# Investor Presentation

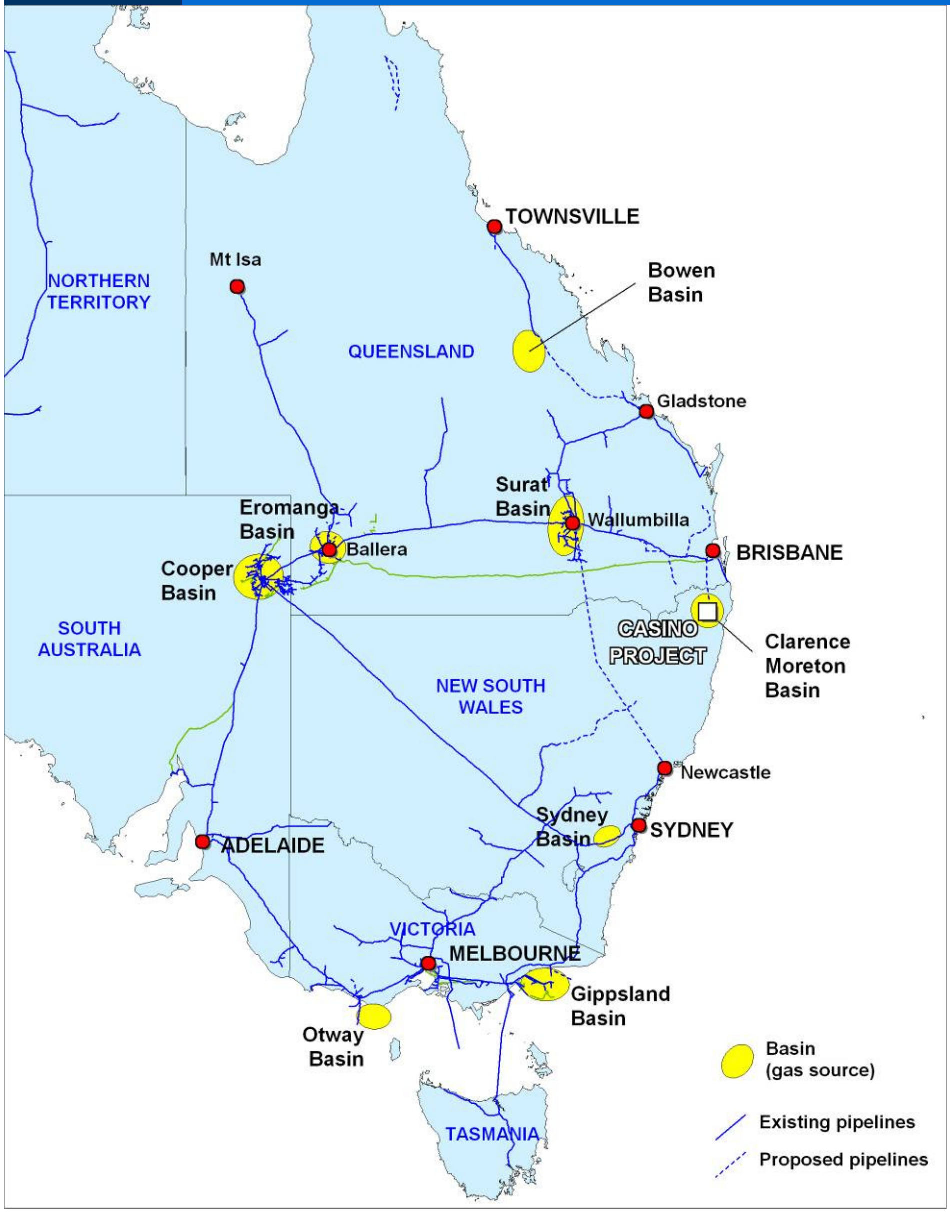
January 2008

METGASCO Ltd
ACN 088 196 383

# Company Overview

- Exploration, appraisal and commercialisation of coal seam gas (CSG) and conventional oil and gas.
- Focus on NSW Clarence Moreton basin in NSW – large acreage position with prospective resource estimate in excess of 5 TCF.
- Conversion of “prospective resource” to “certified gas reserves” well underway with largest certified gas reserves in NSW at 194 PJ already established.
- Further reserve upgrades imminent.
- Commercialisation strategy in place with MOUs for two major gas sale agreements:
  - 360 PJ over 20 years to CS Energy
  - 150 PJ over 10 years to BP Australia

