

# Rodman & Renshaw Global Investment Conference New York

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# Overview

- Introduction to Metgasco
- Primer on Australian Gas Markets
- Metgasco Strategy and Business Plan
- Summary

# Metgasco – an emerging Australian gas company

- Focussed on Clarence Moreton basin
- Coal bed methane and conventional gas
- Land - 1.5 million acres (gross)
  - 930,000 acres (net)
- Gas reserves
  - 2P reserves – 284 Bcf
  - 3P reserves – 1,460 Bcf
  - Reserves established over less than 5% of acreage
- Close to energy markets and infrastructure
- Relationships with key customers
- Strong management team & board



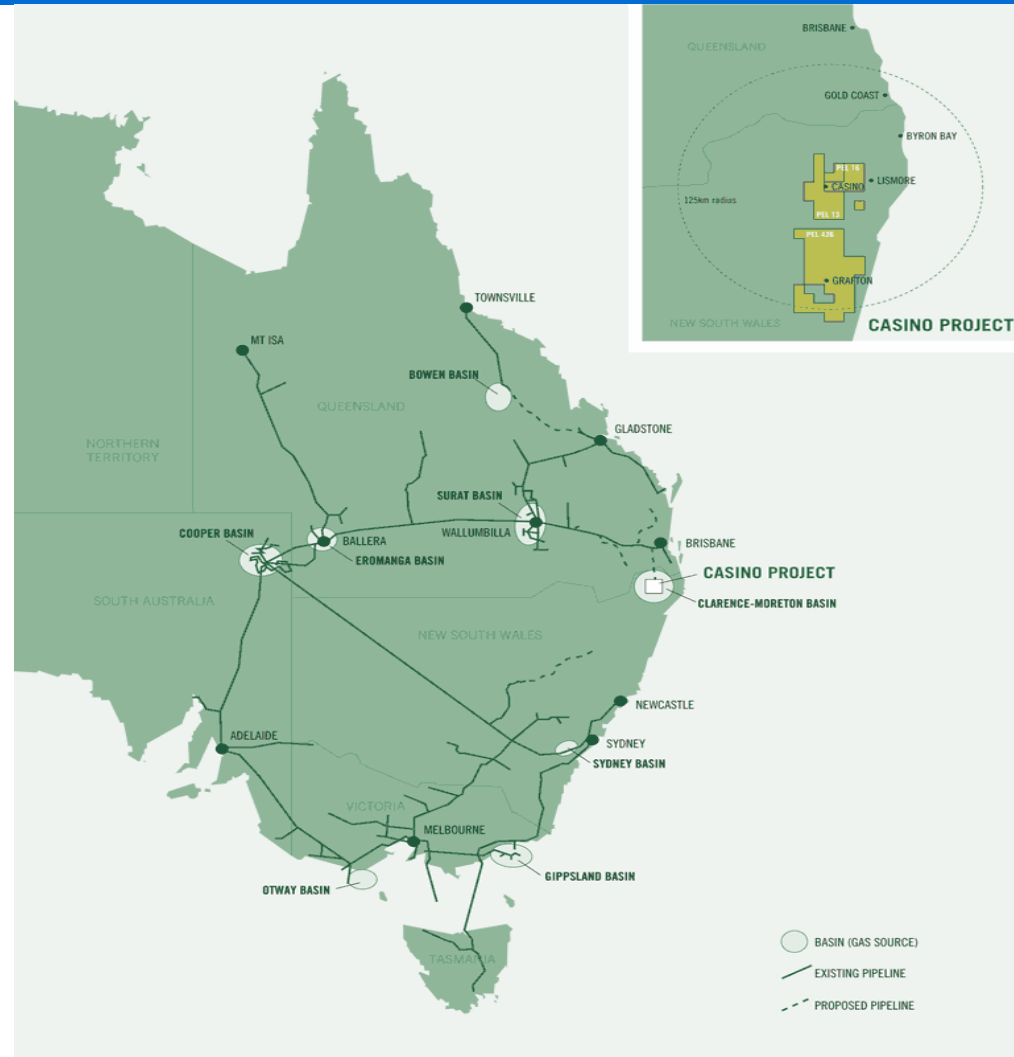
# Snapshot of Financials

<b>Listed Australian Securities Exchange (ASX)</b>	<b>Dec 2004</b>
<b>ASX Code</b>	<b>MEL</b>
<b>Current Share Price</b>	<b>\$0.58</b>
<b>Market Cap</b>	<b>A\$77 million</b>
<b>Shares on issue</b>	<b>132 million</b>
<b>Options on issue</b>	<b>21 million</b>

