Coal Seam Gas Exploration and Development in the Clarence Moreton Basin, NSW

METGASCO Ltd

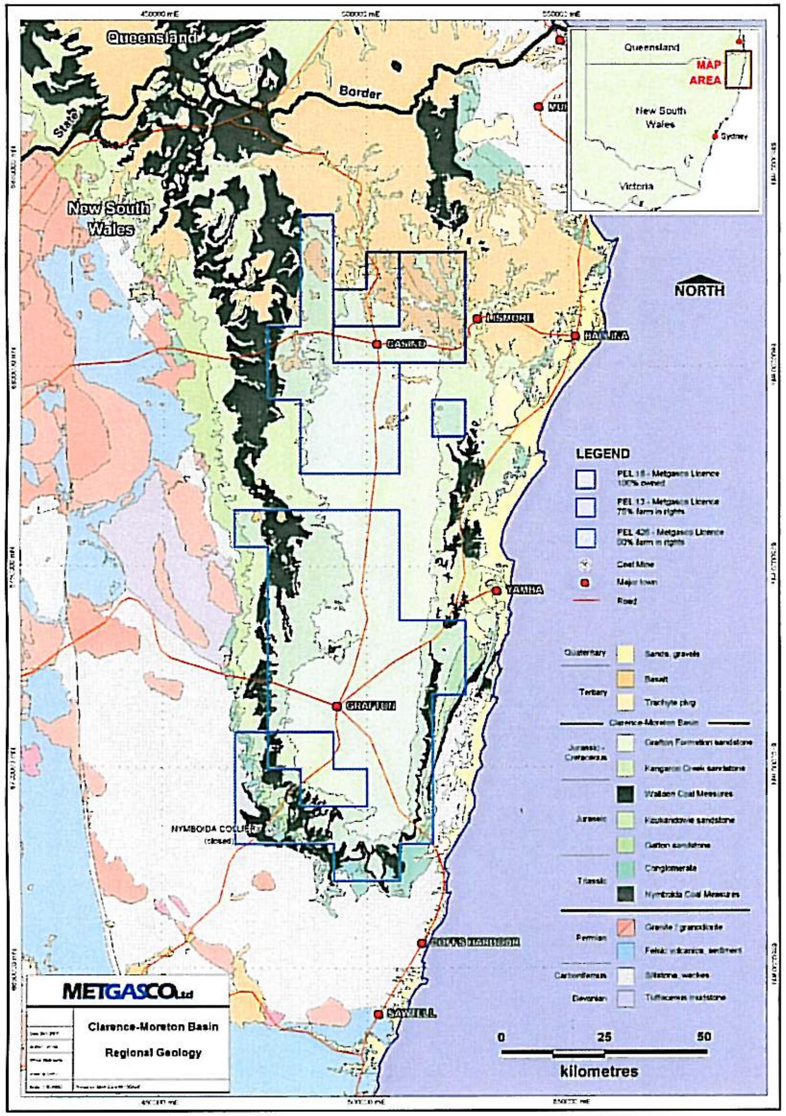
ACN 088 196 383

NSW Mineral Exploration and Investment Conference August 2007

Company Overview

- Exploration, appraisal and commercial development of coal seam gas (CSG) and conventional oil and gas.
- Listed on ASX two and a half years ago (ASX Code: MEL).
- Technical focus on Clarence Moreton Basin in NSW.
  - Large acreage position of in excess of 6,000 km
  - Emerging significant Reserves 1,156 PJ (3P) 113 PJ(2P)
- Close to markets and energy infrastructure.
- Projects underway to sell 385 Petajoules (PJ) over the next 20 years
  - Major customer, CS Energy, providing first $105 Million Development Capital

Focus on the NSW Clarence Moreton basin



- One of the most unexplored petroleum basins on the east coast of Australia
- Triassic - Jurassic – Cretaceous basin
  - Coal Seam Gas ("CSG") potential
  - Conventional oil & gas potential
- Large land position of around 6,000km^2
- Key assets (operator):
  - PEL 16, 205,000 acres (96%),
  - PEL 13, 408,000 acres (earning up to 75% in CSG rights and 50% conventional rights) and
  - PEL 426, 852,000 acres (earning up to 50% in both CSG and conventional rights)