# Eastern Australian gas markets are rapidly evolving




- 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.



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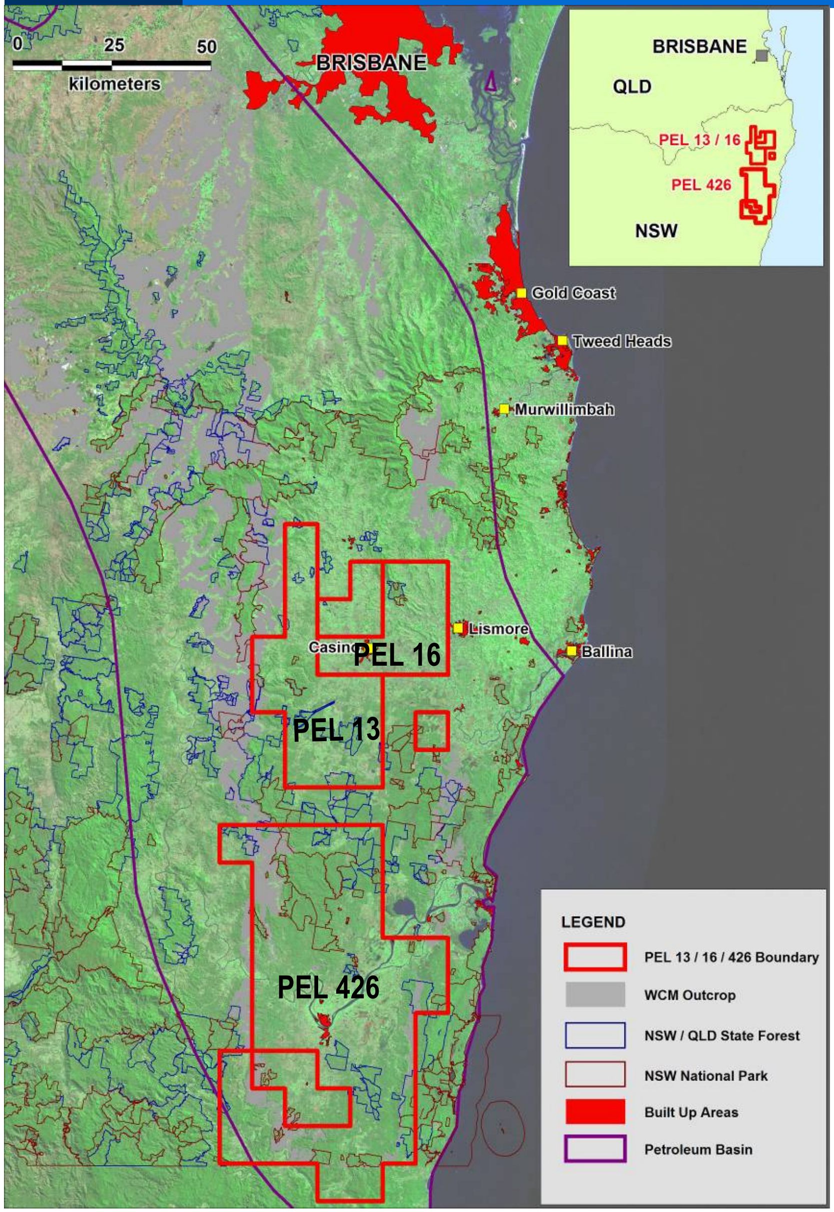
# The importance of gas in the energy mix

