

NEWS RELEASE

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UPDATE ON LORRAINE PROJECT Folschviller 2 testing status

European Gas Limited ("European Gas") continues to test the Folschviller 2 appraisal well on the company's 100% owned Lorraine Project in eastern France, and is pleased to report on the preliminary results.

European Gas is very encouraged by these results and plans to continue testing of both the laterals with the objective of fully evaluating the fracture system and achieving sufficient drawdown to initiate a gas flow from the well.

Following the successful progress of the multi-rate single phase flow/build-up tests on both the upper and lower coal seams, European Gas is now evaluating and ranking other locations in its Lorraine Project for cost effective appraisal drilling and testing to address the significant contingent resources already identified in the Project.

Lateral testing

The well has two laterals drilled in different directions into two separate coal seams out of three seams present. The lateral in the lower drilled seam was isolated below a packer during the first phase of testing in 2009. The well was re-configured in December to allow testing of both laterals simultaneously in January and February 2010.

The water production rates from the well during the 2009 upper seam tests varied between approximately 35m³/d at which rate the fluid level in the well was steadily falling and approximately 12m³/d at which rate the fluid level in the well was rising. During the test, the pressure in the upper lateral was drawn down from approximately 8700 kPa to just below the desorption pressure, which is estimated to be approximately 3000 kPa. During these tests on the upper seam, the pump performance was managed to produce water at varying rates. Dissolved gas and some coal fines were produced at bottom hole pressures above the desorption pressure.

The January 2010 tests, in which both laterals were open, delivered a total water inflow into the well substantially higher than during the upper seam tests, noting that production was limited by pump capacity to 35m³/d. A drawdown of approximately 500kpa was obtained in a continuous 100 hour test. Some dissolved gas and coal fines were produced.

Preliminary results

A recently completed preliminary evaluation of results indicates that the upper seam could be economically productive if developed with sufficiently long laterals (>600 metres). The consolidated coal structure allows such drilling. The lower seam test and analysis confirms the existence of natural fracture systems which were intersected by the lateral wellbore and which were identified during drilling. It had been anticipated that fractures associated with large mapped faults could be present. The high water flow rates measured from the natural fractures in the lower lateral indicate that the fracture system is water saturated. Further flow testing is required to evaluate whether the zone can be effectively de-watered to enable CBM production. EGL has been advised that the water produced from the well is of sufficient quality to allow for disposal into the natural drainage system.

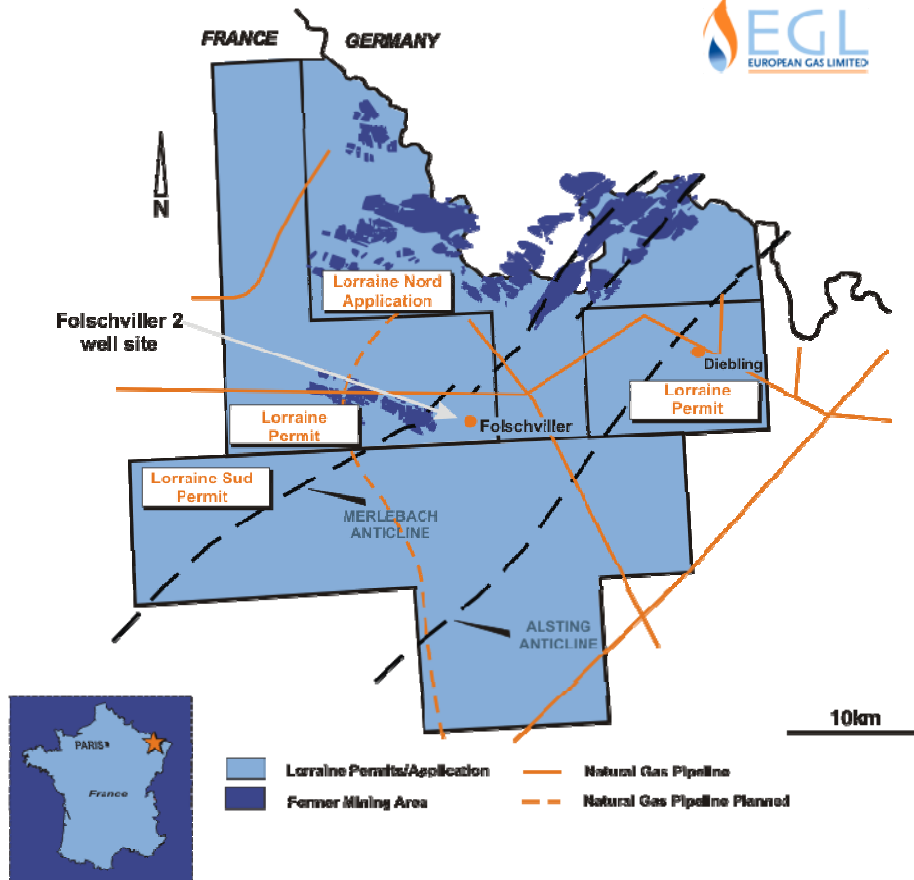


Figure 1. Lorraine Project Areas

ABOUT EUROPEAN GAS LIMITED

European Gas Limited (EGL) is a hydrocarbon explorer/developer/producer with both production and exploration projects in western Europe. The strategy of the company is to explore and develop Coal Bed Methane and Coal Mine Methane projects, particularly in France where the company has major holdings under licence and thus holds a significant competitive advantage.

EGL regards the western European natural gas market as substantial and well-priced, with an advanced infrastructure, large customer base and a free and open market.

The Company also holds hydrocarbon royalties in the Canning Basin of Western Australia.

COMPLIANCE STATEMENT

The technical information quoted in this announcement has been compiled by Mr Rod Bresnehan and geoscientists under his supervision. Mr Bresnehan is a member of the Society of Petroleum Engineers and is Chairman of the Society of Petroleum Engineering (Australia). Mr Bresnehan has consented to the inclusion in this report of the technical matters based on the information in the form and context in which it appears.

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