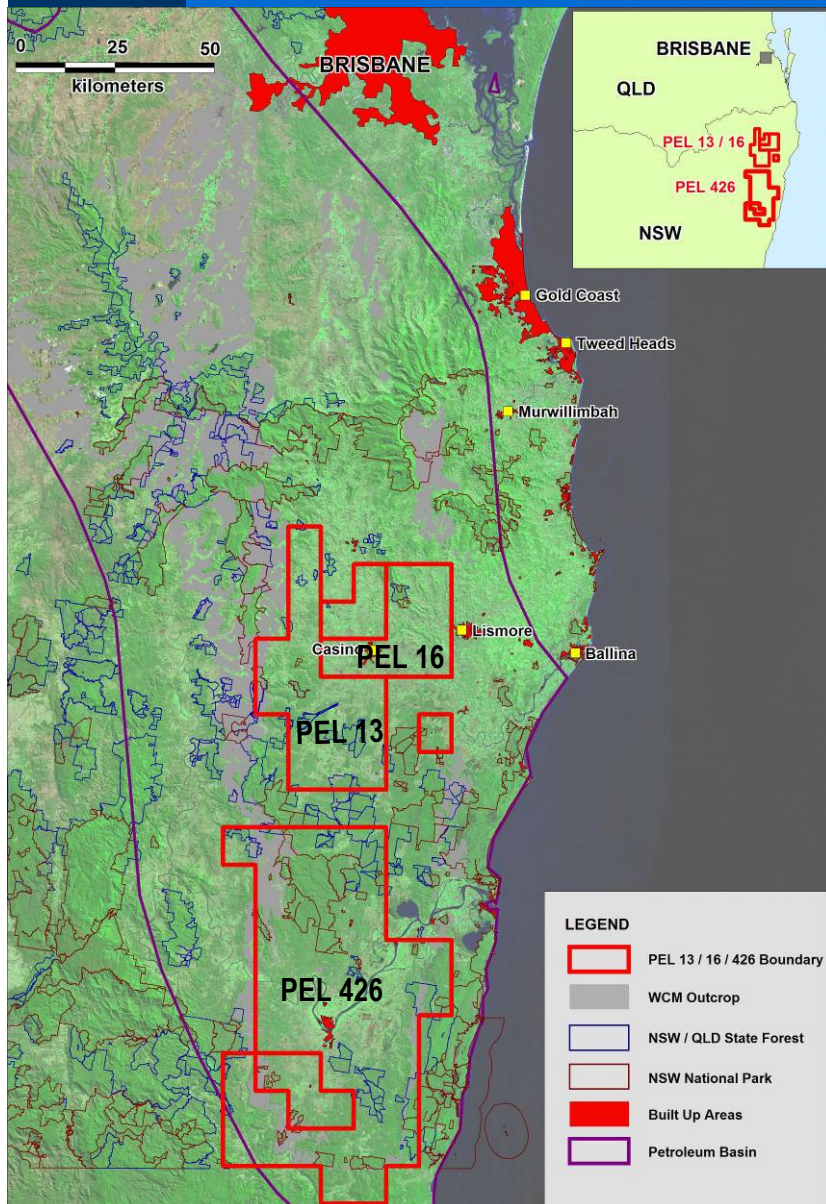
Notes: Share price and market Cap as at 3rd Nov 2008

