

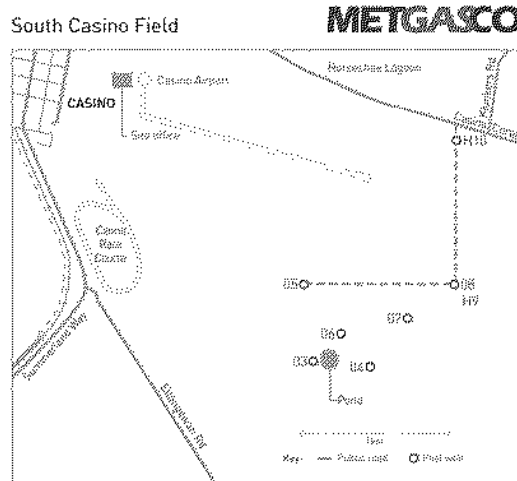
22 March 2006

AUSTRALIAN STOCK EXCHANGE
Via Electronic Lodgement

DRILLING UPDATE

Metgasco (ASX:MEL) advises that as of this morning, the Company has completed drilling the angled section of MSC-9 and is close to completing the in-seam section of this well. Approximately 150 metres of in-seam section remains to be drilled before the vertical intercept with MSC-05 can be undertaken.

During the past week, the Company completed a number of water flush treatments to remove coal fines from MSC-10. The Company has now installed gas gathering lines to allow gas to be flared safely. Drawdown and production testing on this well will commence after the gas gathering lines have been pressure tested. This is expected to commence this week. Additional water flush treatments are expected to be required over the coming weeks to clear coal fines from this well.



Overview of Project

Metgasco holds 100% of PEL16 located near Casino and Lismore in northern New South Wales. PEL16 contains gas reserves of 1,080 BCF (3P) and 21 BCF (2P). These are the largest independently certified gas reserves in NSW. 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.

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