



# Eastern Star Gas Update

ASX Small to Mid Caps Conference  
Mandarin Oriental Hotel – Hong Kong

October 21 2010

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# Disclaimer

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This presentation may contain forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Investors should undertake their own analysis and obtain independent advice before investing in ESG shares.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.



# Corporate Overview

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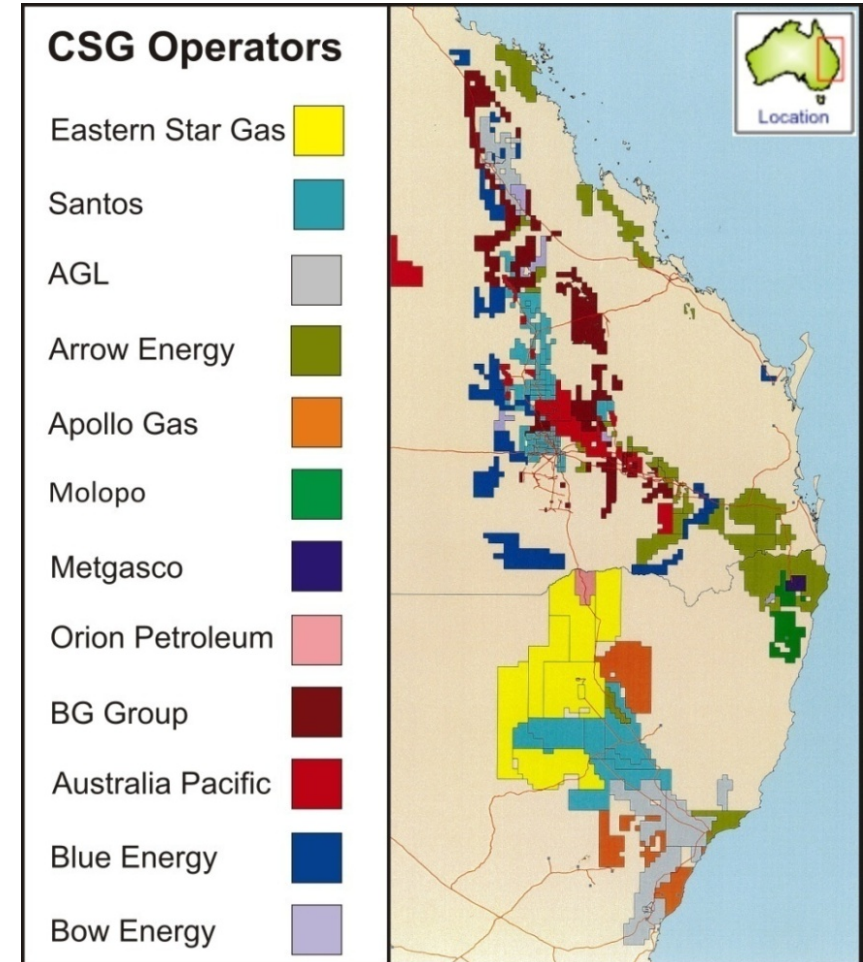
# Corporate Overview

## Company Overview

- NSW based ASX top 200 company (ASX: ESG)
- Largest east-coast CSG operator
- World-scale resource
- NSW's most advanced project
- World class management and technical team
- Clear commercialisation strategy
- Strategic partner in Santos Limited (ASX:STO)

Market Cap. (14 October 2010)	\$896 million
Cash (30 June 2010) plus net proceeds of placement	\$128 million
Debt	nil
Daily Volume (52 week average)	3.6 million

