



NEWS RELEASE

2 February 2011

MHA REVIEW OF EGL's LORRAINE CBM ASSETS

European Gas Limited ("EGL") announced in October last year that it had engaged MHA Petroleum Consultants ("MHA") of Denver to provide an independent estimate of resources and an update of the reserves status with recommendations for future exploration and testing.

Following the engagement, EGL commissioned MHA to carry out an independent assessment of part of its eastern France ("Lorraine") exploration area, specifically the Alsting Anticline in the Eastern part of EGL's concessions . ("Alsting anticline" - refer Figure 1)

Results of the MHA review have been received and the study confirms the exciting prospectivity of this region, with Contingent Resources of C1 (40BCF), C2 (2.35 TCF) and C3 (7.91 TCF) assessed for the study area.

MHA also reviewed the previous well tests on EGL's Folschviller #2 exploration well, which EGL plans to place on production test during the first half of 2011.

The Executive Summary from MHA is attached.

Peter Cockcroft, CEO, stated *"this independent assessment by such a reputable company as MHA has confirmed not only the exciting upside potential of our coal bed methane licences, but will also assist EGL with the design of the forthcoming production testing program. As this region is in a robust, high price gas market, commercial development of these resources could be advanced more quickly than in an Australian context.."*

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 unconventional hydrocarbon resources with a focus on shale gas, Coal Bed Methane and Coal Mine Methane projects, particularly in France where the Company has major holdings under licence.

For further information please contact:

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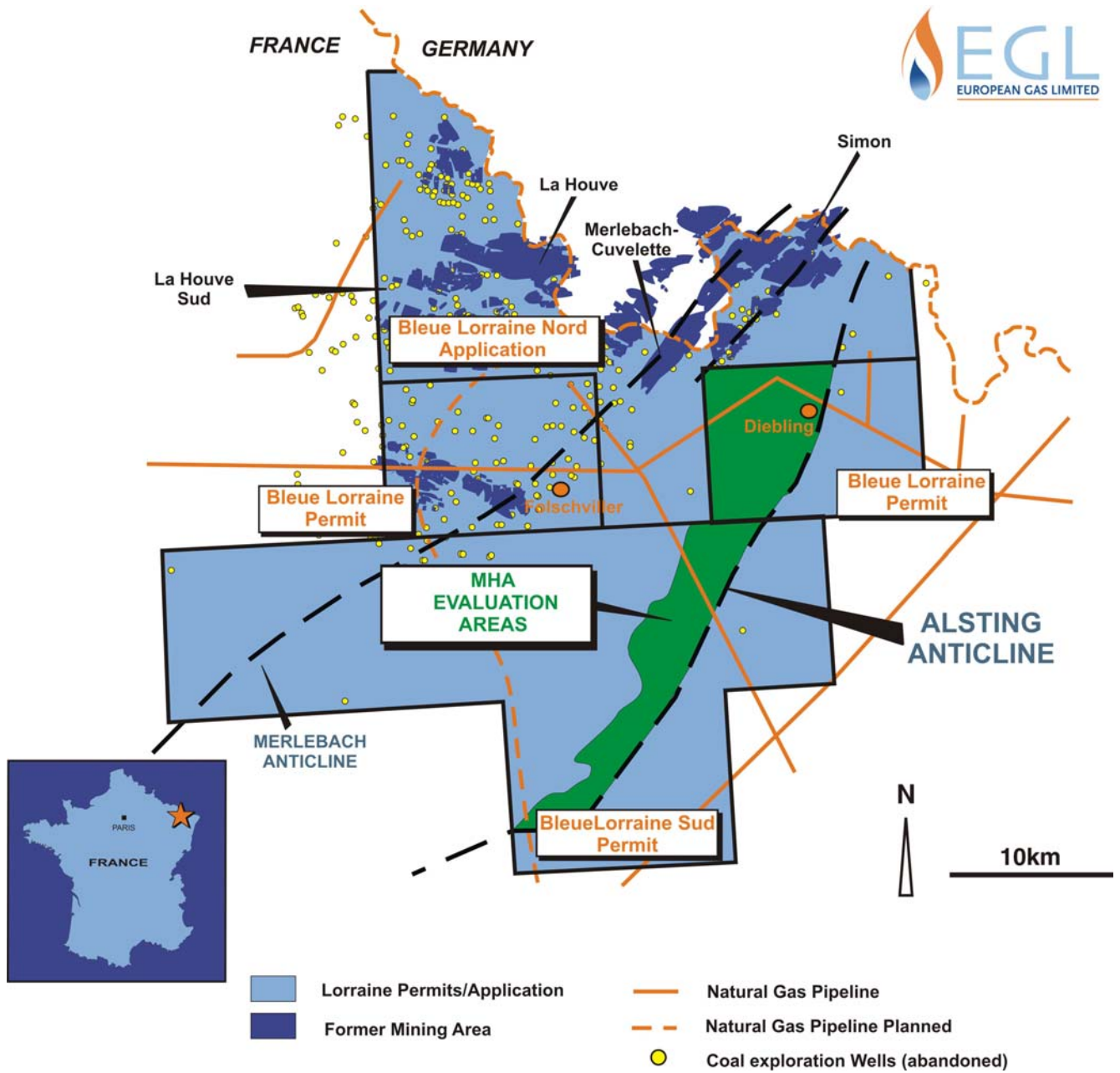


Figure 1. Lorraine Exploration Area 'Alsting Anticline'



26 January 2011

Mr. Peter Cockcroft
European Gas Limited
2 Rue de Metz
57800 Freyming-Merlebach
France

Dear Mr. Cockcroft:

Per your request, this letter provides a brief summary of MHA's evaluation of the Contingent Resources held in the coals of the Alsting anticline of the EGL Lorraine prospect located in northeastern France and review of the analysis of the flow test and buildup of the Folschviller 2 well, located on the Merlebach anticline in the same prospect.

