

## NEWS RELEASE

27 May 2011

### Entry into Production Sharing Agreement

#### Key Points:

- **EGL to conduct exploration and development operations on existing large production permit areas 'Poissonnerie' and 'Desiree' to aim for Increased Revenue and Enhanced Gas Production.**
- **Agreed 2 year timeframe for EGL to expend €1 million, after which further expenditures on 'EGL Operations' and 'Enhanced Gas Production Facilities' in respect of the 'designated areas' are to be funded as to 70% by EGL and 30% by Gazonor/Transcor France.**
- **EGL is to earn a 'Participating Interest', being a 70% interest in the 'Increased Revenue' received by Gazonor/Transcor France.**

As part of the restructure of its Convertible Notes announced on 6 May 2011, European Gas Ltd ('EGL') has entered into a Production Sharing Agreement ('PSA') in relation to 2 large production permits covering an area of 766 km<sup>2</sup> in Northern France.

The PSA is effective from 5 May 2011, and is between EGL and Gazonor SAS ('Gazonor', EGL's former operating subsidiary, which is now owned by Transcor France SAS ('Transcor France')).

The PSA is in relation to the following 2 production permits or 'concessions':

- Poissonnerie, which is 698 km<sup>2</sup> in area (including an extension of 180km<sup>2</sup> granted in January 2009) and which has a current expiry date of December 2017. Gazonor owns 2 production facilities within Poissonnerie, namely Divion and Avion.
- Desiree, which is 68km<sup>2</sup> in area and which has a current expiry date of December 2017. Gazonor owns 1 production facility within Desiree, namely Desiree.

Coal mine methane ('CMM') is currently being produced from the Avion facilities only.

By early November 2011, EGL and Gazonor will agree the first Authorisation for Expenditure proposed by EGL and the Work Program. A Budget of a minimum of €1 million has been set, being the amount that EGL is required to expend in performing Exploration Operations and Development Operations on the Work Program over a 2 year timeframe ending 5 May 2013.

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All further expenditures on 'EGL Operations' and 'Enhanced Gas Production Facilities' are to be funded as to 70% by EGL and 30% by Gazonor SAS.

Once the first €1 million has been expended by EGL, EGL will receive a 'Participating Interest', being a 70% undivided interest in the 'Increased Revenue'. 'Increased Revenue' is increased revenue received by Gazonor/Transcor France which is directly attributable to the 'Enhanced Gas Production' (as defined in the PSA) net of any costs which are attributable to the extraction or sale of the 'Enhanced Gas Production' and which have not either been funded by EGL (or under the 70/30 funding split).

The PSA ends on the earlier of the permits expiring or 24 January 2031.

Gazonor SAS will remain the operator of the 2 permits and responsible for the extraction and sale at arm's length prices of CMM and CBM from the permits.

Executive Chairman Julien Moulin said "EGL is really looking forward to working with Gazonor/Transcor France to achieve Enhanced Gas Production on the Poissonnerie and Desiree concessions and thereby participate in unconventional gas production in France".

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#### ABOUT EUROPEAN GAS LIMITED

European Gas Limited (EGL) is a Europe focused unconventional hydrocarbon Exploration Company. EGL currently owns several significant assets in Western Europe most notably in France and Italy.

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