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CSG - Exploration

CBM Potential of the Clarence Moreton Basin in the Kyogle-Casino Area

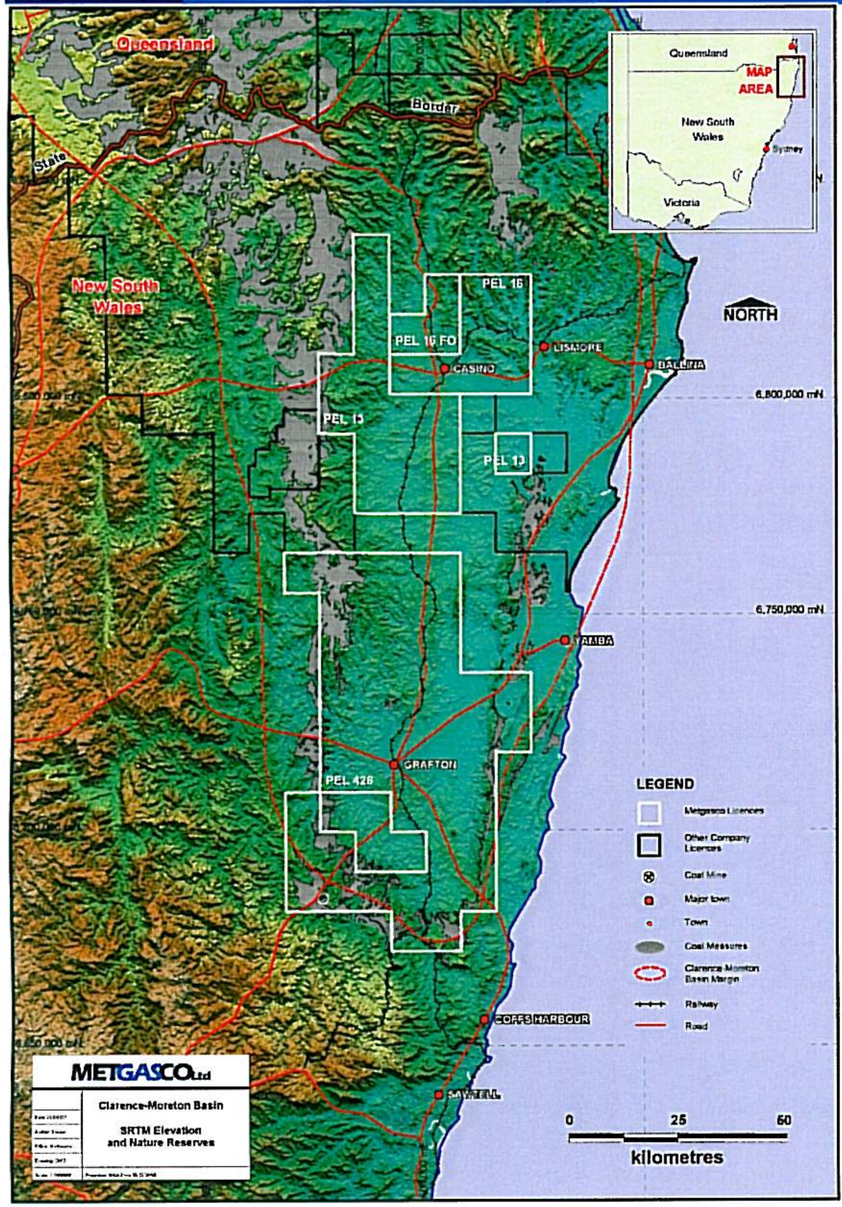
David Johnson/ECA March 1996

1. Supply Factors

i) High Rank
ii) Good Porosity/Permeability
iii) Medium Depth (250-1250m)
iv) Thick Seam
v) Good Cleat
vi) Low Ash/Moisture
vii) Few interbeds
viii) Seam continuity and Areal Extent
ix) low Co2/N2

- Jurassic – Cretaceous basin – 2 main coal sequences
  - Walloon Coal Measures (Jurassic)
  - Nymboida Coal Measures (Triassic)
- No previous CSM exploration in Clarence Moreton, at that stage very little in Walloon Coal Measures
- Minimal previous conventional exploration: data poor area
- Greenfields technology in a greenfields area. Each Basin is unique and requires own solution
- Most activity on the WCM to date in central northern part of basin

