

23 May 2005

AUSTRALIAN STOCK EXCHANGE
Via Electronic Lodgement

WEEKLY DRILLING REPORT

- First well producing gas
- Completion of third well – MSC-05
- Significant volumes of free gas from MSC-05 observed during clean up

MSC-03

Gas flow testing on this well has now commenced. Over the past two weeks water in the well has been gradually drawn down. Free gas flows have been established while maintaining positive pressure on the well head. The confirmation of the presence of producible gas and the recording of these early gas flows is an important milestone in the establishing the commercial potential of the South Casino field. This well spudded on 15th April and reached total depth of 684 metres on 28th April.

MSC-04

The rig has now moved back to MSC-04, following completion of MSC-05. During the coming week, slotted liner will be run and the well completed. Prior to running liner, this well will be stimulated by air cavitation.

MSC-05

This well has now been completed. Over the past week, production casing has been run to the top of the coals and the coals stimulated by air cavitation. This well has continued to produce significant volumes of free gas during the well clean-up process. Production test equipment will be installed during the coming week. MSC-05, spudded on 4th May and reached total depth of 680 metres on 10th May.

MSC-06

Site works have been completed in readiness to commence drilling MSC-06, the fourth well in the production test program. This well is 250 meters away from MSC-04. The Company plans to commence drilling on this well within the next two weeks.

All wells drilled to date have encountered gas bearing coals and the Company is pleased with the early gas flows of the wells drilled to date. Progress on the drilling program to date has allowed the Company to commence preliminary engineering for the proposed 12MW gas fired power station has now commenced.

Overview of Project

Metgasco holds 100% of PEL16 located near Casino and Lismore in northern New South Wales. The Company is appraising the gas production potential of the Walloon Coal Measures in the Clarence Moreton Basin. The Walloon Coal Measures have been the subject of successful exploration and development activity in Queensland over the past four years. The trial production program will comprise five production test wells and one core hole. The holes will be located between 200m and 600m apart and will consist of both single seam and multiple seam production completions to a depth of approximately 700m. The wells will be flow tested to establish gas production rates with the objective of reserve certification.

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