# Clarence Moreton Basin

– under-explored and close to markets

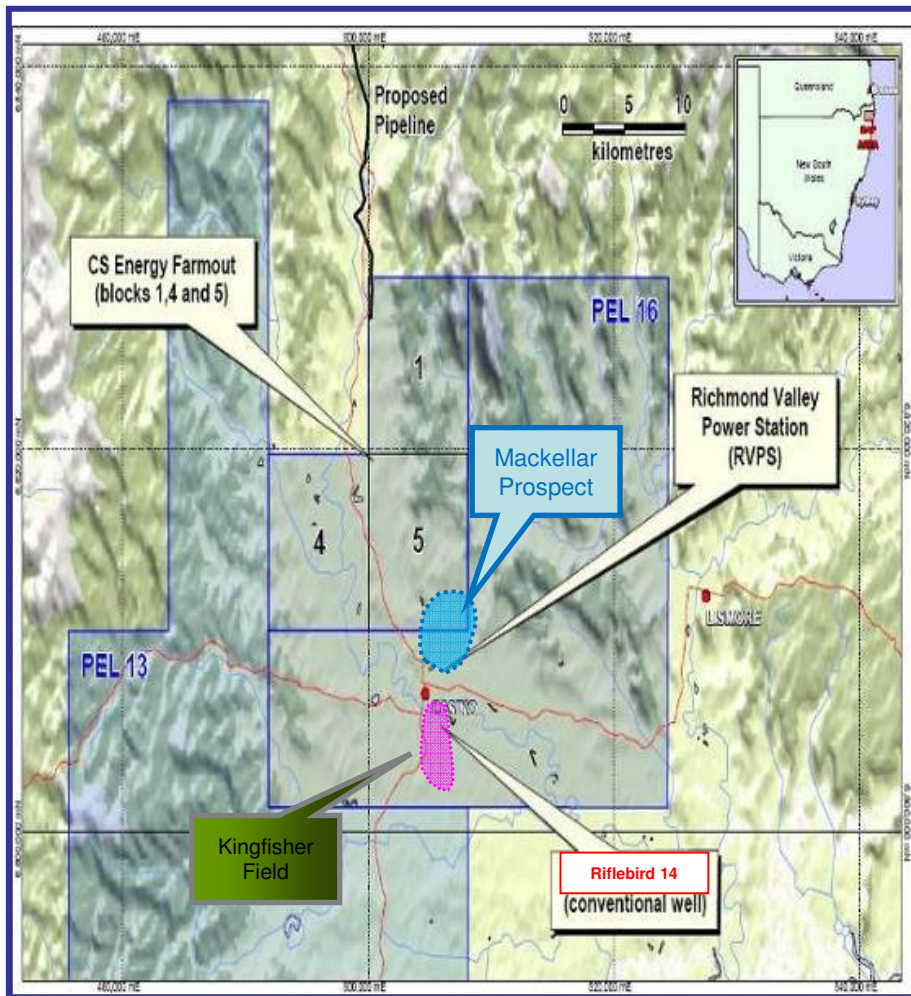


# Untapped potential of the Clarence Moreton basin



- All requirements for the accumulation of hydrocarbons exist
- Until Metgasco began exploring, only 6 valid exploration wells had been drilled in the basin
- Coals extend over wide area – extensive CBM system
- Recently completed seismic program has identified conventional leads and prospects
- Metgasco is opening up a new petroleum province for both conventional gas and coal bed methane.