- Australia has now signed the Kyoto Protocol.
- CO2 emissions must be reduced.
- Gas is the transitional fuel to a clean fuel economy (ALP policy statement).
- Unlikely there will be any new coal fired power stations for the next 20 years on the east coast of Australia – until carbon capture and storage (CCS) is economically viable.
- Gas fired power produces less than 50% of the CO2 emissions of coal fired power. Metgasco coal seam gas at 98%+ methane content is "ultraclean" (ie unlike conventional gas there is no CO2 produced during production).

# Metgasco is focussed on the Clarence Moreton basin




- One of the most unexplored petroleum basins on the east coast of Australia
- Triassic - Jurassic – Cretaceous basin
  - CSG and conventional oil & gas potential
- Large land position of around 6,000km$^2$
- Key assets (operator):
  - PEL 16 (96%),
  - PEL 13 (earning up to 75% in CSG rights and 50% conventional rights)
  - PEL 426 (earning up to 50%)
- Close to major growing energy markets



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# Financial Snapshot


Last 12 months

| | |
|---|---|
| Share Price | $0.91 |
| Market Cap ($million) (fully diluted) | $125 |
| Shares on issue (million) | 121 |
| Options on issue (million) | 16 |
| Cash on hand ($million) | $12 |

As at 14.1.2008



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# Company Strategy

- Develop substantial coal seam gas reserves to meet growing demand for gas in Eastern Australian gas markets.

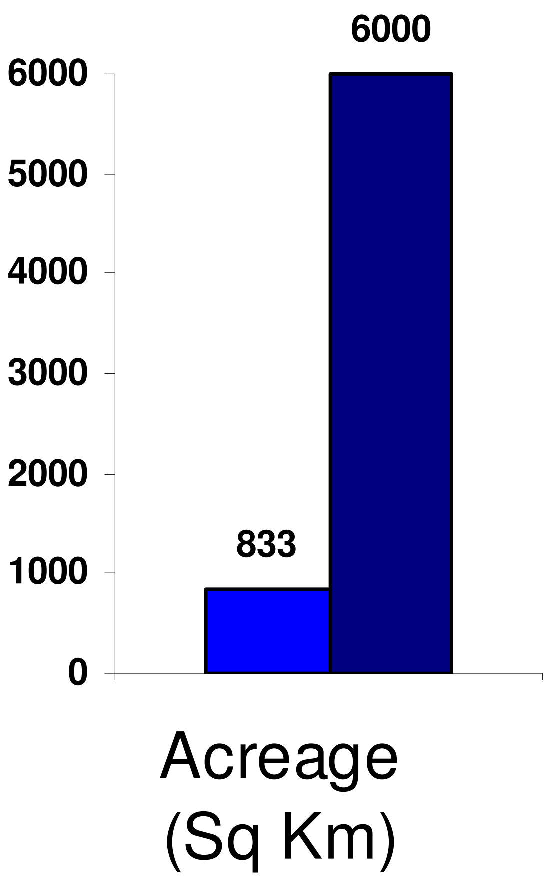
- Establish 2P reserves in PEL16 of 640 PJ by early 2008
  - ✓July 2006 – 22 PJ
  - ✓July 2007 – 130 PJ
  - ✓Sept 2007 – 194 PJ
  - ✓Additional data package provided to MHA – awaiting reserves report

- Leverage basin specific knowledge to evaluate CSG potential in other areas in the basin (Farmin to PEL 13 and PEL 426)