## Operated CSG Acreage Comparison



ESG's vision is to be NSW's leading supplier of natural gas

# The Year in Review

- 152 % increase in 2P certified reserves to **1,520PJ**
- 49% increase in 2P + 2C to **5,035 PJ** and 21% increase in 3P + 3C to **9,012 PJ**
- Four multi-lateral pilots now complete
- Concept plan and associated approvals submitted to NSW Government
- Expansion of Wilga Park Power Station progressing
- MoU for supply of gas to ERM Power for approved 600MW power station at Wellington, NSW (MoUs now total 1700PJ)
- Feasibility Study underway into LNG Newcastle
- Land acquired for LNG Newcastle
- \$100m fully underwritten capital raising successfully completed to fund long-term development
- **Newly signed MoU with Marubeni Corporation**



**Delivering on Expectations**



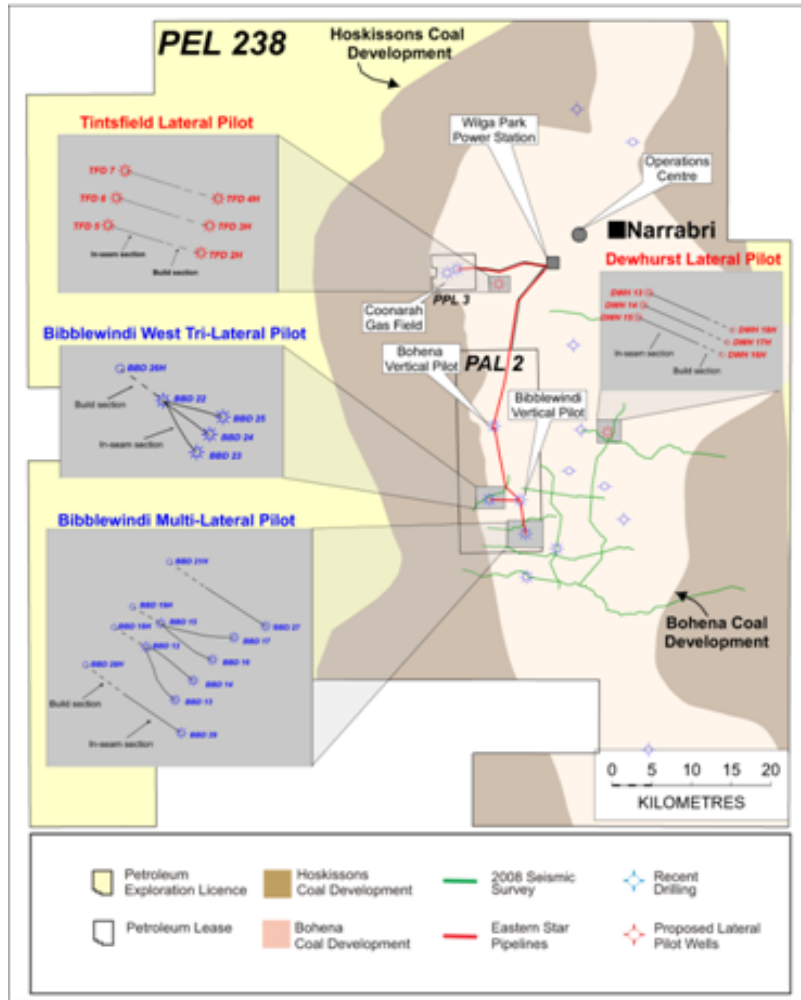
# Project Update

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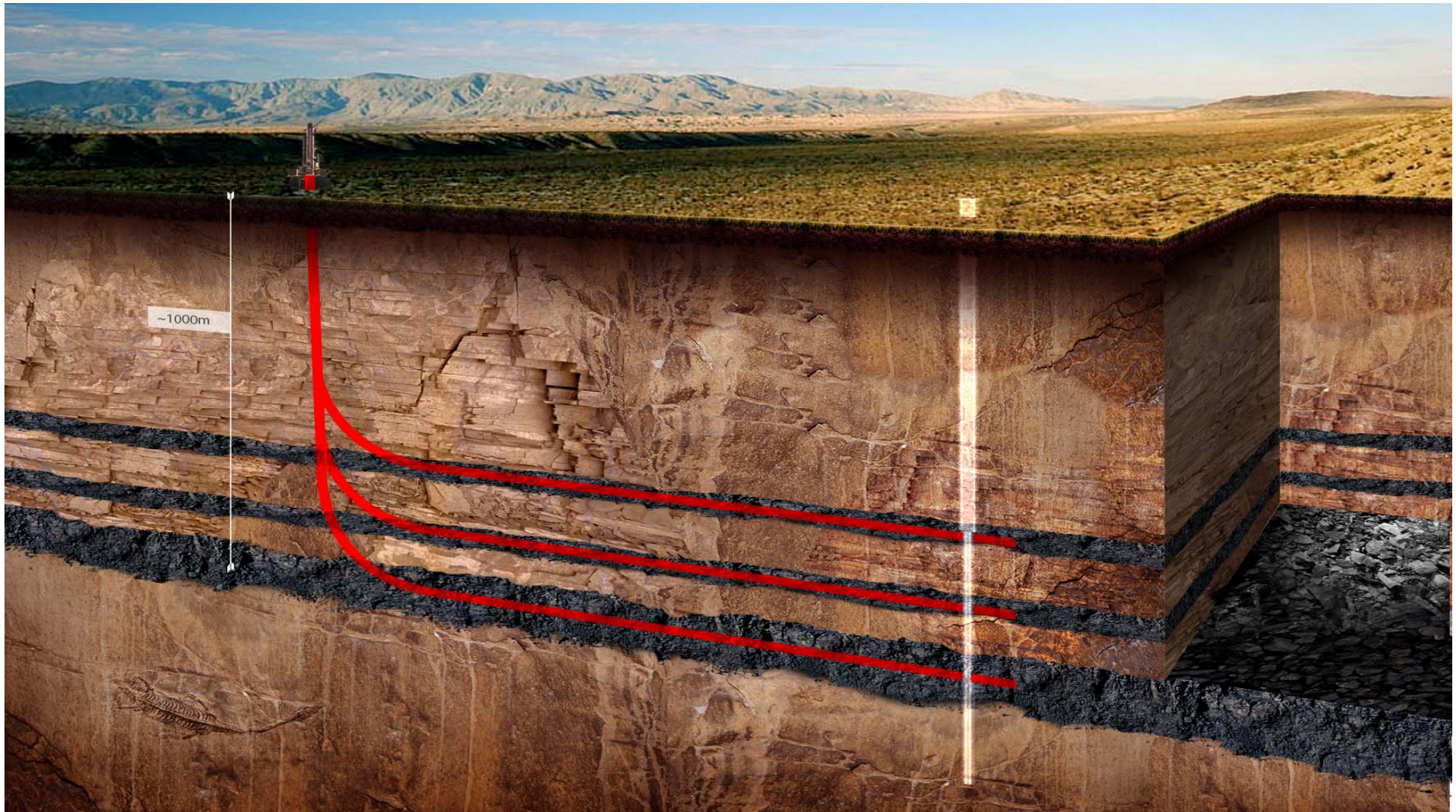
## Lateral Production Pilots



## Narrabri CSG Project - Production Pilots

- Lateral Pilots an Outstanding Success
  - ✓ Effective connection with reservoir
  - ✓ Bibblewindi West: > 2 MMscfd after 1 month
- Four pilots now complete
  - ✓ Targeting 3 separate coal seams
  - ✓ Performance in line with modelling
- Scope for ongoing refinement
  - ✓ Stacked multi-lateral wells
  - ✓ Potential for industry-leading performance

