28 August 2007

AUSTRALIAN STOCK EXCHANGE
Via Electronic Lodgement

OPERATIONS UPDATE

Metgasco (ASX:MEL) advises the following:

Additional Data provided to Reserve Certifier
As previously advised the Company has been engaged in an extensive reserve expansion drilling program over the past 9 months with the goal of achieving 640 Petajoules ("PJ") in 2P gas reserves. The Company achieved an initial upgrade in 2P gas reserves upgrade in July to 113 PJ.

Metgasco has now provided a further technical data package to reserve certifiers, MHA Petroleum Consultants (Denver, USA) and expects to be advised of their views over the next month. MHA Petroleum Consultants are world recognised leaders in their field of petroleum reservoir engineering and have had extensive experience in evaluating the productive potential of coal seam gas fields in Australia.

ADR 100 Rig Mobilised from Canada
The Company has previously advised that it has entered into a drilling agreement with Ensign Drilling Services to utilise the services of the "state of the art" ADR 100 drilling rig. This rig will be the first of its type in Australia. This rig has mobilised from Canada and is currently en route to the Port of Brisbane. The expected arrival date is the 3rd week of September. Following arrival, the rig will require AQIS clearance and then initial assembly by Ensign in Toowomba prior to mobilising to Casino, now expected for the 3rd week of October. Metgasco intends to conduct two pilot drilling programs which will comprise drilling 8 surface to in-seam ("SIS") wells into several coal seams in PEL 16. This program will represent the most extensive SIS program undertaken by any company into the Walloon Coal Measures to date.

Conventional Gas Exploration Program
The Company has completed seismic planning approvals for the Corella E-6 site where a significant gas kick was taken during the drilling of that well. It is intended that this seismic program be undertaken to provide additional subsurface structure information prior to drill testing. Should the seismic program indicate that drill testing is warranted, the Company plans to use the ADR rig to drill a conventional well at the location. The timing of this well is dependent on the completion and outcome of the seismic and sequencing of the CSG trial production program.

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