CSG - Exploration



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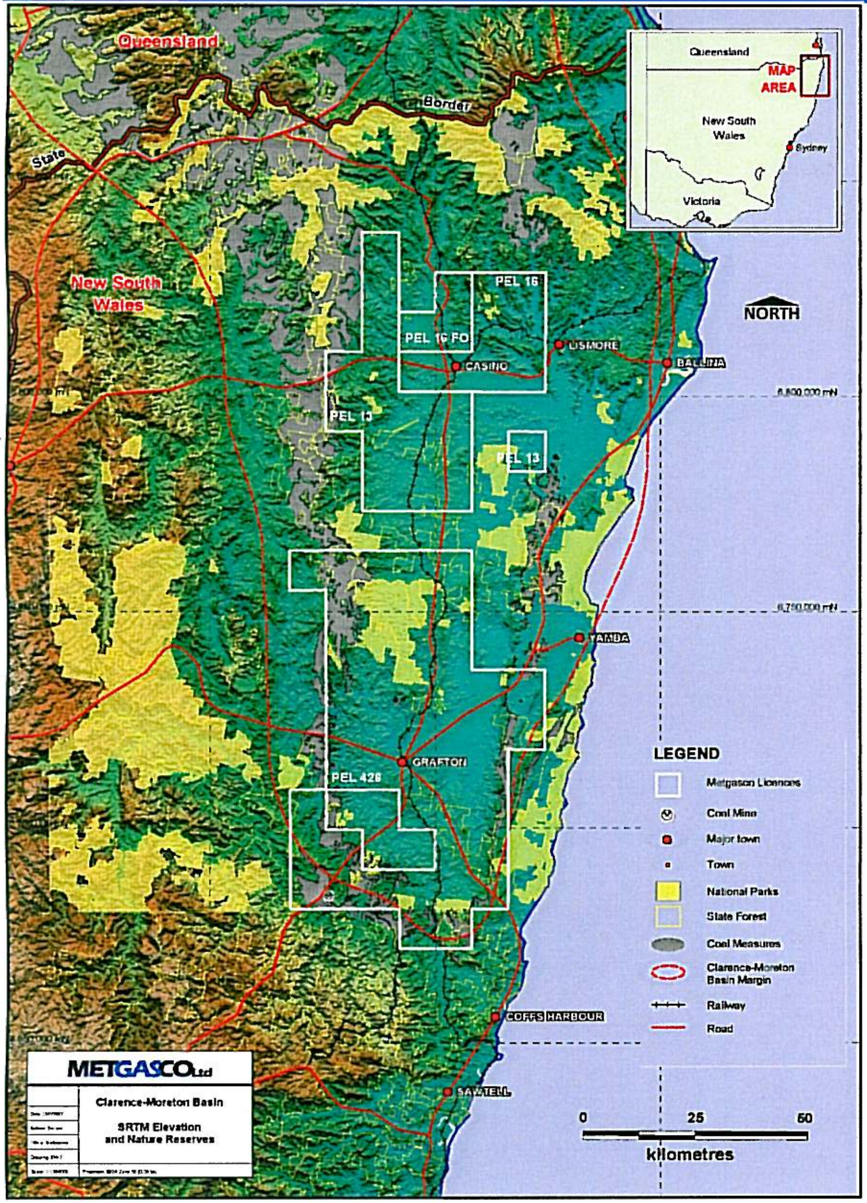
CSG - Reservoir Analysis

Activity	Key Data	Outcome
2000: Stratigraphic drilling	Presence and thickness of Walloons Initial adsorption data	✓Gassy thick coals
2004: Core drilling	Gas content and saturation data Coal character data Estimated Permeability data	✓ PEL 16 Gas In Place Estimate of 1.06 Tcf
2005: Vertical trial production	Actual Permeability data Well engineering data	✓First trial production in WCM in CMB
2005: Reservoir Engineering Studies	Data synthesis, reservoir modelling, simulated horizontal well performance based on actual vertical data	✓GIP increase to 4.6Tcf ✓3P Reserves: 1123 PJ ✓2P Reserves: 22PJ
2006: Initial horizontal trial production	First horizontal well in CMB, Well data including surface completion experience	✓Substantially increased flow rates to > 100 Mcf/d
2007: Core Drilling Program	Detailed data covering 450km²	✓2P Reserves up 480% to 113PJ
Full Scale horizontal trial production 2007	Detailed Well Engineering – well design, process and completion	➔ Commercial Flow rates, case matching for 1P Reserves