# First conventional gas discovery in basin



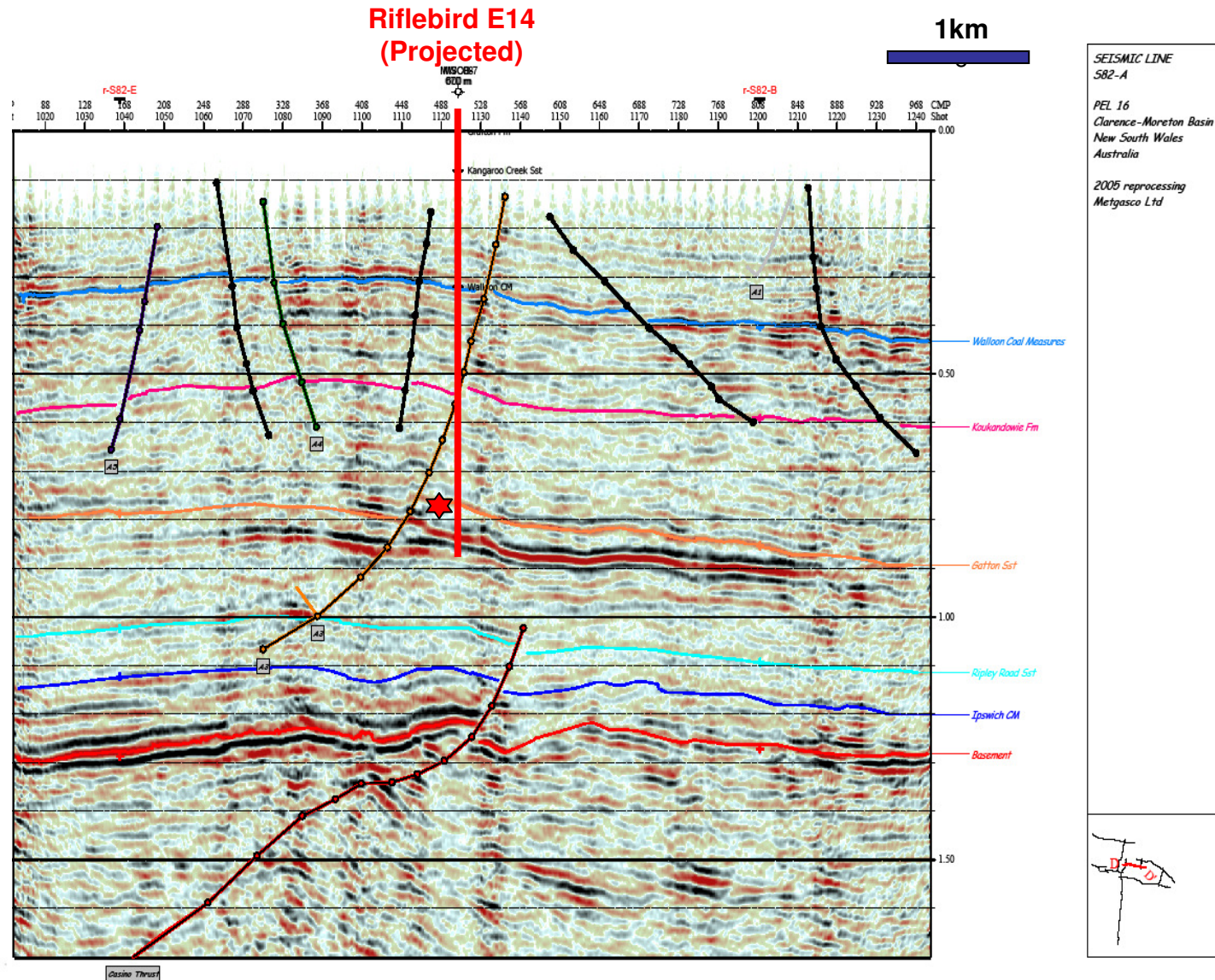
- Discovery of Kingfisher Field in September 2008
- Gas-in-place 82 - 831 bcf
- Shallow gas at 4,000 ft
- Riflebird-E14 drilled and flowed gas at 247scf/day
- Productivity enhancement achievable
- 700 metres of additional potential pay deeper in sequence

