



Ukraine *at a glance*



Location:
Eastern Europe

Population:
46,258,200

Economy:
Agriculture: 10%
Industry: 31.2%
Services: 58.8%
(2009 est.)

Currency:
Hryvnia (UAH)

Mineral Resources:

Oil production: 81,210 bbl/day
Natural gas production: -21.2 billion m³
Coal

Exports:

Ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, food products



Eurogas *at a glance*

What:

Small cap unconventional gas explorer

Where:

Active in Ukraine and Poland
Incorporated in Utah

Partners:

Partnered with OJSC ZNVKIF New Technologies (ZNT) in Ukraine

Partnered with POGC and Aurelian in Poland

Website:

<http://www.eurogasinc.com>

Ukraine Conversations

By Ryan W. Lijdsman

EuroGas – Unconventional Gas in Ukraine

When the Berlin Wall fell in 1989, Eastern Europe was forever changed. Poland buttressed by massive foreign aid and expertise from people such as Jeffery Sachs, emerged quickly from the disarray of post communist Europe. Countries like Ukraine were not as successful but with a stable government and large natural resources Ukraine is now on the verge of becoming an economically strong member of Europe.

I recently had the opportunity to speak with Wolfgang Rauball, the CEO of Eurogas, a US company exploring for unconventional gas in Ukraine and Poland. Eurogas has been active in Poland since 1989 and from Mr. Rauball's first visit he believed in both the ingenuity of the people and the natural resource potential. These beliefs led him to predict Poland's economic success and entry into the EU. He now believes Ukraine is on the precipice of realizing its huge potential and if it does EuroGas is positioned to be a key player in the development.

EuroGas has been active in Ukraine since 1998 exploring for unconventional gas, specifically coal bed methane (CBM). The recent developments in US deep shale gas sparked Eurogas' interest and for the past several years they have been researching the Ukrainian deep shale gas potential and have attained licenses that allow them

to drill to deep depths in their CBM concessions along the Polish/Ukraine border.

Eurogas also has two joint ventures with OJSC ZNVKIF New Technologies (ZNT) in Ukraine. The first is rehabilitating approximately 2000 natural gas wells in the Donetsk Basin in East Ukraine, that were plugged 50 years ago when the Soviets discovered huge natural gas reserves in Siberia and shifted their capital spending to the Siberian fields.

The second joint venture is Eurogas Ukraine's (Eurogas subsidiary) CBM exploration in East and West Ukraine. The venture has 5 concessions in East Ukraine. The concessions are estimated to hold approximately 12 trillion cubic meters (427 TCF) of recoverable CBM trapped in coal deposits 500-1800 meters below the surface.

