

Developing Gas Reserves in New South Wales

Mining 2007 Resources Convention

Disclaimer

This presentation may contain forward looking statements that are subject to risk factors associated with the oil and gas business. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: exploration and appraisal drilling; operating and production results, estimates of resources in place; competition; environmental risks; legislative risks; access to capital; project delay or advancement; approvals; cost estimates; price fluctuations and demand.

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

Company Overview

- Exploration, appraisal and commercial development of coal seam gas (CSG) and conventional oil and gas.
- Focus on Clarence Moreton Basin in NSW.
 - Large acreage position of in excess of 6,000² km
 - Emerging significant Reserves 1,156 PJ (3P) 194 PJ(2P) (33MMBOE)
 - Unique geographic position straddling two markets
- Major resource development activities in process
 - Heading towards 660PJ (2P) reserve objective
 - Major Trial Production Program about to start
 - 115km conventional 2D seismic program
 - Plan to drill a conventional well in or about 1st quarter 2008
- Commercialisation pathways in place
 - HOA's to sell 385 Petajoules (PJ) over the next 20 years
 - Major customer, CS Energy, providing first \$105 Million Development Capital

Company Overview

Listed	December 2004
ASX Code	MEL
Share price (30/10/2007):	\$ 0.81
Market cap:	\$ 98 million
Shares on issue:	121 million
Options on issue:	17 million
Shareholders:	~ 1500
Cash on hand:	\$17 million



- **Dr Peter Power – Non Executive Chairman**
Former Managing Director of Ampolex. 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

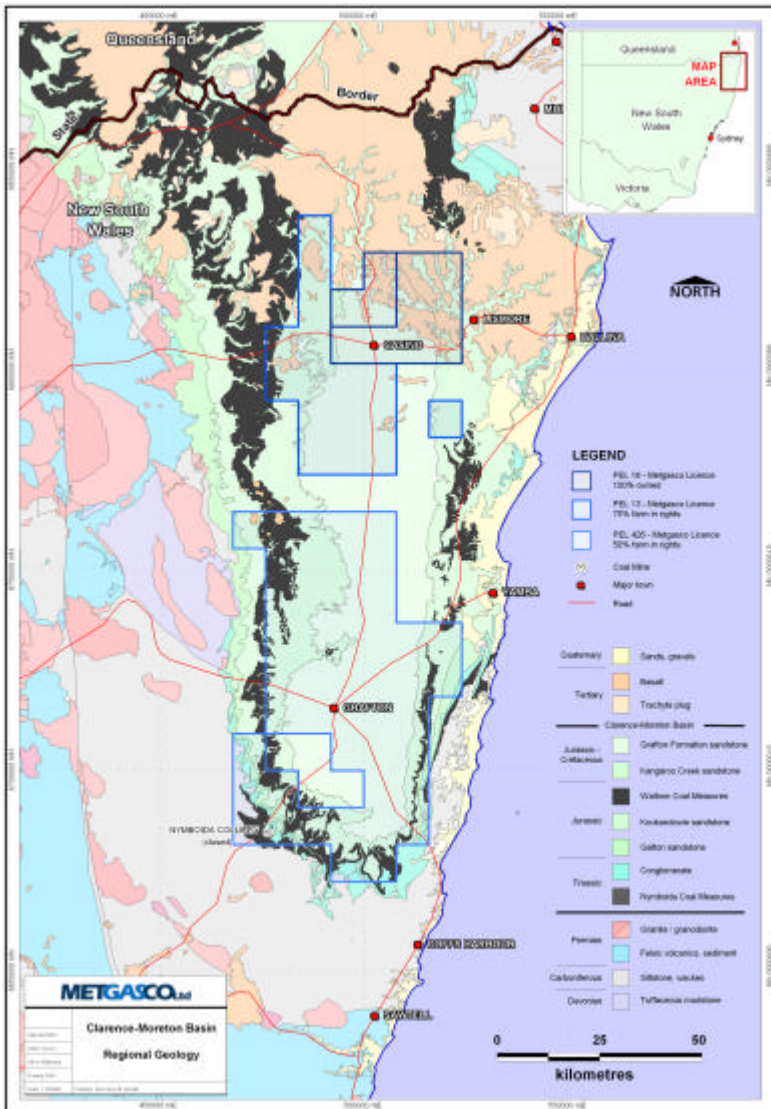
Rick Wood – Director & Director, Operations

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.

Company Overview



- 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 6,000km²
 - PEL 16 205,000 acres (96%)
 - PEL 13 Molopo JV, 408,000 acres (earning up to 75% in CSG rights and 50% conventional rights)
 - PEL 426 Molopo JV, 852,000 acres (earning up to 50% in both CSG and conventional rights)
- Substantial untested conventional potential – lateral equivalents of Surat basin reservoirs
- Previous gas flows at Hogarth/ Clifden
- Irregular seismic coverage, "old" drilling technology

Resource 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 and pilot production drilling program.
- Objectives
 - 540PJ (2P) Reserves
 - Casino to Ipswich pipeline study
 - Field development studies
- Project Sanction 2008 - CSE \$94.5 M Capital commitment
 - 140km CIP pipeline
 - Gas delivered to Swanbank 18PJ/a
 - Total value of gas sale agreement over \$1 Billion.