- Evaluate conventional oil and gas potential of basin in parallel

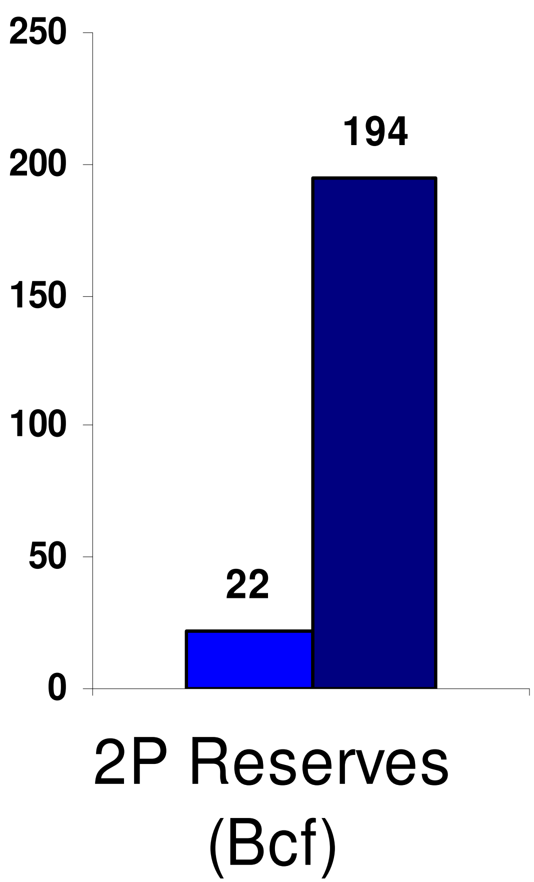
- Develop substantial gas sales position

# 2007 Achievements - Exploration



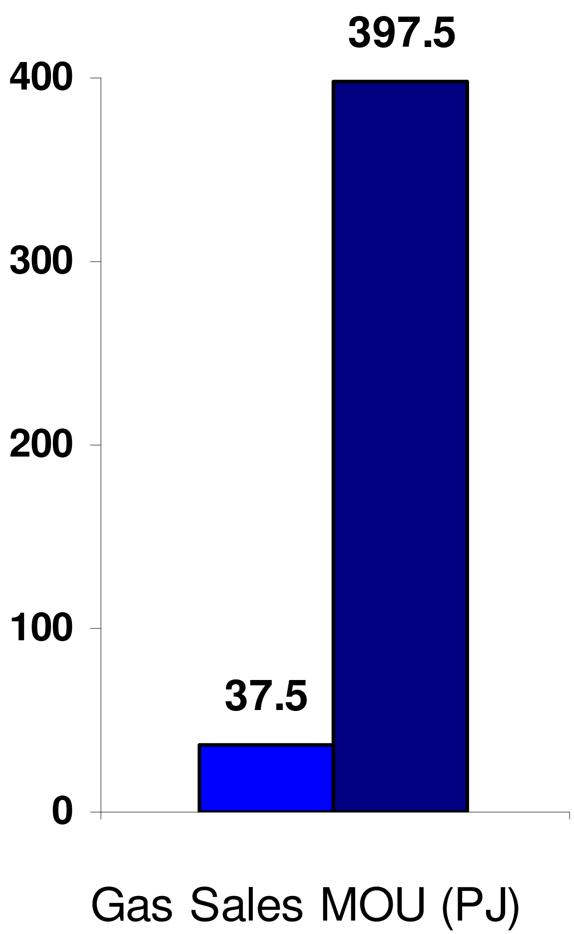

- PEL 426 Joint Venture with Molopo
  - Southern Clarence Moreton Basin
  - CSM & conventional exploration
  - 215 l/km reprocessing, data gathering
  - Pine Brush, Clifden leads
- PEL 16
  - CE 6 – major gas kick
  - Conventional structure analysis
- PEL 13
  - Reprocessing of 300 line km data

# 2007 Achievements - Reserves & Production




- Increased 2P reserve base to 194 PJ
- Completed 12,500m core drilling and testing program – no LTIs or EIs
- Pilot Production Program commenced
  - Ensign Alliance – use of ADR 100 rig for improved capability
  - Vectra Alliance – skilled horizontal CSM experience
  - 4 wells drilled and currently being dewatered