CSG - Exploration

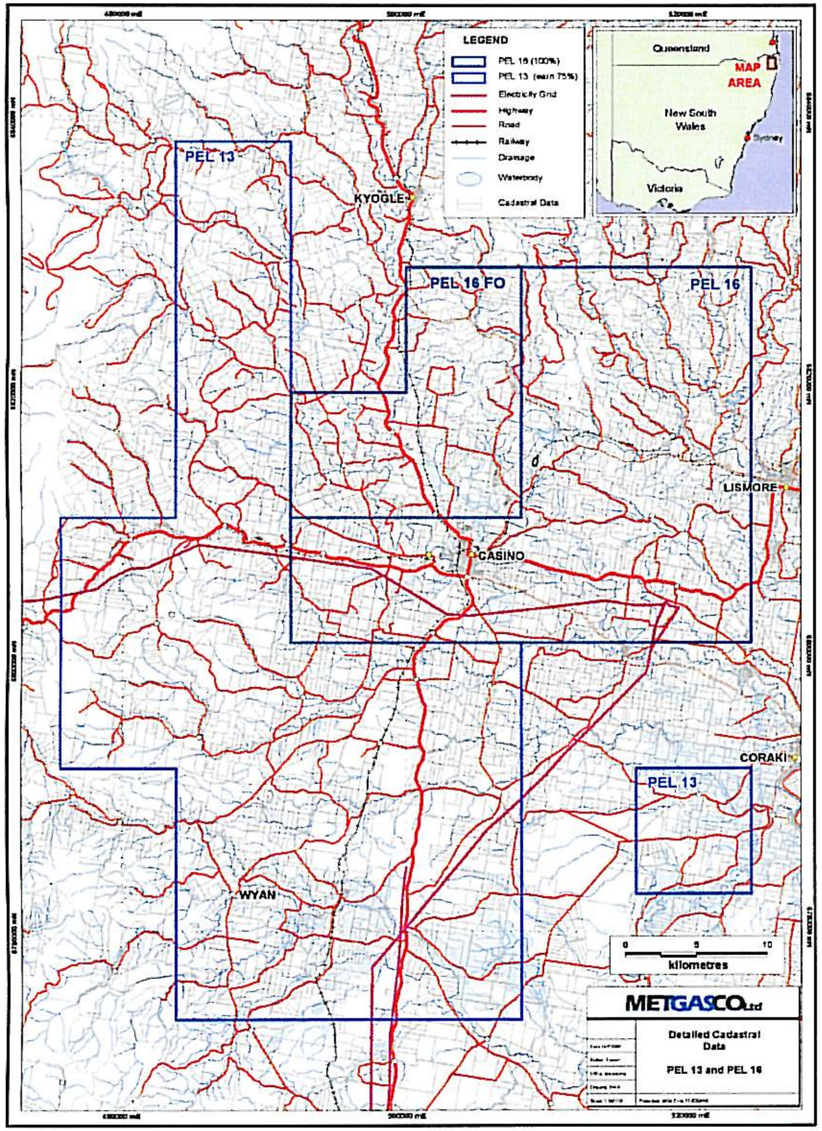
- Coals form complex reservoirs !

CSG - Surface Management



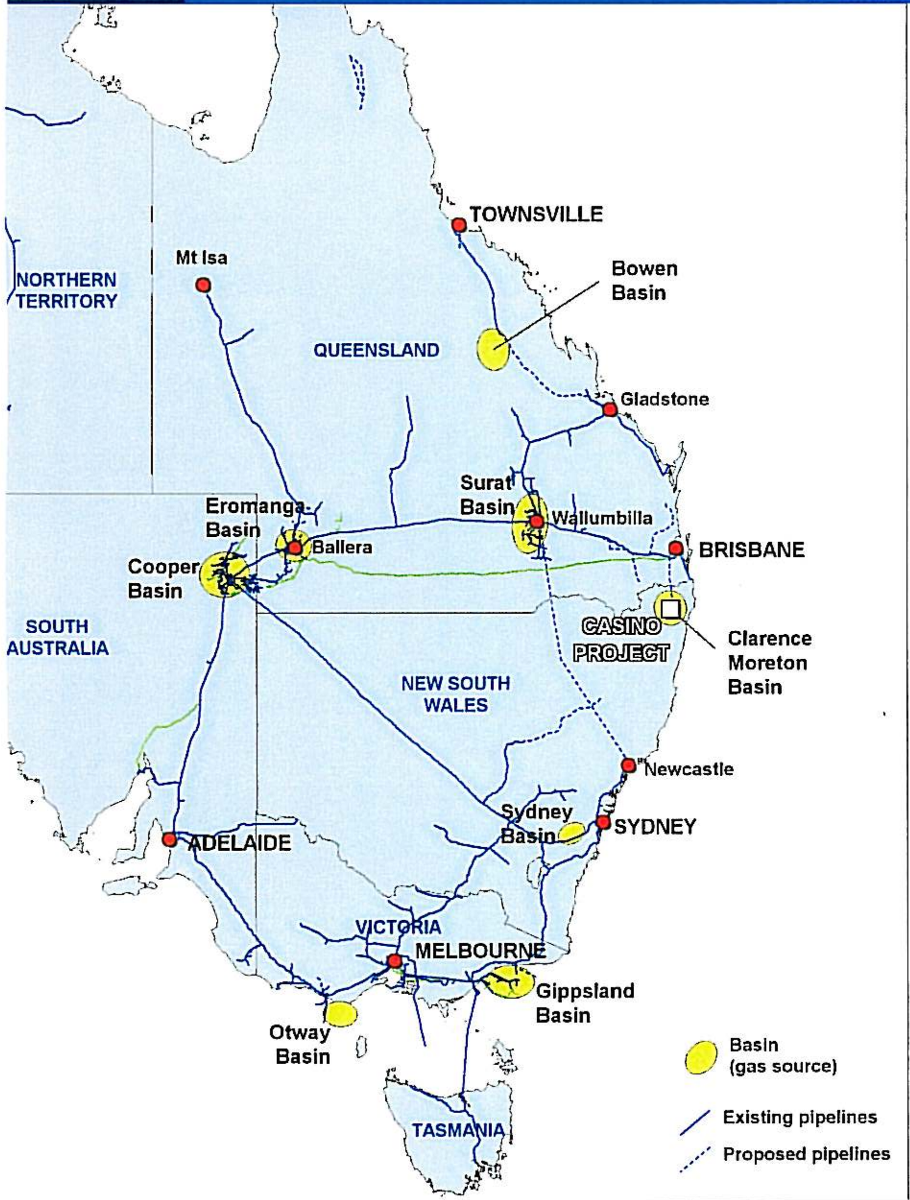
- Significant area covered by reserved land
  - State forests
  - National Parks
- Western and northern CMB in difficult topography
- Eastern CMB is becoming densely populated
- Northern CMB covered with Tertiary volcanics
- Have focused on acreage with accessible land