# Next development - Multi-seam Stacked Laterals



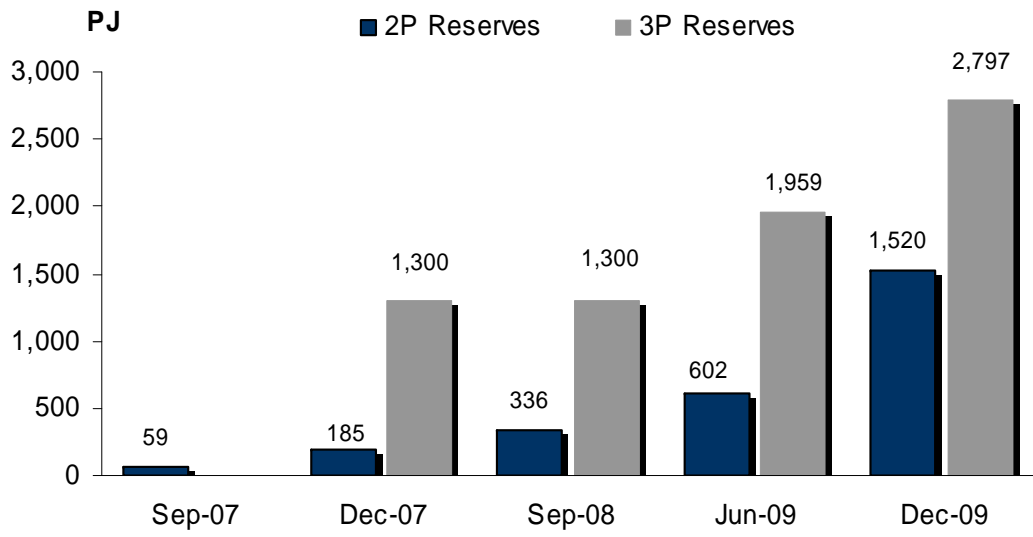
This design will maximise gas production and significantly reduce unit cost of production

