

## NEWS RELEASE

31 March 2010

### FUNDING SUPPORT FROM PRIVATE INVESTOR

The Directors of European Gas Ltd ('the Company') wish to announce that they have entered into an agreement to borrow A\$2.5 million interest free from a High Net Worth Private investor (a client of a European private bank) ('Loan') in order to assist the Company with working capital requirements in the near term.

The key features of the Loan are:

- Drawdown's will be in two tranches of \$1M on 30 March 2010 and \$1.5M on 31 May 2010
- The Loan is unsecured and is expressly subordinated to the Convertible Notes issued to Transcor Astra Luxembourg SA
- The Loan is interest free
- The Loan is repayable on 31 March 2011, with a right to repay the Loan early, and with a best endeavours obligation to repay the Loan out of the proceeds of any equity raising of more than A\$10M.
- The Loan is subject to normal commercial default clauses.

As consideration for making the Loan, the Company has agreed to issue the lender 25,000,000 million short-dated options to acquire ordinary shares in the Company ('Options').

The key features of the Options are:

- Expiry date: 31 March 2011
- Exercise price: 18 cents, or 12 cents if exercised on or before 30 September 2010

In the Company's half yearly report for the 6 months ended 31 December 2009, it was advised, in the context of being actively engaged in a process to refinance or restructure the Convertible Notes, that the Directors of the Company had approved indicative terms for a Memorandum of Understanding ("MOU") with a consortium of interested parties based in Europe. The terms of the MOU and the identity of the parties to it remain confidential at this time, it is expected that a signed MOU will be concluded in the near future.

The proposal contemplated by the MOU remains incomplete and subject to further negotiation, the Company is hopeful, however of having agreements in place during the second quarter of 2010.

In view of the ongoing process to refinance or restructure the Convertible Notes, the Directors are currently of the view that it is not appropriate for the Company to issue ordinary shares at current low market prices.



---

## **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.

**For further information please contact:**

**Corinne de Conti**

Public Relations Manager      cdeconti@europeangas.fr

or refer to the European Gas Limited web-site: [www.europeangas.fr](http://www.europeangas.fr)