CSG - Surface Management



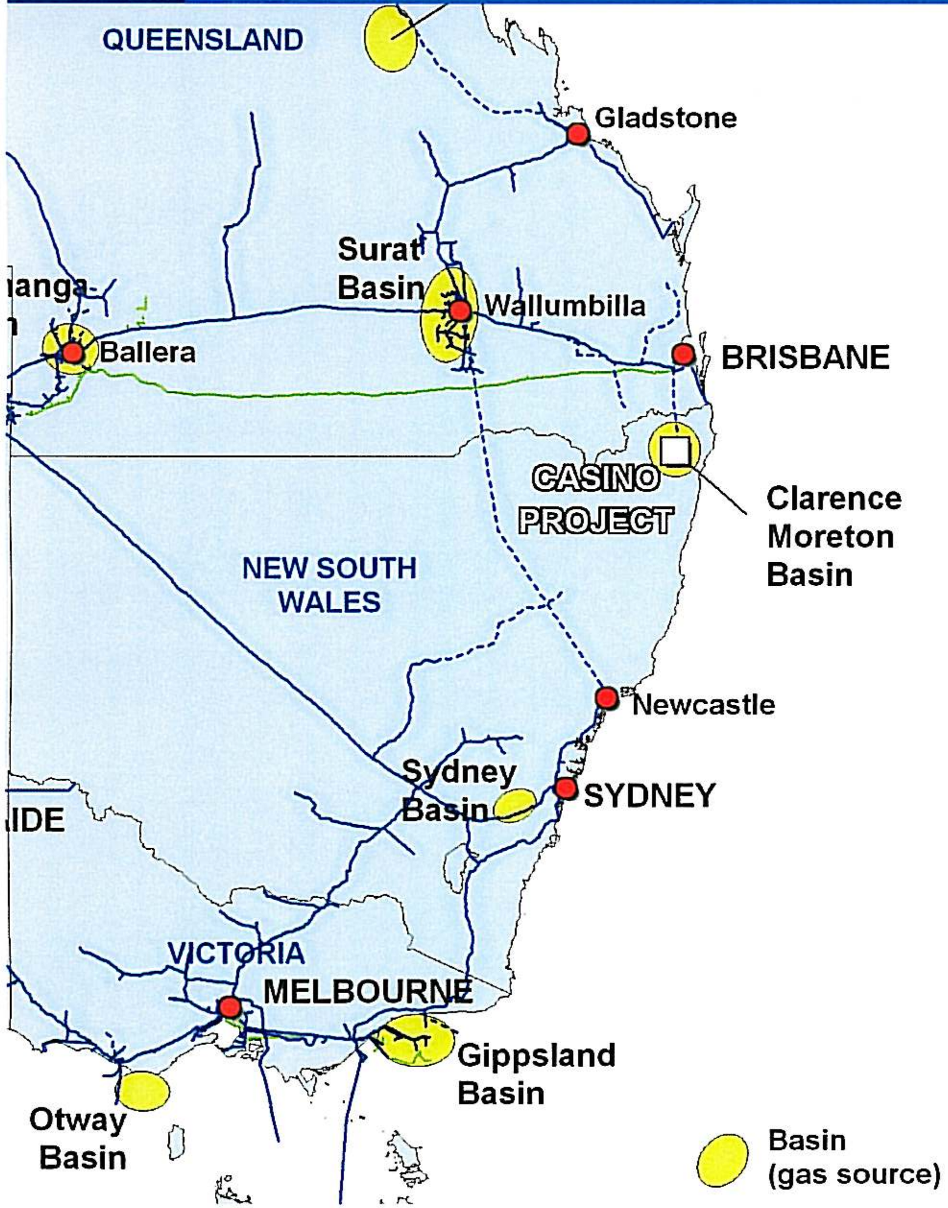
- CMB – more densely populated than most other basins
  - large towns in PEL's eg Casino, Grafton
  - smaller land ownership titles
  - exploration activities impact a greater number of people
- Have developed a comprehensive GIS based land management system covering full cycle from initial contact to site rehabilitation.
- Will move to real time hand held GIS system for land management activities