# Kingfisher Structure on Seismic Line S82-A

	AGE		FORMATION	STAGE
	CRET.	BIOSTRATI-GRAPHY		
JURASSIC	EARLY	PK1	GRAFTON FORMATION	Berrisian -
		PJ6		Portlandian
	MID	PJ5	KANGAROO CREEK SANDSTONE	Oxfordian
		PJ4	WALLOON COAL MEASURES	Bathonian
		PJ3	KOUKANDOWIE FORMATION HEIFER CREEK SANDSTONE MEMBER MA MA CREEK MEMBER	Bajocian
				Aalenian
	Toarcian			
	EARLY	PJ2	GATTON SANDSTONE CALAMIA MEMBER	Pliensbachian
		PJ1	RIPLEY ROAD SANDSTONE	Sinemurian
	TRIASSIC	LATE	PT5	RACEVIEW FORMATION
PT4			BASAL BUNDAMBA SST. IPSWICH COAL MEASURES	Rhaetian Carnian
MID		NYMBOIDA COAL MEASURES / CHILLINGHAM VOLCANICS	PT3	Ladinian
			PT2	Anisian
			PT1	Spathian
EARLY		TOOGOO LAWAH GROUP	PT2	Smithian
	PT1		Dienerian	
PALAEO-ZOIC			COFFS HARBOUR BEDS / NERANLEIGH-FERNVALE BEDS	Gretsbachian

Stratigraphy of the New South Wales sector of the Clarence-Moreton Basin.

Figure 4



# Other leads and prospects in PEL 16

	PMean Bcf	P10 Bcf
Kingfisher	82	831
Mackellar	63	688
Mackellar North	146	1,793
Bowerbird	28	295
Cicada	35	352
Fantail	30	315
Monarch	53	528
Triller	36	389
<b>TOTAL</b>	<b>473</b>	<b>5,191</b>

- Processing and interpretation of recently shot seismic has identified a number of attractive leads and prospects in PEL 16
- Liquids deeper in the system?
- Metgasco is currently progressing farm-out discussions.

# Primer on the Australian gas sector

Gas markets historically restricted

- Single remote basin to market supply by dedicated pipeline
- East coast gas market “locked up” by major players with long term contracts
- Exploration focussed offshore – targetting LNG scale finds