The Alsting anticline structure lies in the eastern part of the Bleue Lorraine and Bleue Lorraine Sud exploration permits and is one of the two major anticlinal features on the property. This evaluation covered an area of approximately 110 square kilometers with the 788 square kilometer permit.

Contingent Resource estimates for coals of the Alsting anticline

Coal reservoir properties and structure of the Alsting anticline were utilized to estimate Original Gas in Place (OGIP) and thence Contingent Resources held in the coals of the Alsting anticline. Comparison of coalbed gas contents and gas compositions from desorption tests with laboratory isotherms indicated coals in the subject area are saturated with a mixture primarily composed of methane gas. This allowed calculation of gas content at a given depth using the average Diebling methane sorption isotherm and the pressure gradient.

Gas composition data for this prospect are sparse with only four samples available, each from a different seam in the Diebling well and each taken at an unspecified time in the desorption test. Based on these data, the Diebling methane isotherm and analogous Warrior Basin methane and CO₂ isotherms, the methane fraction of the gas mixture sorbed to these coals could reasonably be expected to vary between 93.5% and 86.6% with an average value of 90.1%.

Very limited coal density data for this prospect are available at the current time so this evaluation employed bulk densities calculated from proximate analyses.

A Petrel geologic model provided by EGL was utilized to calculate reservoir volumes on the Top Westphalian seismic depth surface for 200 m depth intervals along the Alsting anticline. The calculated gross interval volumes were used in the coalbed OGIP determination.

Recent drilling by EGL on the Alsting anticline (Diebling well) have shown that the Westphalian coal measures can be correlated from the Bening mine area located to the west onto the Alsting anticline. Coal depth and thickness data from 60 surface mine coreholes and exploration wells on and around the Alsting anticline were parsed by 200 m depth intervals and correlated to the gross interval volumes calculated in Petrel. The Westphalian coals are predominantly thin, frequently on the order of 1 m or less, with very limited occurrences of thicker coals. This reservoir architecture fits with the depositional model of Carboniferous age lacustrine coals.

Attempts to fit coal thickness distributions with Crystal Ball software in anticipation of Monte Carlo OGIP simulations were not successful as sample populations of net coal thickness were too sparse to capture the full heterogeneity of these coals. Consequently net-to-gross ratios were calculated for each 200m depth increment on the Top Westphalian surface using the net coal thickness within the respective depth intervals. A deterministic approach utilizing minimum, maximum, and mean coal thickness was used for calculating OGIP.

Original Gas in Place for each layer was calculated as the product of coalbed gas content, methane fraction of the sorbed gas, coal density, gross reservoir volume, and the coal net to gross ratio. Summing OGIP volumes for individual layers yielded Original Gas in Place for coals of the entire Alsting anticline. Use of extreme and most likely values of these parameters led to low, most likely, and high OGIP volumes.

These OGIP volumes can be classified as Contingent Resources, compliant with Petroleum Resource Management Systems (PRMS) definitions, with the caveat that recovery factor is one of the contingencies to be resolved for commercial development of the subject prospect. Other contingencies include but are not limited to areal and stratigraphic distribution of coal seam gas content and permeability and development of a commercial completion technology. Thus, the 1C, 2C, and 3C Contingent Resources held in the coals of the Alsting anticline are estimated to be 11.3 b m³ (0.40 tcf), 66.6 b m³ (2.35 tcf), and 223.9 b m³ (7.91 tcf), respectively.

Folschviller 2 flow test and buildup analysis review

The Folschviller 2 well is located on the Merlebach anticline and completed with two laterals in adjacent coal seams. A production test of the number 2 lateral, completed in the Alpha Beta Gamma seam, in 2008 yielded only water and in November of 2009 a controlled pump off to observe the desorption pressure was conducted. Interpretation of the buildup portion of the test was complicated by long lasting wellbore storage effects which persisted until shortly before the derivative trace was influenced by the boundaries. Analysis of the very short pseudo-radial flow period between the end of wellbore storage and the onset of boundary influences gave a horizontal permeability of 1.7 md. As this test was conducted above desorption pressure and produced only water, no gas, the reported permeability of 1.7 md is absolute horizontal permeability of the coal. Test data were not sufficiently clear to resolve the estimated blended

permeability into directional permeabilities. Horizontal wells are increasingly being used to evaluate and develop low permeability reservoirs.

The Folschviller 2 well is located between a water bearing fault on the east and an untested fault on the west, both trending roughly North-South. The number 2 lateral is aligned roughly East-West in the Alpha Beta Gamma seam. Late time behavior of the buildup was matched with parallel boundaries, a no-flow boundary about 250 m from the wellbore and a constant-pressure boundary about 450 m distant, both perpendicular to the lateral. While these boundaries are admittedly non-unique, they do roughly correspond with the current geologic model.

Initial reservoir pressure was 8.73 MPa (1266 psia) at a depth of 974 m. The coals are slightly underpressured with a gradient of 8.86 kPa/m (0.392 psi/ft).

The -5.3 skin factor from this analysis, indicative of a highly stimulated wellbore, is based on the reported lateral length of 222 m. Further interpretation is difficult as the lateral was twice sidetracked to remain in the coal seam.

I hope you find this summary useful. Please feel free to contact me if you have any questions or wish to discuss details. We are continuing our efforts to provide EGL with a draft report by the middle of the coming week.

Sincerely,



Joan Tilden
Senior Geoscientist



John P. Seidle
Vice President