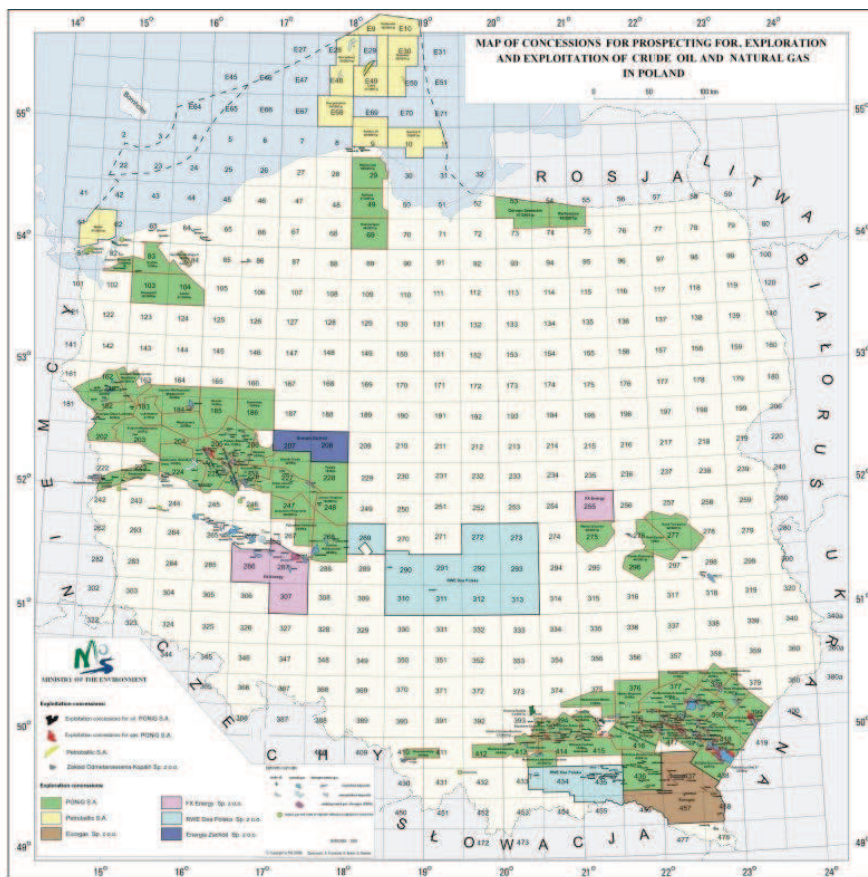


Source: www.eurogasinc.com

In 1998 Eurogas became the first Western company to successfully drill for CBM in Ukraine. Producing volumes of CBM were discovered but due to economic difficulties, common with junior exploration companies, the drilling program was suspended until finances improved, however the well proved that CBM could be commercially produced in the area.

EuroGas is listed on exchanges in Europe and the OTCQB exchange in the US; under the symbol EUG in Europe and in the United States under the symbol EUGS, the largest share volumes are traded on the German exchanges.

In April of this year, EuroGas announced a confidentiality agreement had been signed with a subsidiary of Total S.A., the French multinational, allowing Total S.A. access to information in order to assess the viability of purchasing EuroGas' concessions in the Lublin basin of Western Ukraine. The agreement is supplementary to an earlier agreement signed by the two companies on rights to lease fields in Poland, where EuroGas Polska (EuroGas subsidiary) owns a 24% stake.



Eurogas Polish Concessions
Source: www.eurogasinc.com

Eurogas' news release was missed by most North American news outlets, which is understandable as it was only a few years ago that North American shale gas was completely off most people's radar. Shale gas is now viewed as a "game changer" in North America and shale gas potential in Poland and Ukraine has the potential to trigger a boom larger than the US one. ExxonMobil, ConocoPhillips, Marathon Oil, and the national Polish oil company PGNiG have reported the acquisition of licenses in Eastern Poland, directly along the Polish-Ukrainian border.