CSG Development - Gas Markets



- Energy demand is increasing and gas markets are experiencing a "once in a generation structural shift"
- Growing community preference for "clean gas" as a fuel source for power generation
- New gas fired power generation firmly on the agenda
- Traditional sources of gas supply are in decline
- New sources of gas supply are rapidly emerging
- Gas market connections are being established
- New regulatory environment being implemented – "National Gas Code"
- Emerging traded market for gas and possible exports from east coast markets.

CSG - Close to fast growing markets



- South east Queensland and north east New South Wales are Australia's fastest growing regions.
  - Power demand forecast to grow by 260 MW per year over next 5 years (Powerlink)
  - Northern NSW has no access to pipeline/reticulated gas, only bottled gas available.
- Metgasco has large gas reserves on the doorstep of the fastest growing energy market in Australia.
- One of the closest gas suppliers to Brisbane
  - Metgasco is developing Casino to Brisbane pipeline -145 kms
  - Existing Wallumbilla to Brisbane pipeline – 400 kms
- Brisbane is the only capital city on the east coast supplied by a single gas pipeline. Metgasco gas supply to Brisbane from south enhances security of supply for gas customers.

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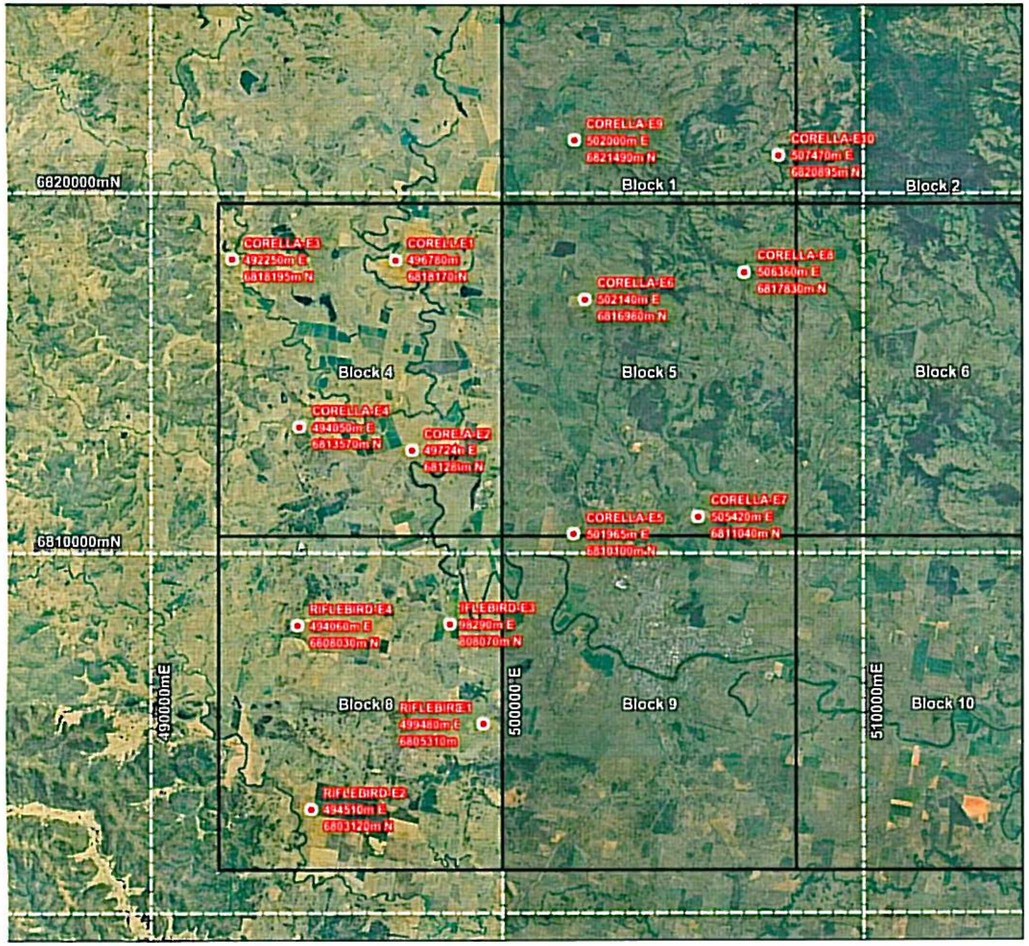
CSG Development : Stratheden Joint Venture