# 2007 – Gas Commercialisation Achievements

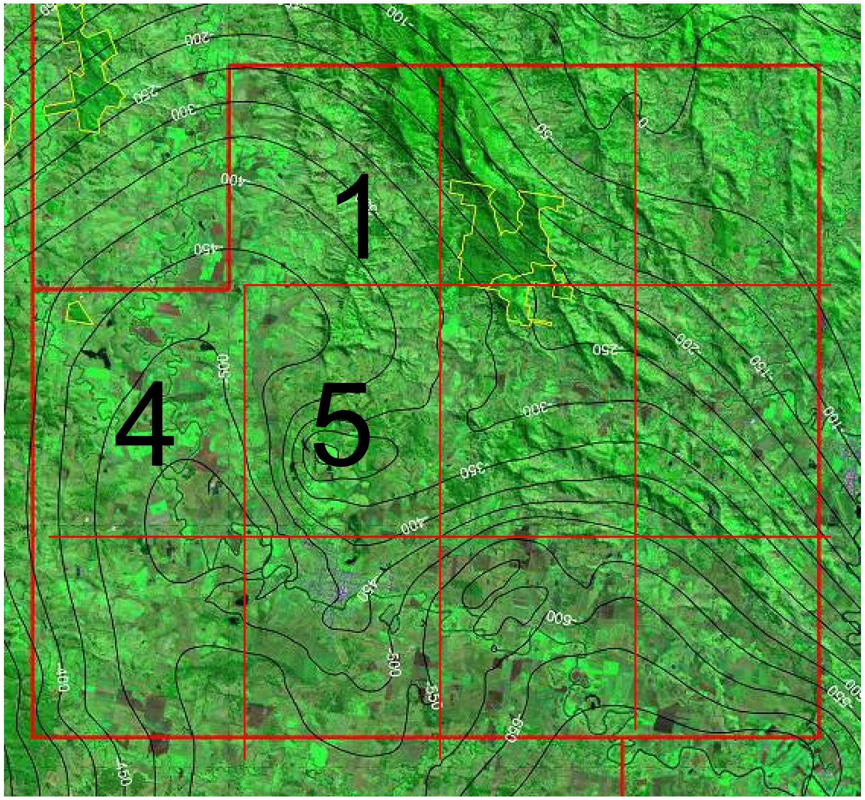



- BP – MOU for sale of 15 PJ/pa
  - Extension of pipeline to Port of Brisbane
- Richmond Valley Power Station progress – 2.5 PJ/pa
  - Environmental Assessment completed
  - Network Connection Application underway
- CS Energy Development progress – 18 PJ/pa
  - Met all key milestones to date under farm-in with CSE
- Casino to Brisbane Gas Pipeline
  - Environmental Assessment commenced

# BP – proposed gas sale

- BP operates Bulwer Island Refinery
  - Consumes 30% of Brisbane’s gas demand
  - Produces 40% of Queensland’s liquid fuels.
- MOU with BP for the sale of 15 PJ/pa.
- BP have undertaken extensive evaluation of Refinery expansion and infrastructure options.
- BP and Metgasco have entered into a joint feasibility study to evaluate the extension of the Casino to Ipswich pipeline to the Port of Brisbane.
- Feasibility study to be conducted over the next 6 months.

# CS Energy – a foundation customer




PEL 16 Detail

- CS Energy have provided $11 Million in funding to earn a 15% interest in the Stratheden farm-in area (3 blocks in PEL 16)
- Goal to establish 540 PJ in 2P reserves.
- 172 PJ certified to date – further reserve upgrades expected.
- Goal to supply 18 PJ/year for 20 years
- CS Energy then to invest $94.5 M to develop the field and earn an additional 35% of the farm-in area



