

NEWS RELEASE

6 May 2011

COMPLETION OF THE SUCCESSFUL RESTRUCTURING OF THE CONVERTIBLE NOTES ISSUED TO TRANSCOR ASTRA LUXEMBOURG ON 28 DECEMBER 2007

European Gas Limited (EGL) is pleased to announce that, further to the Restructuring Framework Agreement announced on 7 February 2011, it has completed the full restructuring (retirement) of the Notes issued to Transcor Astra Luxembourg S.A. (Transcor) on 28 December 2007, through a set of transactions and agreements entered into on 5 May 2011, with the effect of obtaining the immediate and full discharge (retirement) of the Notes.

The restructuring of the Notes has been implemented through the combination of the following:

- (i) subscription by Transcor for 22,000,000 EGL shares at AUD 0.50 per share. All EGL shares issued to Transcor will be subject to a 6 months' restriction period;
- (ii) granting to Transcor of a 12 month option to subscribe for 20,000,000 EGL shares at an exercise price of AUD 0.50 per share;
- (iii) sale of 100% of the Gazonor shares to Transcor France SAS, a wholly owned subsidiary of Transcor;
- (iv) sale of the Company's equity interest in European Gas Benelux (EGB) representing 50% of the shares and voting rights of EGB to Transcor;
- (v) granting by Transcor to EGL of a right of first refusal over any CBM, tight or shale oil and gas projects sourced by EGB in the Benelux area;
- (vi) entering into farmout and joint operating agreements with Gazonor in respect of the Sud Midi and Valenciennois exploration permits; and
- (vii) entering into a production sharing agreement with Gazonor in respect of the Poissonnière and Désirée production permits.

Shareholder approval of the Note restructuring and Gazonor Disposal was obtained on 28 March 2011.

As a result of the subscription for shares, Transcor now holds 27,823,434 shares representing close to 11% of the Company's issued ordinary shares.

Executive Chairman Julien Moulin said "Our successful restructuring of the Notes is an extraordinary outcome which should position European Gas with the necessary capital structure to navigate the current market conditions and look to the future with confidence."

"With the Gazonor sale and Note restructuring now complete, EGL is evidently well positioned to explore and develop its large portfolio of prospective assets in a very favourable gas market in Europe," stated Gauthier De Potter, Director at Transcor. "We are very excited to partner with EGL's team to position the company for long-term success and to support its growth initiatives."

EUROPEAN GAS LIMITED

ABN 75 075 760 655

Suite 8, 7 The Esplanade
Mt Pleasant WA 6153, Australia

T +61 8 9316 9100

F +61 8 9315 5475

Mr. Moulin further commented, "Transcor's substantial investment in the business demonstrates their confidence in our team, the quality of our assets, our business plan and our ability to grow the business in the future. We are pleased to have a new anchor shareholder that is enthusiastic about the future of the business and is also committed to our success."

The Directors advise that the Company will remain suspended from quotation in the short term, as they will now work to finalise a number of post completion tasks over the coming weeks, including the conversion of an unsecured loan which, as previously announced, has had its maturity extended to 31 May 2011 in conjunction with a share issue. The Company will make further announcements with respect to post completion matters and also the details of the farmout and joint operating and production sharing agreements as soon as possible.

The Company advises that the timeframe for the suspension is dependent upon finalization of the post completion matters and the implementation of the proposed share issue. The Company will continue to keep the market informed of material developments as they occur and will seek the lifting of its current voluntary share suspension as soon as practicable.

ABOUT EUROPEAN GAS LIMITED

European Gas Limited (EGL) is a hydrocarbon explorer/developer with substantial projects in Western Europe. The strategy of the Company is to continue to explore and develop unconventional hydrocarbon resources in Europe.

For further information please contact:

Julien Moulin, Chairman

T: + 33 (0)3 87 04 32 11

Email: info@europeangas.com.au

EUROPEAN GAS LIMITED
ABN 75 075 760 655

Suite 8, 7 The Esplanade
Mt Pleasant WA 6153, Australia

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F +61 89316 5475

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