- In Dec 2006, CS Energy entered into farm-in deal with Metgasco covering CSG rights to Blocks 4,5 & 1 of PEL 16 (approx 27%).
- $11 M to earn an initial 15% interest in farm-in area with core drilling a pilot horizontal drilling program.
- Objectives
  - 540PJ (2P). Initial upgrade to 113PJ
  - Casino to Ipswich pipeline study
  - Field development studies
- Project sanction 2008
  - CSE $94.5 M Capital committment
  - 140km CIP pipeline
  - Gas delivered to Swanbank 18PJ/a
- Total value of gas sale agreement over $1 Billion.

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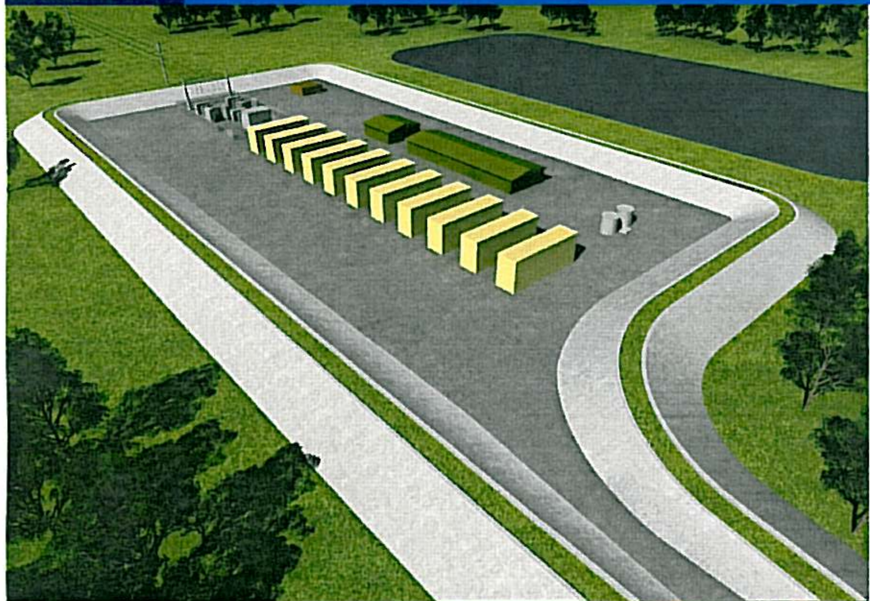
CSG Development : Richmond Valley Power Station



- 30MW gas fired power station located at Casino.
- Requires 2.5PJ/a over 15 years
- Field development studies largely complete
- EA now completed and to be lodged by end of 2007
- Connection Agreement to be lodged
- PPA negotiations to commence after CA lodged
- Australian Pipeline Trust appointed preferred infrastructure partner.
- Once regulatory approvals complete and financial close obtained expect 18 months for commencing operation.
- Recent increase in power prices makes project attractive

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Experienced Board & Management

- **Dr Peter Power – Non Executive Chairman**
  Former Managing Director of Ampolex. Over 40 years experience. Foundation Head of Geology at WAIT (now Curtin University). Past President of Australian Geoscience Council. Past Chairman of APPEA.