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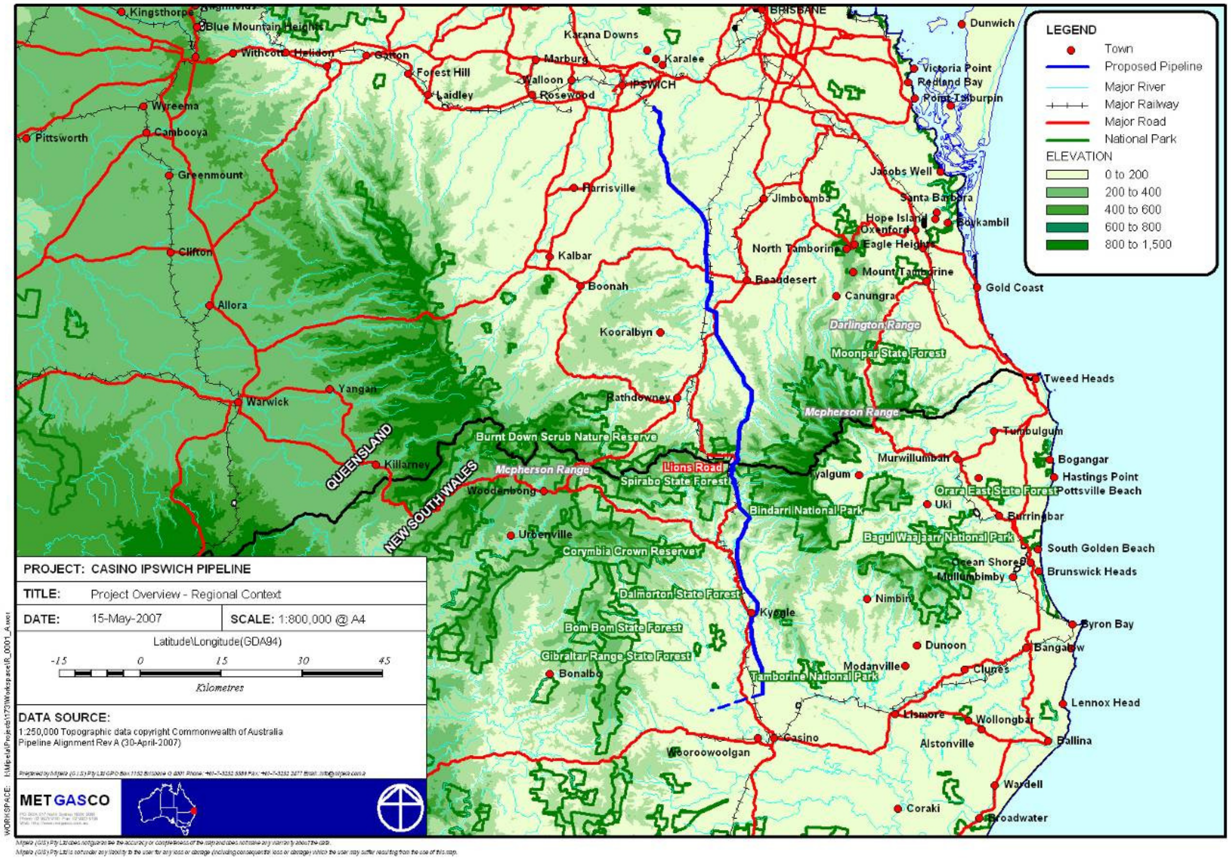
# Casino to Ipswich Pipeline




- Brisbane is the only capital city on the east coast of Australia supplied with gas by a single gas pipeline.
- The Casino to Ipswich pipeline enhances security of gas supply to Brisbane by supplying gas from a different basin and via an alternative transportation route.
- Development Approval process currently underway.



