

## NEWS RELEASE

27 May 2011

### Farmout Agreements in Northern France

#### Key Points:

- **EGL to earn a 70% Participating Interest in 2 large exploration permits covering a total area of 1,361 km<sup>2</sup> in Northern France.**
- **€2.795 million to be spent over 2 years on earning the 70% interests.**
- **EGL is acting as the operator and conducting operations for each Permit as from now.**

As part of the restructure of its Convertible Notes announced on 6 May 2011, European Gas Ltd ('EGL') has entered into Farmout Agreements in respect to 2 large exploration permits covering a total area of 1,361 km<sup>2</sup> in Northern France.

The Agreements are between EGL, Gazonor SAS ('Gazonor', EGL's former operating subsidiary, which is now owned by Transcor France SAS ('Transcor France')) and EGL's new substantial shareholder Transcor Astra Luxembourg SA.

The Agreements are in relation to the following exploration permits, each held by Gazonor:

- "Valenciennois Permit", which is 432 km<sup>2</sup> in area and which Permit has a 5 year term commencing from September 2009.
- "Sud-Midi Permit", which is 929 km<sup>2</sup> in area and which Permit has a 5 year term commencing from June 2010.

EGL as Farmee will be required to meet the following expenditure commitments in consideration for earning its Farmin Interest from Gazonor:

- Valenciennois: €795,000 (of which €695,000 is the expenditure requirement set out in the Permit); and
- Sud-Midi: €2 million (of which €1.9 million is the expenditure requirement set out in the Permit).

#### *Interim Period*

The Interim Period has now commenced and so EGL is (as Gazonor's delegate) acting as operator and conducting operations as Farmee in respect of both Permits. Within three months, EGL must prepare and submit to Gazonor/Transcor France for approval the initial expenditure authorisation (AFE) and the proposed Work Program and Budget for expenditure of the Consideration on relevant permit areas for the period up to the 'Final Consideration Date' (approximately 2 years from the date the Farmor and Farmee agree the Work Program and Budget).

The initial Work Program is currently in planning.

**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

[www.europeangas.com.au](http://www.europeangas.com.au)

#### *Farmin Interests*

Subject to meeting the terms of the Farmout Agreements it is intended that EGL will earn a 70% Participating Interest in the rights and obligations on each Permit (and each permit area).

#### *Effective Date*

Once EGL has certifiably contributed the full amount of the Consideration (for a Permit) there becomes an 'Effective Date' for the assignment of the Farmin Interest. From the Effective Date, EGL and Gazonor are deemed to have established a joint venture in relation to all operations authorised to be conducted under the Permit and each of them will be entitled to participate in the rights, benefits and privileges in the Permit, as to 70% EGL and 30% Gazonor. Once the Effective Date occurs, each party must execute the Joint Operating Agreement (which is already in definitive agreed form) and Gazonor must execute and deliver an 'Assignment' document to EGL which EGL will then lodge with the Government (unless an early assignment has occurred at EGL's request).

#### *Joint Operating Agreements (JOAs)*

Execution of the JOA upon reaching the Effective Date for a Permit will bring the current Interim Period to an end. The JOAs contain customary provisions dealing with respective rights and obligations with regard to operations under the Permits, including the joint exploration, appraisal, development, production and disposition of Hydrocarbons from the 'permit area'. The initial Participating Interests under a JOA are 70% EGL and 30% Gazonor. EGL is the designated Operator under each JOA and as such will have exclusive charge of and shall conduct all 'Joint Operations'. An Operating Committee comprising 1 representative of each of EGL and Gazonor will authorise and supervise Joint Operations.

Executive Chairman Julien Moulin said "We are excited to further develop our relationship with Transcor by doing a farm-in on the Sud Midi and Valencionnois permits. The Agreements are a significant step in the execution of EGL's growth strategy and should become a strong source of value for our shareholders."

The Board of EGL is very pleased to be able to have the opportunity to earn a 70% interest in each of these attractive and large exploration permits.

For further information please contact:

Julien Moulin, Chairman

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

Email: [info@europeangas.com.au](mailto:info@europeangas.com.au)

#### **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.