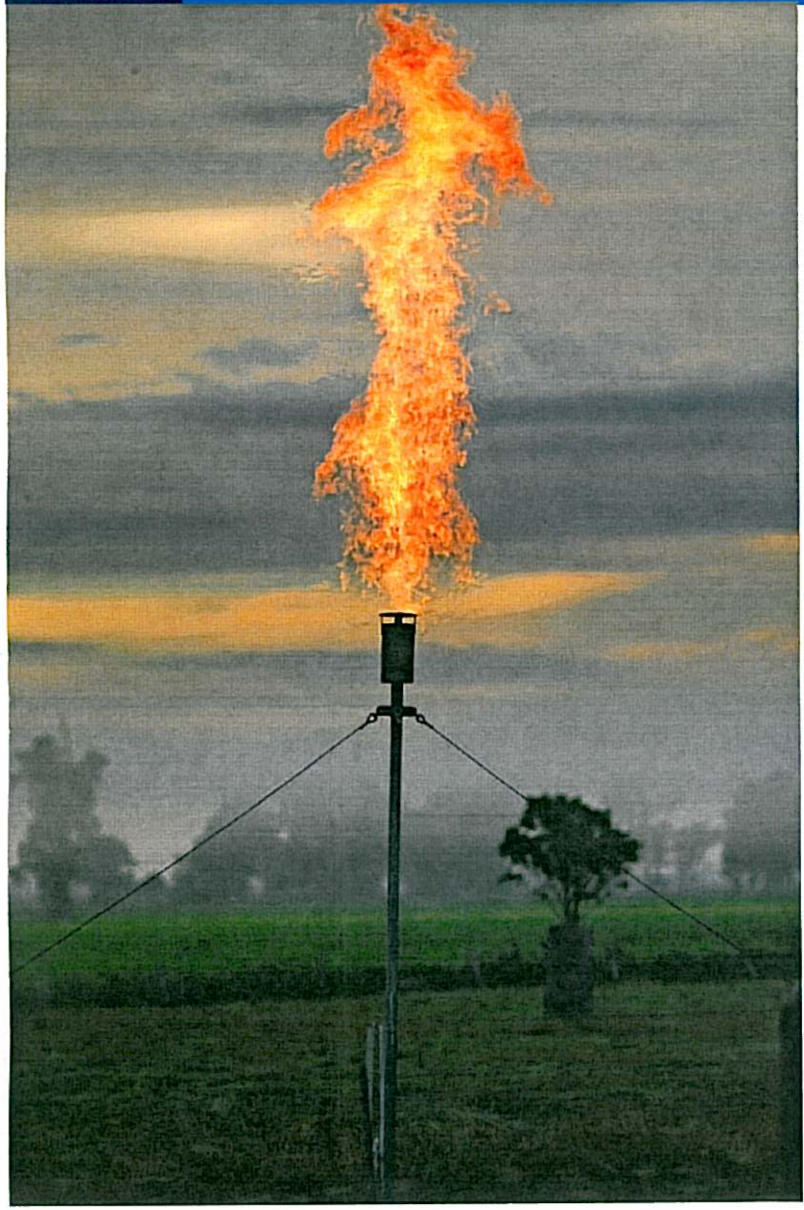
- **David Johnson – Managing Director**
  Geologist with 20 years experience in the minerals and petroleum sectors. Background in field geology in gold in south west Pacific and coal seam methane.

- **Glenda McLoughlin – Director & Chief Financial Officer**
  Former investment banker with over 20 years experience. Previously Head of Utilities & Infrastructure group with Barclays Capital and Vice President with Morgan Stanley (Melbourne & Singapore).

- **Rick Wood – Director & Director, Operations**
  Over 30 years experience in engineering and operations in upstream oil & gas. Over 18 years with Esso and former General Manager of Operations with Ampolex.

- **Nicholas Heath – Non-Executive Director**
  Former Director of ExxonMobil Australia. Over 30 years experience in petroleum engineering, operations management and gas and oil marketing, including overall responsibility for the marketing of natural gas throughout Australia. Past Chairman and Councillor of APPEA.

In Summary…



- ✓ A fundamental structural shift in the eastern australian energy market is underway.
- ✓ Access to energy resources is key.
- ✓ Metgasco holds the largest certified gas reserves in NSW.
- ✓ Substantial reserve upgrade program underway.
- ✓ Well defined gas commercialisation strategy.
- ✓ Close to markets and infrastructure.
- ✓ Experienced management and board.

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Disclaimer

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Investors should undertake their own analysis and seek advice from their professional advisor before deciding to invest in Metgasco shares.