

NEWS RELEASE

18 January 2007

GAS ANALYSES FOLSCHVILLER ST1 WELL LORRAINE, FRANCE

HIGHLIGHTS

- **Mud logging and whole gas analysis shows strong indications of ethane.**
- **These gases will have a significant positive effect on its calorific content and hence value per unit volume.**
- **Overall gas quality is high with no deleterious components.**

PROGRESS

During the drilling of the Folschviller St1 well a mud logging unit was in operation from 778 metres to total depth of 1306 metres. Over the entire interval strong to very strong gas readings were recorded. The dominant gas recorded was methane however the presence of ethane (plus heavier hydrocarbon gases) is indicated. The proportion of the heavier gases increases with depth. Near the top of the measured interval (778 metres) ethane is typically 1% to 3% of total gas. At the bottom of the well this proportion is in the 10% to 15% range.

In addition to the mud logging, three gas samples were analyzed by Deutsche Montan Technologie of Essen, Germany ("DMT") and returned as follows:

Coal Packet	Methane C1 (%)	Ethane C2 (%)	Propane C3 (%)	C1+C2+C3 (%)	Inert Component (%)
Ida-Ignace-Isidore Sample 1	80.31	13.33	1.97	95.61	4.39
Ida-Ignace-Isidore Sample 2	80.12	13.63	0.40	94.15	5.85
Alpa-Alpha'-Beta-Gamma	79.34	12.74	2.76	94.84	5.16

Sealed coal samples from core were crushed, analysed and adjusted for container air content.

A gas production stream with the ethane plus component in excess of 10% will have a significant positive effect on its calorific content and hence value per unit volume.

These analyses along with historical test work indicates that the quality of gas is high with no deleterious components.

Further test work including maceral analysis, vitrinite reflectance, fluid sensitivity and rock strength analysis is being conducted by Intertek Westport, Houston.

EUROPEAN GAS LIMITED
 ABN 75 078 760 693

Suite 12B, 573 Canning Hwy
 Alfred Cove WA 6154 Australia

T +61 8 9330 8876
 F +61 8 9330 8866

www.europeangas.com.au

ABOUT EUROPEAN GAS LIMITED

European Gas Limited is a hydrocarbon explorer/developer 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 holds a significant competitive advantage with major holdings under licence.

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

For further information please contact:

Anthony McClure (Managing Director)	Alan Flavelle (Director)
Corporate	Technical
(+33) 1 53 43 94 41	(+61 8) 9330 8876

or refer to the European Gas Limited web-site: www.europeangas.fr.

COMPLIANCE STATEMENT

The technical information quoted in this announcement has been compiled by Mr. Alan Flavelle and geoscientists under his 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 Flavelle has consented to the inclusion in this report of the matters based on their information in the form and context in which it appears.