



5 January 2010

Ms Suzanna Dabski
Advisor, Issuers (Sydney)
Australian Securities Exchange

By email

Dear Suzanna

Re: Price Query

We refer to your letter of 5 January 2010 in relation to the recent increase in the company's share price and volume of trading.

In relation to the specific enquiries you have raised we comment as follows:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

ESG is unaware of any specific reason for the recent increase in its share price other than reasons disclosed in its recent announcements.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Not applicable.

3. Is there any reason to think that there may be a change in the operating profit before abnormal items and income tax so that the figure for the half year ended 31 December 2009 would vary from the previous corresponding period by more than 15%?

Revenue and expenses will be comparable with the corresponding period; however other income of \$2,401,000 at 31 December 2008, relating to the sale of a 35% in the Wilga Park Power Station business and Petroleum Production Licence 3 (PPL3) assets, will not be repeated for the current half year.



4. Is there any reason to think that the Company may record any material abnormal or extraordinary profit for the half year ended 31 December 2009?

Not applicable.

5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

The most likely explanation for the price change and increase in volume in the securities of the Company would be the announcement on 22 December 2009 of early gas production from the Bibblewindi West tri-lateral production pilot in excess of 2.0 million standard cubic feet per day and recent positive research reports following that announcement.

Other explanations could be positive announcements on 15 December 2009 stating that:

- production performance from the Bibblewindi multi-lateral pilot meeting predictions with gas flow rates in excess of 600,000 standard cubic feet per day, and steadily rising
- a Concept Plan for the development of the Narrabri Coal Seam Gas Project had been lodged with the NSW Department of Planning which provides for possible future liquefaction and export of gas through Newcastle.

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

The Company confirms that it is in compliance with the ASX Listing Rules and, in particular, Listing Rule 3.1.

If the Company can be of any further assistance please do not hesitate to contact the writer.

Yours sincerely

A handwritten signature in black ink, appearing to read "I. Kirkham", written in a cursive style.

Ian Kirkham
Company Secretary



4 January 2010

Mr Ian Kirkham
Company Secretary
Eastern Star Gas Limited
Level 7, 51 Pitt Street
Sydney NSW 2000

By email: ian.kirkham@easternstar.com.au

ASX Markets Supervision Pty Ltd
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

Telephone 61 2 9227 0892
Facsimile 61 2 9241 7620
www.asx.com.au

Dear Ian

Eastern Star Gas Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from \$0.80 on 29 December 2009 to a close of \$0.935 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating profit before abnormal items and income tax so that the figure for the half year ended 31 December 2009 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.
4. Is there any reason to think that the Company may record any material abnormal or extraordinary profit for the half year ended 31 December 2009? If so, please provide details.
5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at suzanna.dabski@asx.com.au or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. before 9.30 a.m. A.E.D.T.) on Tuesday, 5 January 2010.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Suzanna Dabski
Adviser, Issuers (Sydney)