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# Richmond Valley Power Station

- 30 MW gas fired power station at Casino
- Requires 2.5 PJ/pa over 15 years
- FEED completed
- EA completed
- Drilling program underway to establish 2P reserve target of 100 PJ

# Pilot Drilling Progress

- Specialised rig mobilised from Canada for pilot drilling program.
- Rig performance has been excellent.
- 8 Surface to Inseam (SIS) wells being drilled.
- 4 wells completed to date, dewatering underway
- 3 wells currently on pump – very encouraging water and gas flows.
- Stabilised gas flow rates will be provided to the market once the dewatering stage is well advanced.

# Conventional oil & gas exploration is beginning..

- The basin has had minimal conventional exploration in the past
- Metgasco has completed a two year program to re-process and re-interpret available 2D seismic data in PEL 16.
- Substantial seismic program underway:
  - Reprocessing and re-interpretation of 300 km of seismic in PEL 13 completed
  - 30 km of new 2D seismic to be acquired in PEL 13 in 2Q 2008
  - Reprocessing and re-interpretation of 215 km of seismic in PEL 426 over Pine Brush and Clifden prospects
  - 85km of new 2D seismic to be acquired in PEL 426 in 2Q 2008
- Potential high impact conventional well will be drilled after pilot program
  - Target Heifer Creek sandstone at 1,300 m
  - First conventional well ever drilled in PEL 16

# An experienced board & management team

- Dr Peter Power – Chairman
  Former Managing Director of Ampolex. Past Chairman of APPEA.
- David Johnson – Managing Director
  Geologist with 20 years experience in the minerals and petroleum sectors.
- Glenda McLoughlin – Director & CFO
  Former investment banker with over 20 years experience: Head of Utilities & Infrastructure group with Barclays Capital and Vice President at 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.
- Nick Heath – Non-Executive Director
  Former Director of ExxonMobil Australia with responsibility for the marketing of natural gas throughout Australia. Past Chairman and Councillor of APPEA.

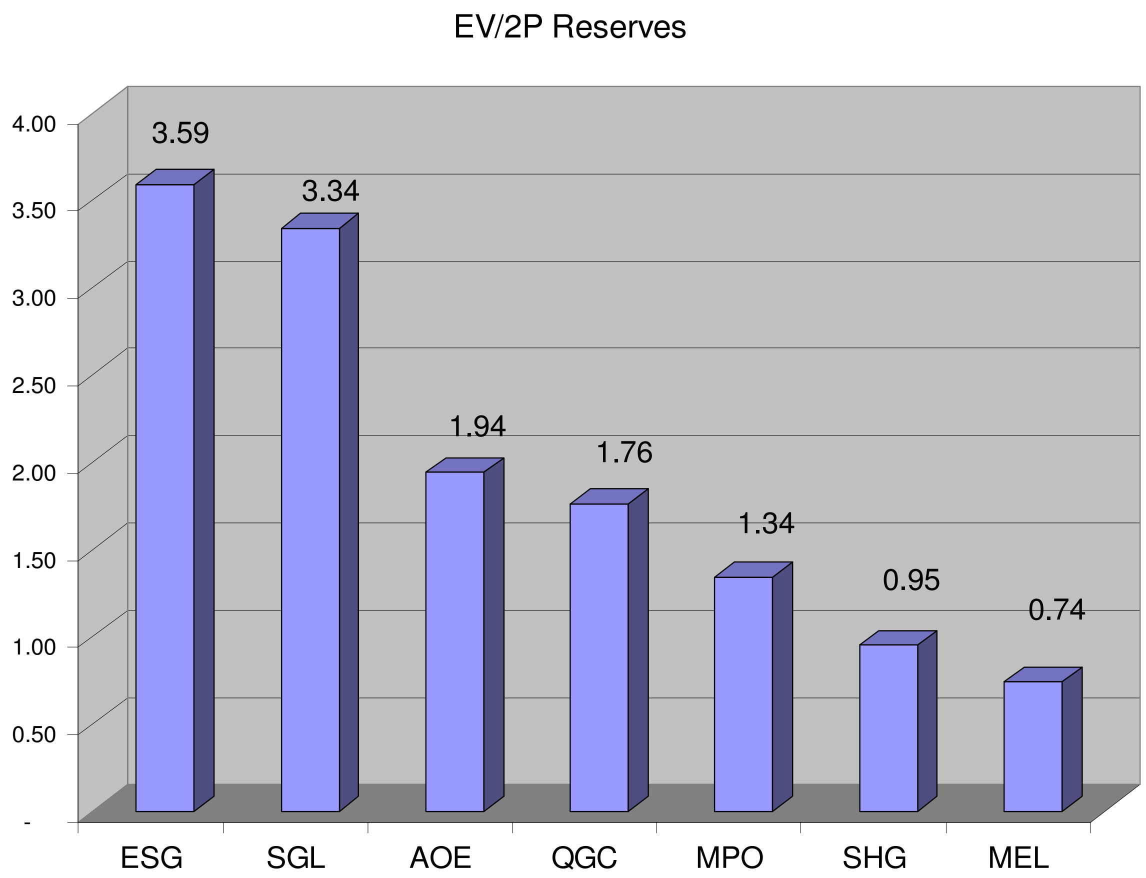
- 25 Permanent Staff and 40 Contractors
- Key alliance with US based Vectra CBM to provide drilling and completion advisory services

