EGL
EUROPEAN GAS LIMITED

28 May 2007

Mr Nicholas Ong
Senior Advisor, Issuers
Australian Securities Exchange
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By Facsimile: +61 8 9221 2020 (2 pages in total)

Dear Sir

RESPONSE TO PRICE AND VOLUME QUERY

We refer to your letter of 28 May 2007 regarding increases in the price and volume of the company's securities and respond as follows:

1. *Is the company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the company?*

   No.

2. *If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?*

   Not applicable.

3. *Is there any other explanation that the company may have for the price change and increase in volume of the securities of the company?*

   The company has no particular explanation other than to say that the business activities continue (as previously reported) in a positive manner and the completion of 100% control over the assets through the successful takeover of Heritage Petroleum Plc is being recognized by the market. The company continues to promote itself in the European market places through the release of its reports to ASX and to shareholders. As such, the company's share register is taking on a broader and international base.

   As European Gas has periodically informed its shareholders since commencement of its European strategy, the company's growth objectives include the expansion and consolidation of its current portfolio of assets in Western Europe.

EUROPEAN GAS LIMITED
ABN 75 [illegible]
Suite 4, 4 Ventnor Avenue
West Perth WA 6005 Australia
+61 8 9226 0320
+61 8 9226 0309

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Accordingly, the company continues to identify and investigate potential acquisitions and, from time to time, discuss opportunities with relevant third parties. However, no such investigations or discussions are currently proceeding that are either sufficiently advanced or certain, to support any announcement. Similarly, the company believes that all such current investigations and discussions remain confidential.

In addition, the company has a permit application in place with a decision pending by the French Government. The Lons Le Saunier permit application covers 3,740 square kilometres in eastern France. It is not known whether this permit will be granted to the company or not.

4. *Please confirm that the company is in compliance with the listing rules and, in particular, listing rule 3.1*

The Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Should you require any further information, please contact me.

Yours sincerely

Anthony J. McClure
Managing Director

ASX
AUSTRALIAN SECURITIES EXCHANGE

FAXED
28 May 2007

Keith Spencer
Company Secretary
European Gas Limited
Suite 4, 4 Ventnor Avenue
West Perth WA 6005

By Facsimile: 9226 0309

Dear Keith

European Gas Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from $0.77 on 21 May 2007 to $0.925 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at nicholas.ong@asx.com.au or by facsimile on **facsimile number (08) 9221 2020**. It should <u>not</u> be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 4.30 pm WST today.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,

Nicholas Ong
<u>**Senior Adviser, Issuers (Perth)**</u>