Resource Development - Stratheden Joint Venture



- Core drilling program now completed
 - Have drilled 8,000m since February, 405 coal samples for testing
 - Independent reserve certification upgrades to 194 PJ (2P)
 - Field Development and associated studies well underway

- Pipeline studies
 - Route analysis and associated studies completed
 - Fatal flaws completed
 - Regulatory process started

- Trial production program about to commence:
 - Pre collars in place
 - Ensign Rig 50 getting final transportation approvals

Resource Development - Trial Production Program



- MEL – Vectra Alliance announced September 5th 2007
- Program to demonstrate 1P reserve conversion mechanism
- Vectra a private US company and well established Arkoma Basin producer
- Since 2003 have drilled and completed in excess of 250 SIS CBM wells in the Hartshorne Coals
 - Have developed advanced skills in well design and completion
 - Recently 1200m coal in 40 hours
 - 54km coal in 1 year, 1 day standby
 - 1800m TVD hole in 7 days
- Goal to assist Metgasco in establishing flow rates and case matching for 1P reserves

Resource Development - Trial Production Program



- Metgasco Ensign Alliance
- Provision of ADR 100 on head lease, long term option basis
- Identical to rigs being used in Arkoma Basin
- Suitable for single leg lateral drilling, also has air drilling capability, conventional capability (~1400m)
- Allows for improved well design and reduced time to complete hole
- If successful, will allow prospect of ~ 40 holes/year per rig

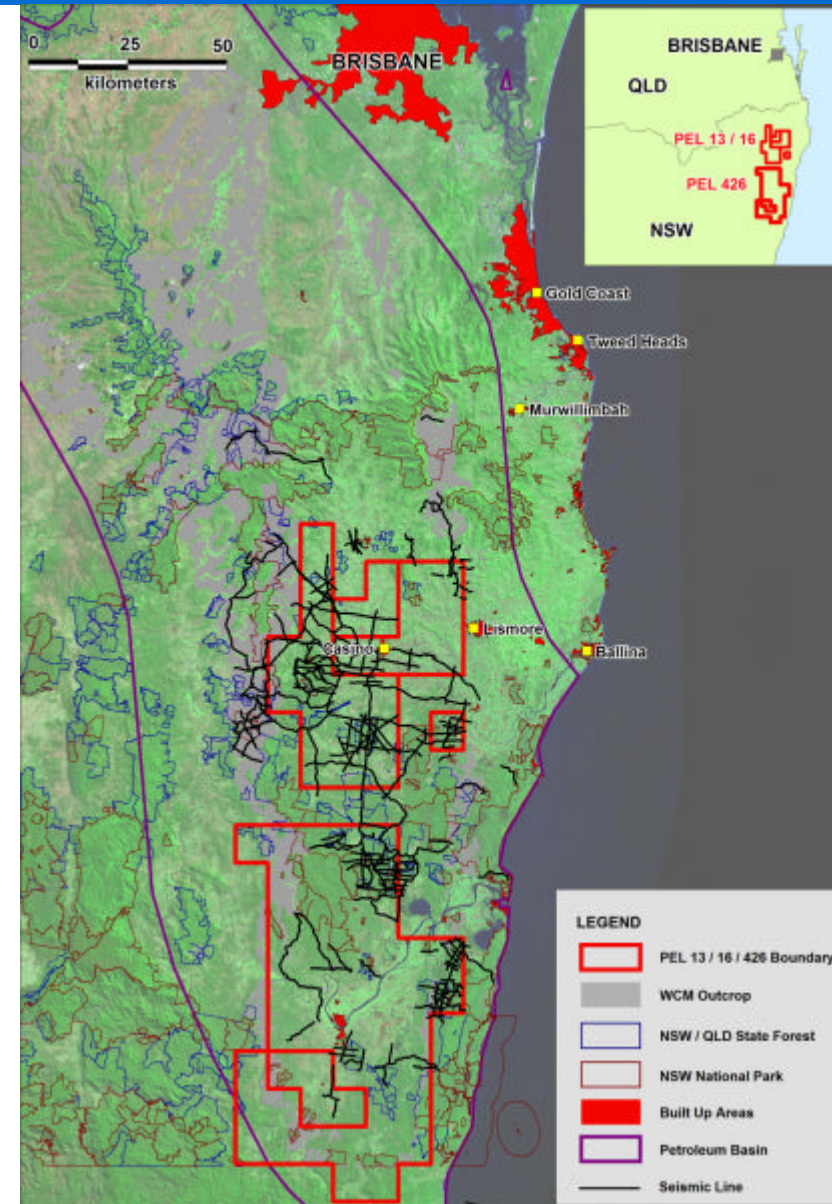
Resource Development - Trial Production Program



- Rig currently in Toowoomba, awaiting final transportation approvals
- Expect to mobilise to site shortly
- 9 5/8" pre collars already completed
- Vectra personnel expected on site next week
- Additional support from Scientific services in US

