastern Star Gas, visit [easternstar.com.au](http://easternstar.com.au) or call David Casey on +61 2 9251 5599.

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