# Project Potential

## Reserves & Resources are World Scale

### PEL 238 Certified Gas Reserves

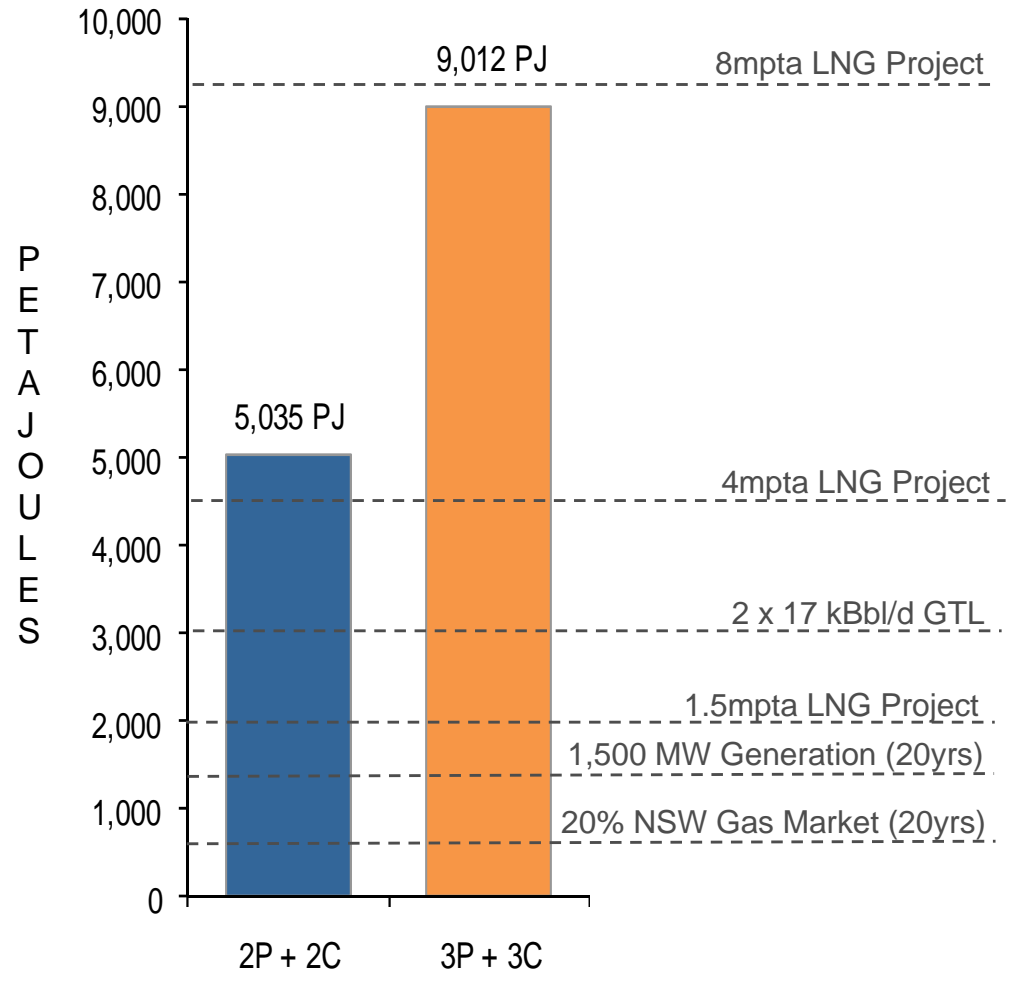
1P	2P	3P
115 PJ	1,520 PJ	2,797 PJ



### PEL 238 Certified Contingent Resources

1C	2C	3C
1,243 PJ	3,515 PJ	6,215 PJ

## Putting Reserves into Context



Progressive reserves upgrades achieved, with significant upside for reserves growth from all 3 seams



# Project Commercialisation

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# Project Commercialisation

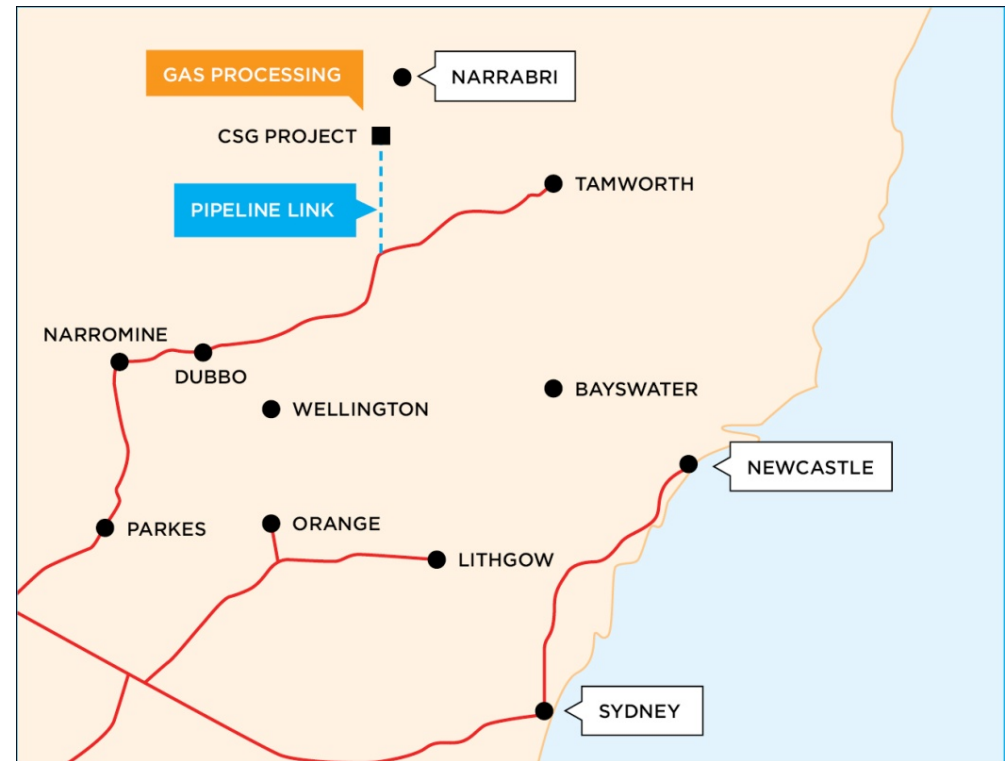
## Stage 1: Wilga Park Power Station

- Approvals in place for expansion to 40 MW
- Committed expansion from 7 MW to 16 MW
- Ongoing expansion as gas production rises