Resource Development - Exploration Program

- The CMB : A Triassic - Cretaceous rift basin. In NSW covers approximately 16,000 km² with about 10 conventional oil and gas exploration holes
- Previous gas flows at Hogarth/Clifden
- Irregular seismic coverage, "old" drilling technology"
- Substantial untested conventional potential – lateral equivalents of Surat basin reservoirs
- MEL-MPO JV to undertake 115 conventional 2D seismic in early 2008
- Subject to results to drill at least 1 conventional well in 2008

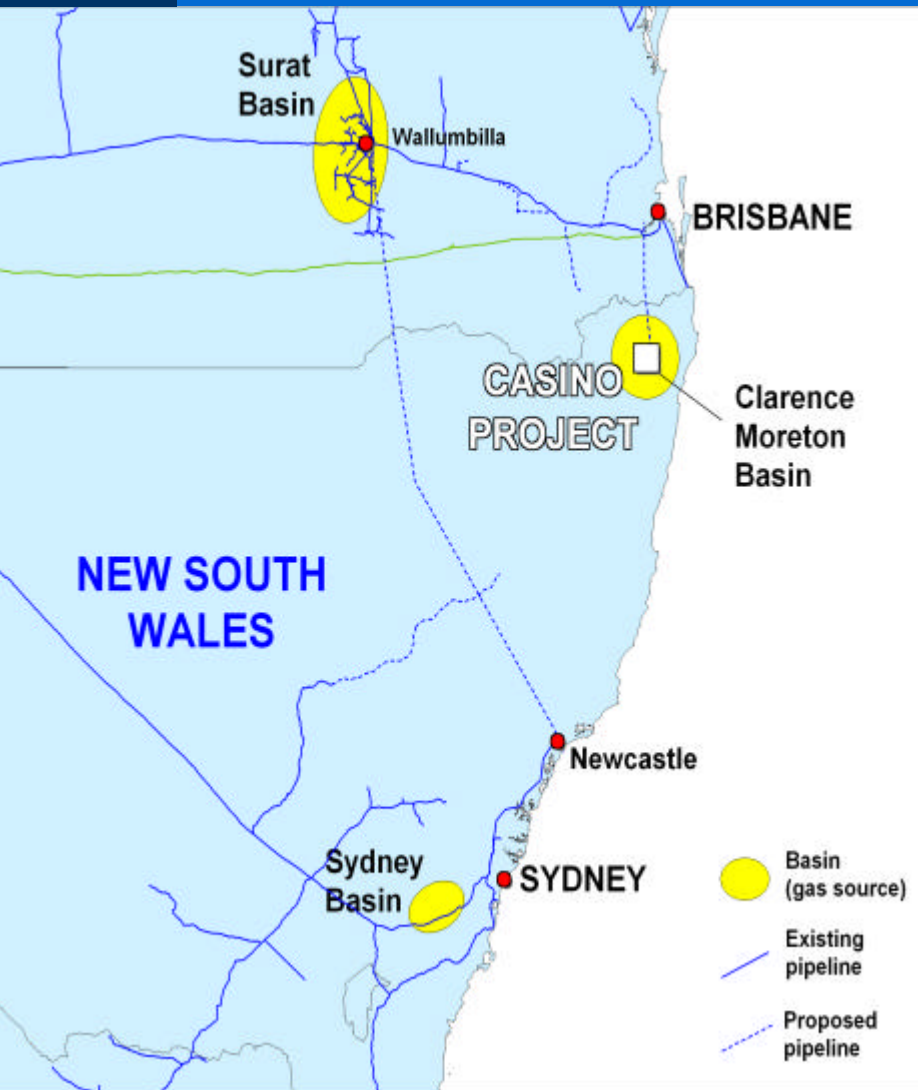


Commercialisation : Location is Key



- Demand for “clean gas” is increasing.
- Traditional sources of gas supply are in decline
- New sources of gas are rapidly emerging
- Gas markets are becoming more connected
- National Gas Code – a new regulatory regime
- Emerging traded market for gas and possible exports from eastern Australian markets.

Commercialisation : Close to growing markets



- SE Qld and NE NSW are Australia's fastest growing regions.
 - Power demand forecast to grow by 260 MW pa
 - No pipeline/reticulated gas in northern NSW
- Metgasco is in NSW, the State with a critical need for new gas supplies
- Metgasco will also be one of the closest gas suppliers to Brisbane
 - Developing 145 km pipeline
- Metgasco can enhance security of supply for NSW and Qld energy customers

Commercialisation - Richmond Valley Power Station



- 30MW gas fired power station located at Casino.
- Requires 2.5PJ/a over 15 years
- Have drilled 4,500m since February, 195 coal samples for testing
- Field development studies largely complete
- EA now lodged, Connection Agreement also lodged
- Power station site finalised
- Australian Pipeline Trust appointed preferred infrastructure partner.
- Once regulatory approvals complete and financial close obtained expect 18 months for commencing operation.

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.