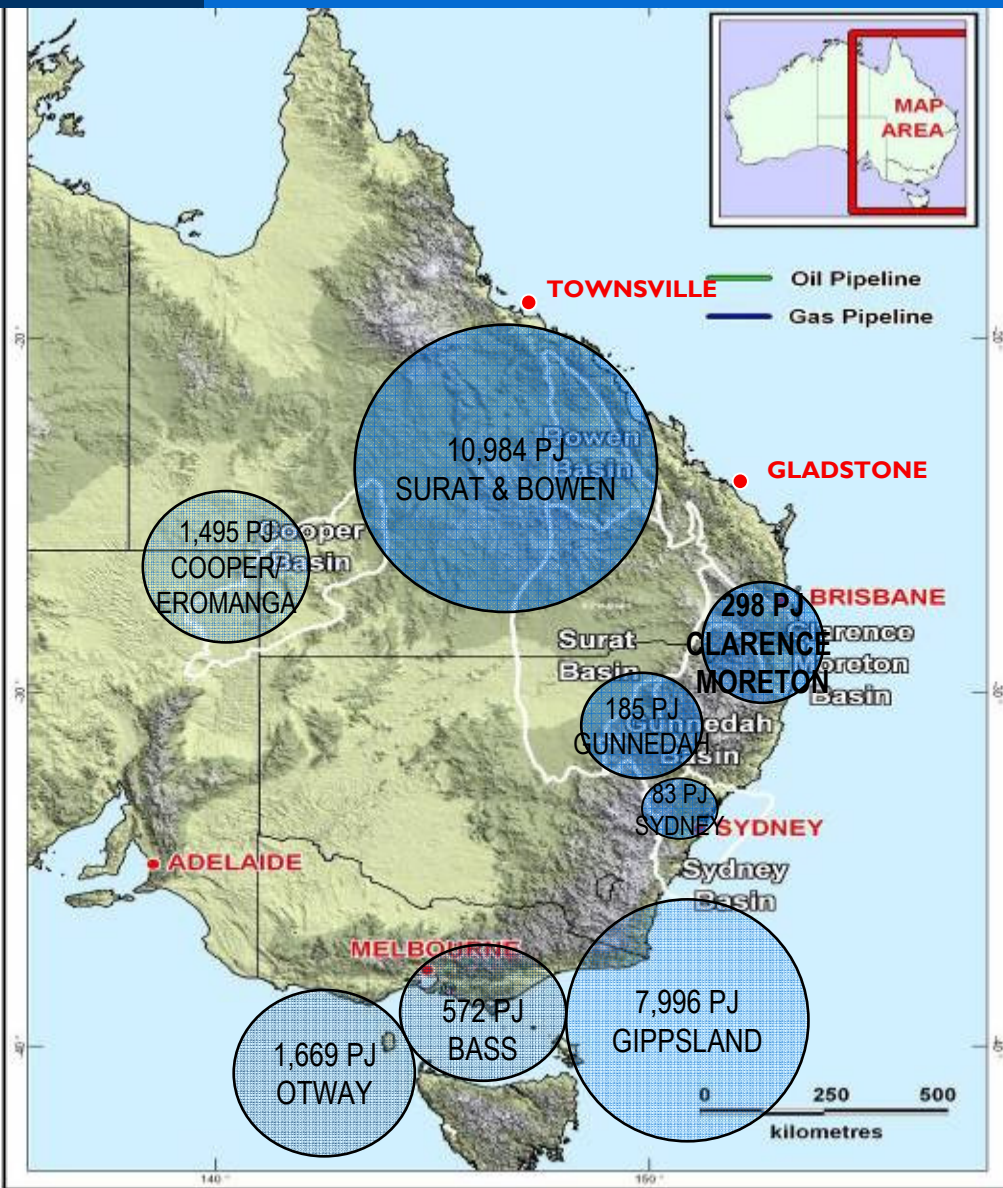
Energy Market Deregulation in 1990s

- More open access to customers
- Construction of new “open access” gas pipelines to connect markets.

But a looming gas shortage was forecast

- By mid 1990s explorers saw market opportunities emerging:
  - Major contracts running off/coming to an end;
  - Power generation emerging as a new source of demand; and
  - Greenhouse gas emissions trading scheme likely creating demand for “clean” gas.
- Market opportunity met innovative technology

# The east coast CBM sector is developing rapidly



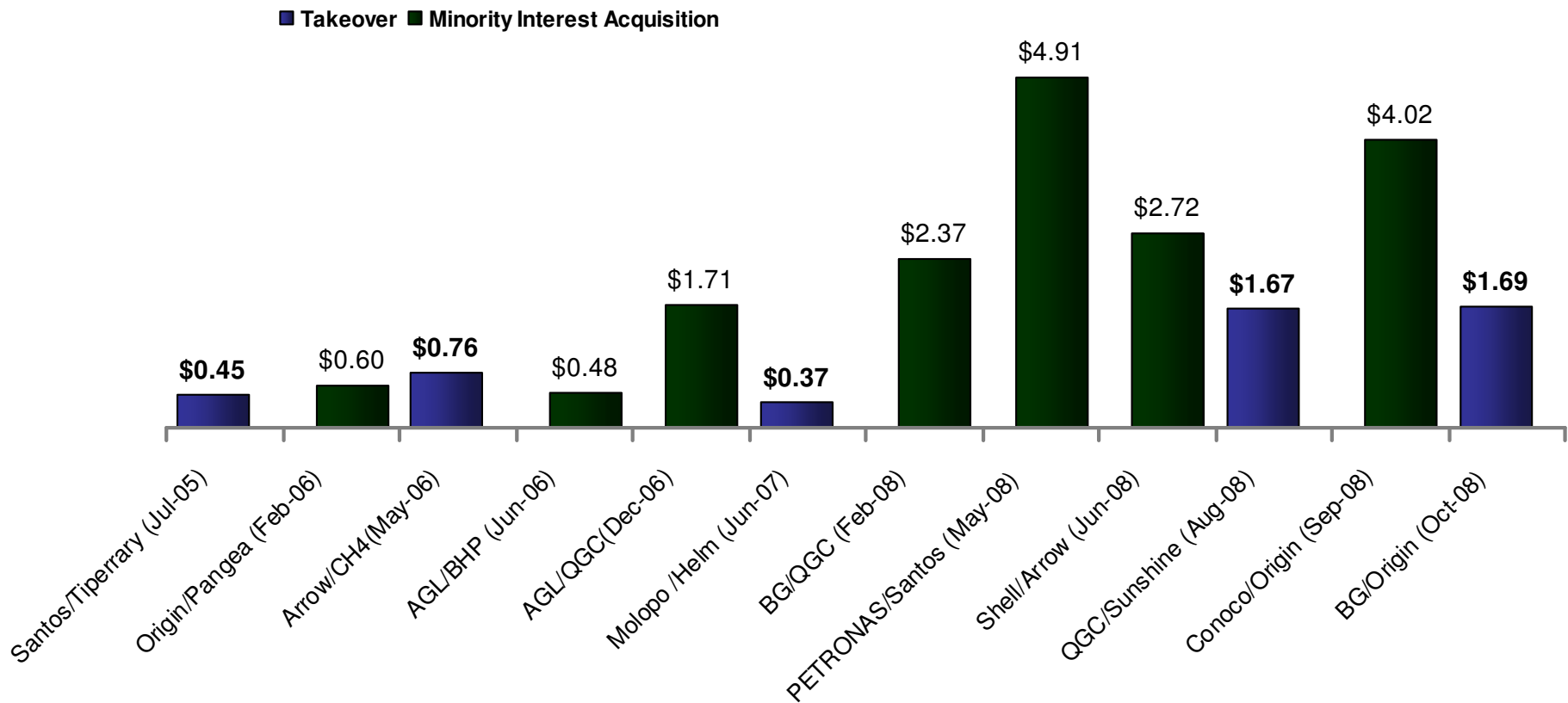
- In 1996 CBM production in Australia was < 1Bcf /annum
- By 2008, CBM is supplying > 127 Bcf /annum
- Between 1997 to 2008 CBM 2P reserves have grown from **95 Bcf to 11,810 Bcf**
- Total CBM resources on the east coast are estimated at 54,400 Bcf
- Clarence Moreton, Gunnedah and Gloucester in NSW are all seen as emerging production areas