## Stage 2: Connection to Central Ranges Pipeline

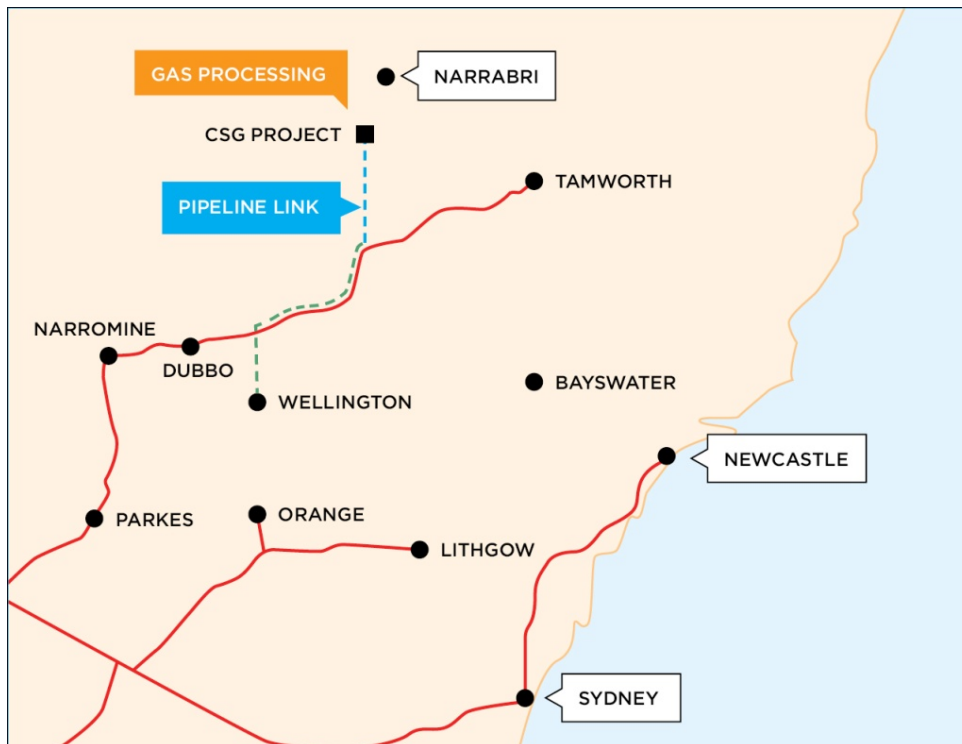
- Facilitates gas supply to any East Coast location
- 'Stepping-stone' to Stage 3 of development



Staged approach balances Reserves, Markets and Infrastructure

## Stage 3: Greenfields Opportunities

- Electricity Generation is key opportunity
- Gas pipeline extensions / expansions required