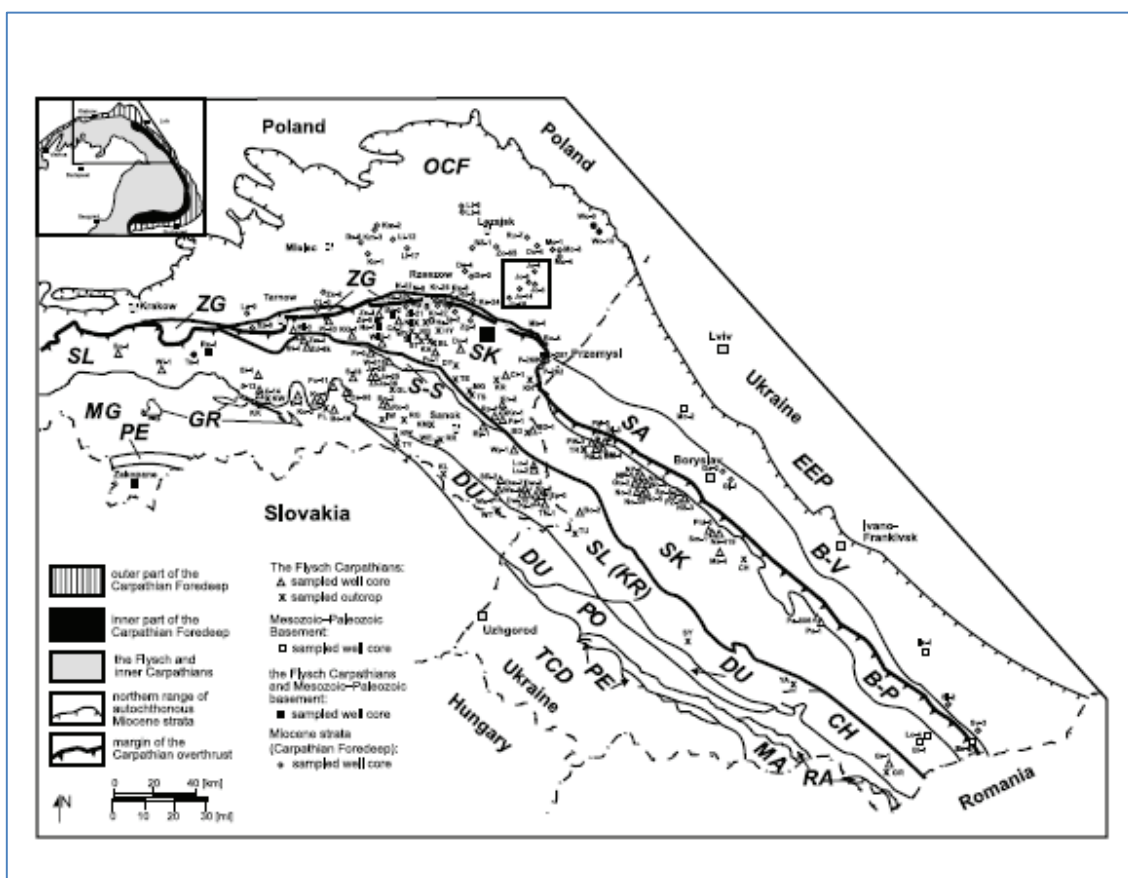
EuroGas believes that the shale gas formations in the Lublin Basin, which lies under Poland and Ukraine, could be 10-15 times as large as the Barnett or Marcellus shale gas fields in the US, and could have a pay zone close to 4000 ft compared to 200-300 ft for Barnett and Marcellus. Recent comments from the Russian government and Gazprom, the major supplier of natural gas to Europe, who have until recently dismissed shale gas as "joke", are adding to the speculation of potential large shale gas discoveries in Eastern Europe. "The influence of shale gas raises the prospect of change on gas markets," and "We have a problem with shale gas. This is not only my position but also that of Gazprom's management," Yuri Trutnev, the Russian Minister of Natural Resources said.

Ukraine gas reserves have an estimates value of two to three hundred billion dollars and based on US costing models from the Barnett and Marcellus fields, the cost to produce the shale gas will be approximately \$120 per m³, Ukraine currently pays Russia \$300 per m³. The overall economic impact to Ukarine has the potential to be several times the value of the gas, as foreign direct investment enters the country and money trickles down through the Ukraine economy.

Since realizing the potential for unconventional gas in Poland and Ukraine several years ago, EuroGas has focused on improving their internal financial structure, building a strong library of Knowledge by studying old soviet logs and geological information and securing concessions. "EuroGas' Eastern European geological team, under the guidance of Prof. Dr. Yuriy Koltun, a Member of the American Association of Petroleum Geologists and a world-renowned

geochemist who pioneered the potential for discovering organic shale gas potential in Western Ukraine as early as 2005, has been working for the past 18 months to secure shale gas and other unconventional gas areas in Western Ukraine for EuroGas," said Wolfgang Rauball. Eurogas has a highly knowledgeable management team and the company is well positioned for the next stage of development - teaming up with companies like Total or other large production companies to commence a drilling program.

Hydrocarbon Map: Poland and Ukraine
 Source: American Society of petroleum Geologists



If the shale reserves are even a portion of what is predicted EuroGas will be a force in the transformative Ukrainian natural gas industry, and the strategic approach taken by EuroGas and

the management team's vast knowledge of the region and the local industry will be key to the company's success as it navigates the geopolitical world of Eastern Europe

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Soviet era gas well in Ukraine
Source: www.eurogasinc.com