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AUSTRALIAN STOCK EXCHANGE
Via Electronic Lodgement

LARGEST CERTIFIED GAS RESERVES IN NSW – 1.080TCF

Metgasco Limited (ASX: MEL) advises that it has received an independent certification of significant volumes of gas its South Casino coal seam gas field. Possible (3P) reserves have now been established at 1,080 BCF and probable (2P) reserves at 21BCF.

This result means that Metgasco now holds the largest independently certified gas reserves in New South Wales.

The South Casino field has now demonstrated its potential to make a major contribution to gas supplies to the east coast energy markets. The project is located approximately 70 kilometres south of the Gold Coast in one of the fastest growing energy markets in Australia. The project is well located to supply energy to the increasing population of northern NSW as well as Queensland and New South Wales energy markets.

The following provides further details on reserves:

PEL 16 – South Casino Certified Gas Reserves – MEL (100%)

Category	Bcf	PJ
Probable (2P)	21	21.8
Possible (3P)	1,080	1,123.2
Gas in Place (Company estimate)	4,615	4,800

The assessment of probable (2P) reserves applies to the area in and around the South Casino pilot project. The 2P reserve estimates apply only to the Richmond seam which is the target of the Company's current horizontal drilling program and does not address potential gas contained in 5 additional coal seams in the area which the Company considers are drillable.

The assessment of possible (3P) reserves applies to that area of the permit over which the Company has seismic control and where it has identified coal seams which are potential gas producers (6 coal seams). This area represents approximately 60% of the tenement area, with the remaining area of PEL16 untested.

The next task for Metgasco is prove sufficient reserves for its proposed 30MW power plant at Casino. The Company is currently undertaking a horizontal drilling program which is intended to enhance productivity from the field and demonstrate commercial flow rates. The Company intends to undertake a step out core drilling program to obtain additional 2P reserves.

Metgasco is in the early stages of discussions with partners for the joint development of downstream power and gas infrastructure. The Company is also in discussions with potential customers for the supply of additional gas from PEL16.

Metgasco Managing Director, David Johnson said: "These initial reserves demonstrate the potential of the NSW Clarence Moreton basin to become a major new gas producing basin on the east coast of Australia."

"Metgasco has mapped the location of the productive Walloon coal seams within the Clarence Moreton basin and believe that we have access to approximately 90% of the potentially productive CSM area. Metgasco is well placed to supply gas and gas fired electricity to one of the fastest growing energy markets on the eastern seaboard."

The reserve estimates were prepared by Mr Tim Hower of MHA Petroleum Consultants, Denver, CO, USA. The methods employed in developing these reserve estimates are consistent with the Society of Petroleum Engineers guidelines on definitions of proved, probable and possible hydrocarbon reserves. MHA has consented to the use of the reserves figures in this announcement.

Further information

About Metgasco

Metgasco (ASX: MEL) is developing coal seam methane (CSM) and conventional gas reserves in northern NSW to supply gas and electricity to NSW and Queensland.

Metgasco holds 100% of PEL16, located near Casino and Lismore in northern New South Wales. This acreage contains a CSM gas resource of over 4 trillion cubic feet of gas-in-place. The Company has completed a pilot program of 5 vertical wells to test the gas production capability of the Richmond coal seam. This pilot program has now been extended to include drilling two horizontal wells to improve the productivity of the field through predicted enhanced gas flows.

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