

ASX RELEASE

2 October 2012

Royalty Interest in Canning Basin

European Gas Ltd (the 'Company') makes the following release.

The Company holds a 2% royalty interest (Royalty Interest) in 9 permits in the Canning Basin, including EP 391. EP 391 is currently held by Buru Energy Limited (50%) and Diamond Resources (Fitzroy) Pty Ltd (50%), and operated by Buru Energy Limited.

The Company confirms it recently received its first ever quarterly royalty payments under the Royalty Interest in respect of EP 391 Ungani production for the quarter ended 30 June 2012.

Following the receipt of the small first royalty payment, the Company reviewed the terms of the Royalty Interest, and in particular, the basis for calculation of the royalty payments.

As a consequence of this review, the Company is of the view that the Royalty Interest is a 'gross' royalty rather than a 'net' royalty. Payments received to date have been calculated as a 'net' (50%) royalty and consequently the Company has recently formally advised the holders of EP 391 of this view. The holders of EP 391 have advised that they do not agree with the Company's view.

Previous statements by the Company back to 2006 describing the Royalty Interest as a 'net well head royalty' are acknowledged. However, prior to the recent making of payments under the Royalty Interest, the Company, having regard to its other assets and activities, has not previously had the need to closely examine the basis for calculation of the 2% royalty.

The Company will continue discussions with the holders of EP391 to resolve the proper basis for calculation of the 2% royalty.

Sebastian Hempel
Executive Director

About the Company

The Company holds royalty interests in 12 permits in the Canning Superbasin via 2 separate royalty contracts (one of which is the Royalty Interest covering 9 permits, including EP 391, as indicated above). Blina oil field 'net' royalties from Production Licence L6 continue to be received by the Company on a monthly in arrears basis at a 3% rate under the other royalty contract covering 3 permits.

The Company has recently completed a partial demerger of its European operations by way of a very large buy-back of the Company's shares, which shares were cancelled on 26 July 2012 leaving the Company with just over 75 million shares on issue. The Company continues to own just over 25% of those European operations by way of a shareholding in an unlisted public company incorporated in England and Wales. The Company has other assets and contracts giving it an exposure to the conventional and unconventional oil and gas sector.