- Kevin Dixon – General Manager Gas Marketing
  Former Head of Strategy for Australian Pipelines Trust, 30 years experience with ExxonMobil.
- Peter Stanmore – General Manager Exploration
  Leader of Onshore Exploration evaluation team with Santos. Previously 30 years experience with Santos and ExxonMobil in petroleum exploration and development.

# Comparative Data

| Company Name | ASX Code | Share Price 14.01.07 | Market Cap ($Million) 14.01.07 | No of Shares (Million) 14.01.07 | Hybrid Equity (Million) | Contributed Equity 14.01.07 | Net 1P Reserves (PJ) | Net 2P Reserves (PJ) | Net 3P Reserves (PJ) | Date Listed |
|---|---|---|---|---|---|---|---|---|---|---|
| Queensland Gas | QGC | 3.13 | 2,316 | 740 | | 557 | 477 | 1,317 | 3,116 | JUL 2000 |
| Arrow | AOE | 2.32 | 1,394 | 601 | 13 | 394 | 86 | 719 | 2,760 | JUN 2002 |
| Sunshine Gas | SHG | 1.65 | 446 | 270 | | 86 | 44 | 469 | 1,097 | JUL 2002 |
| Eastern Star | ESG | 0.38 | 212 | 557 | | 107 | 21 | 59 | - | JAN 2001 |
| Sydney Gas | SGL | 0.39 | 137 | 350 | 15 | 116 | 29 | 41 | 54 | DEC 2002 |
| Molopo | MPO | 0.71 | 130 | 183 | | 43 | 11 | 97 | 283 | NA |
| Metgasco | MEL | 0.91 | 125 | 137 | | 27 | 0 | 169 | 1,156 | DEC 2004 |
| Blue Energy | BUL | 0.25 | 110 | 440 | | 23 | - | - | - | MAY 2007 |
| Pure Energy | PES | 0.62 | 51 | 82 | | 11 | - | - | - | SEP 2006 |

# Lowest valuation in the CSG sector on 2P reserves




MEL is valued at $0.74 per GJ based on current 2P reserve position.

Zero value currently attributed to substantial 3P reserve position.

Zero value currently attributed to conventional oil & gas potential.



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# In Summary…

- ✓ Pilot drilling program is progressing well
- ✓ Metgasco is continuing to develop and commercialise a large gas reserve position.
- ✓ Metgasco has established a substantial portfolio of gas commercialisation projects. Gas sales of approx 35 PJ/pa in development (over 30% of the current Brisbane gas market).
- ✓ Gas is becoming increasingly important in the Australian energy mix.
- ✓ Metgasco has a key competitive advantage because it is close to markets and infrastructure.

# 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.



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