

ASX ANNOUNCEMENT

Letter from EGL UK – May 2013 Update

Sydney, Monday 3 June 2013

The Company, in its capacity as a shareholder of European Gas Limited (“EGL UK”), recently received the attached update letter from EGL UK.

Sebastian Hempel
Executive Director



LETTER OF THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholder,

We would like to provide you with an operational and financial update and outline the key developments expected in the coming months.

Since the completion of the share buy back in July 2012, EGL has been facing a difficult economic and political environment in France, with unclear messages from the French government regarding the renewal of our licenses, which prompted the Company to keep a low public profile to avoid potential negative publicity in France over the recent months.

In the meantime, however, the Company has made very good inroads of gaining public and administrative support in France for its projects, both on a local municipality level as well as with various ministries and administrations. This allowed the Company to receive the permit to drill at four selected locations in our Lorraine licenses over the last months.

However, EGL has so far not been able to renew/extend its licenses in Lorraine. Management is working very hard to receiving support on government level in relation to these renewals. A statement by our CEO, Frederic Briens, made public on Reuters on 18 March 2013 ("Politics hamper bid to unlock French coal mine gas riches") emphasised the need for the French government to get actively involved in solving the permit situation.

In that connection, EGL has made substantial efforts to change the perception of the French authorities so that to consider the Company more as a European, and foremost French, company, in order to increase government's support and EGL's chances of positive renewal / extension of our main licences in Lorraine.

At the same time, EGL committed to a major fundraising effort following the share-buyback, as outlined in the prospectus in June 2012. However, the Company continues to face delays on that front as investors are concerned about the status of our license renewal, the fiscal and legal uncertainties given the current overhaul of the French mining code, the prohibition of hydraulic fracking and the overall economic and political climate in France.

Despite this negative external environment, the Company has received so far some interest from a few family offices, and private investment entities, mainly in France but also Switzerland and Germany, to support our project. However, it will be difficult to close the planned fundraise before the uncertainties with regards to renewal of our licenses are clarified.

EUROPEAN GAS LIMITED
Co, N° 5321791
2, rue de Metz
57800 Freyming-Merlebach
T +33 (0)3 87 04 32 11
F +33 (0)3 87 93 52 37



Please be certain that EGL remains committed to close the financing along the lines set in the share buy-back prospectus and that management is working hard towards that goal.

For the time being, management believes the cash resources and current run-rate of the Company is sufficient to qualify for a smooth audit and approval of the upcoming FY June 2013 accounts.

EGL intends to call a general meeting in the coming months to approve the June 2013 accounts and other developments as soon as the renewal of our licenses is obtained.

This general meeting will also be the occasion for the Company to provide an update on the fundraising and operational activities.

EGL aims to return to quarterly operational updates and higher public visibility through our website and regular news updates once the permitting situation is resolved. Until then, management asks for your understanding for not providing more than the legally required newsflow to avoid jeopardising our efforts with regards to our licences.

For your information, the June 2012 accounts of EGL and its subsidiary HP have been properly filed with Companies House in the UK and are available to the public. A copy of consolidated EGL accounts for the financial year June 2012 is also attached to this letter.

Management is available to discuss shareholder topics via email or phone in case of further questions.

Best regards,

Chairman
European Gas Limited

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