## Gas Supply to ERM Power

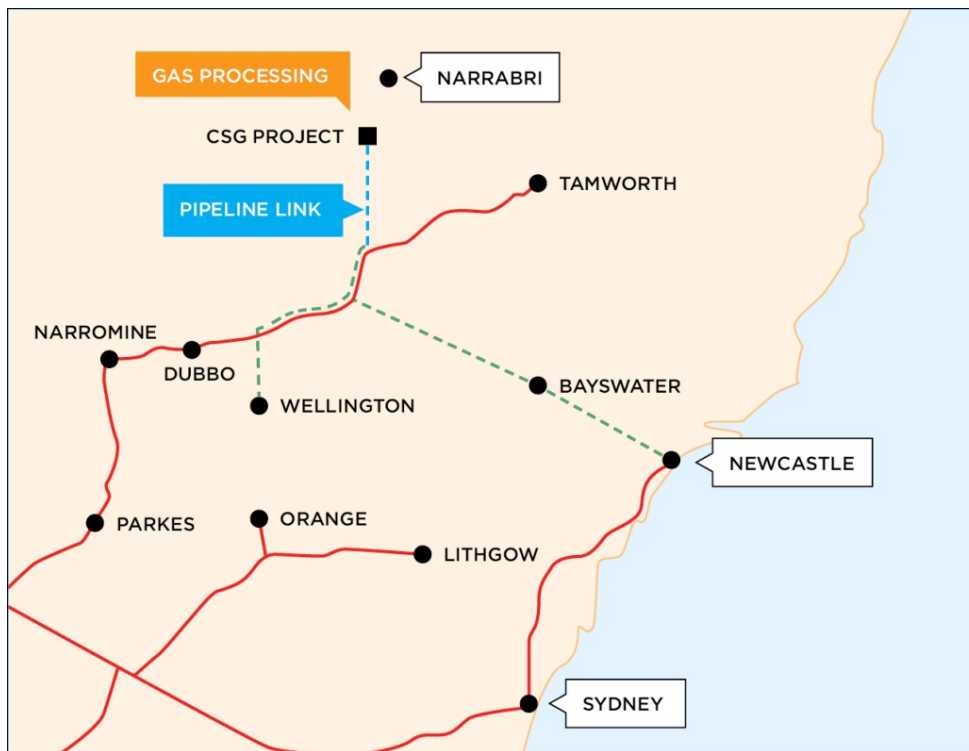
- Memorandum of Understanding in place
- Approved 640 MW power station at Wellington
- Gas requirement 20 PJ/s commencing 2013
- Pipeline access and approvals underway



Domestic Market Underwrites Project Development

## Stage 4: New Frontiers

- Liquefied Natural Gas (LNG) of particular interest
- Pursuing Newcastle based LNG opportunity



## LNG Newcastle (LNGN) Project

- Feasibility study underway with Hitachi & Toyo
- Electric-motor driven mid-scale technology
- Project site acquired ; start-up as early as 2014
- Approvals processes underway



Significant Upside Potential Beyond Domestic Market

# Liquefied Natural Gas (LNG)

## Benefits of Mid-scale LNG

- Modular construction:
  - ✓ Capital cost ~80% of world-scale
  - ✓ Construction time ~80% of world-scale
- Electric motor drive:
  - ✓ High reliability
  - ✓ Capital efficiency
  - ✓ Turn-down capability
- Mid-scale:
  - ✓ Low reserves requirement to reach FID
  - ✓ Ease of ramp-gas management

## Latest Commercial Development

- Mou signed October 14 with Marubeni Corporation
- Marubeni has extensive international LNG and pipeline experience
- The agreement will see Marubeni investigate:
  - Potential equity investment in ESG's upstream assets
  - LNG marketing and off-taking
  - Development of a pipeline to Newcastle
  - Potential equity in the LNGN Project

**Electric-motor driven Mid-scale LNG is ideally suited for CSG monetisation**



# In Summary...

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# ESG - Investment Highlights



## Large, proven resource base with continued reserves growth

- >150% increase in certified 2P reserves since last year
- Material increase in certified reserves expected for end calendar year 2010



## Clear and structured commercialisation strategy

- Wilga Park power station generates near term revenue
- Strategic location for domestic gas sales in NSW, with MoUs in place for up to 1,700PJ of demand
- LNG opportunities presents significant upside, with LNGN Feasibility Study underway



## Experienced management team

- World class technical team and management team with more than 60 years experience in CSG
- Experienced Board with well balanced technical and commercial skill sets



## Strong capital position to fund development

- Pro forma cash position of ~\$128m and nil drawn debt as at 30 June 2010
- Key shareholders include: Santos (~19%) , TRUenergy (~4%), Directors /Employees /related (~13%)



# Thank you...questions?

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