NEWS RELEASE

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SUCCESSFUL RESTRUCTURING OF THE TRANSCOR NOTES

European Gas Limited (the Company) is pleased to announce that it has executed an agreement with Transcor Astra Luxembourg S.A. (Transcor) to fully repay the principal and all accrued interest to discharge the EUR36,375,000 notes. It will do this by completing the following transactions to be documented in definitive agreements by 31 March 2011:

- Transfer of ownership of Gazonor to Transcor
- Issue of 22 million shares in the Company to Transcor (15 million shares issued against the notes and 7 million additional shares issued at AUD 50 cents each to extinguish intercompany loans from Gazonor)
- Grant of a 12 month option to Transcor to subscribe for 20 million shares in the Company at 50 cents each
- Grant of a 3 year option for Transcor to acquire for nominal consideration all the Company's shares in the 50/50 European Gas Benelux S.A. joint venture
- Entry into farmin agreements over Gazonor's existing and future exploration permits in Sud Midi and Valenciennois (France). EGL will be the operator and entitled to earn a 70% interest in those permits on completion of the agreed work program
- Entry into farmin agreements to enhance production in Gazonor's Poissonière and Desiree (France) production permits. Gazonor will be the operator and EGL will earn 70% interest in this increased sales gas production revenue (after costs)

All the shares and the option are subject to a 6 month disposal restriction. Transcor currently holds 5.82m shares in the Company and will hold 27.82 million shares in the Company after the issue of the 22 million shares (representing 10.5% of the Company's then issued ordinary shares).

The transactions are subject to shareholder and relevant regulatory approval. The Company will now convene a shareholders' meeting to be held in late March 2011 and further details will be contained in the notice of meeting. The agreement with Transcor is legally binding and the Company intends to apply to have the trading suspension lifted as soon as the definitive documents are signed.

CEO and Managing Director, Peter Cockcroft said: "*Discharging the notes completely restores the Company's balance sheet and allows it to refocus on its core exploration expertise. Transcor subscription of shares at AUD 50 cents per share is a strong sign of confidence on our ability to develop our assets in Europe and further strengthens our share register. We are looking forward developing our projects in Europe and working together with Transcor in the future, especially in the Gazonor and Belgium exploration areas."*

Julien Moulin, Chairman of the Board of European Gas, said: *"This is a great milestone for the Company and the completion of our financial restructuring certainly marks the beginning of a new day for European Gas Ltd. We are very well positioned to realize the full potential of our underlying assets and take advantage of the growth of the unconventional gas industry in Europe."*

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ABOUT EUROPEAN GAS LIMITED

European Gas Limited (EGL) is a hydrocarbon explorer/developer/producer with both production and exploration projects in western Europe. The strategy of the company is to explore and develop unconventional hydrocarbon resources with a focus on shale gas, Coal Bed Methane and Coal Mine Methane projects, particularly in France where the Company has major holdings under licence.

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