

NEWS RELEASE

3 August 2009

HEADS OF AGREEMENT WITH EDF SUBSIDIARY POTENTIAL ELECTRICITY GENERATION DEVELOPMENTS GAZONOR PROJECT, FRANCE

HIGHLIGHTS

- **Heads of Agreement entered into with Verdesis a subsidiary of EDF Energies Nouvelles, a market leader in renewable energies in Europe and North America.**
- **EDF Energies Nouvelles is a 50% subsidiary of major electricity player, the EDF Group.**
- **Agreement seeks commercial arrangements for the potential development of electricity generation projects at the Company's 100% owned Gazonor Project**

AGREEMENT

European Gas Limited ("European Gas" or "Company") is pleased to announce that it has entered into a Heads of Agreement ("Agreement") with Verdesis S.A, a subsidiary of EDF Energies Nouvelles S.A., a market leader in renewable energies, for the potential development of electricity projects within the Company's 100% owned Gazonor Project in northern France.

The Agreement is preliminary in nature and covers the exclusivity for the Company and Verdesis (jointly "the Parties") to seek a commercial arrangement for electricity developments at Gazonor. The exclusivity period extends to 30th November 2009 and includes the sites comprising the current coal mine methane production operations at Avion, Divion and Désirée.

The agreement does not cover other areas of potential coal mine methane developments, nor other hydrocarbon developments including coal bed methane within the Gazonor permits.

The Parties endeavour to formulate the structure of a commercial arrangement which may include the definition of a gas off-take agreement, the development by Verdesis of electricity generation capacity at each production site and other commercial parameters.

There are no guarantees that a commercial arrangement will be completed between the Parties.

Considering the greenhouse gas mitigation properties of the Gazonor operations, the development of the electricity projects will have substantial environmental benefits.

EDF Energies Nouvelles is listed on the Euronext Paris (EEN) and is a 50% owned subsidiary of the EDF Group, a major player in the European energy industry.

ABOUT EUROPEAN GAS LIMITED

European Gas Limited is a hydrocarbon producer/developer/explorer with projects in western Europe. The strategy of the Company is to develop Coal Bed Methane and Coal Mine Methane projects, in particular, in France where the Company, having major holdings under licence, holds a significant competitive advantage.

The western European natural gas market is substantial with advanced infrastructure, including extensive pipeline networks and a free and open high demand market.

The Company also holds hydrocarbon royalties in the Canning Basin of Western Australia.



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COMPLIANCE STATEMENT

The technical information quoted in this announcement has been compiled by Mr Alan Flavelle and Mr Rod Bresnehan and geoscientists under their supervision. Mr Flavelle is a Fellow of the Australasian Institute of Mining and Metallurgy and is a member of the Society of Petroleum Engineers. Mr Bresnehan is a member of the Society of Petroleum Engineers and is Chairman of the Society of Petroleum Engineers (Australia). Mr Flavelle and Mr Bresnehan have consented to the inclusion in this report of the matters based on the information in the form and context in which it appears.