# Once in a generation structural change in the Australian energy sector.

- The “dash for gas” - imminent introduction of carbon emission trading is has increased demand for “low CO2 producing” gas
- Availability of large scale gas resources from Australia combined with huge growth in Asian LNG demand has led to five LNG projects in development by international majors
- And a \$17 billion land grab for cbm assets ... transactions in the last 12 months
  - Petronas - \$2.6 billion farm-in to Santos to develop LNG
  - Conoco Phillips - \$9.5 billion farm-in to Origin to develop LNG
  - Shell - \$0.6 billion farm-in to Arrow to develop LNG
  - BG – \$4.8 billion acquisition of QGC to develop LNG

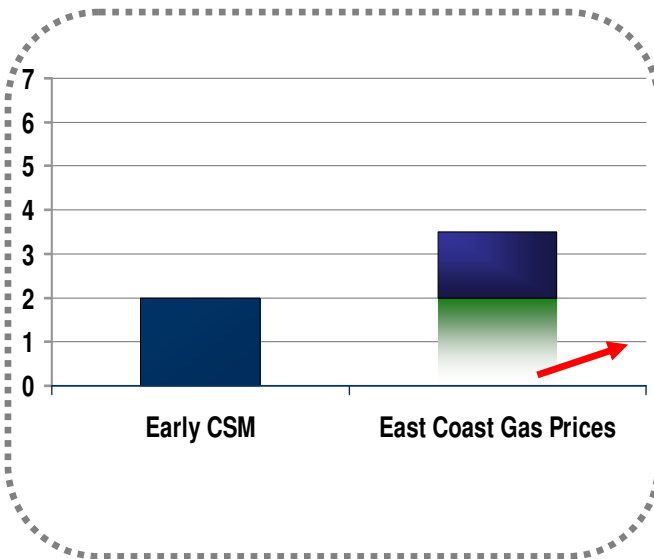
# The value of Australian CBM assets has been increasing

Valuation of 2P reserves in recent corporate transactions - EV/2P Reserves (\$/Gj)



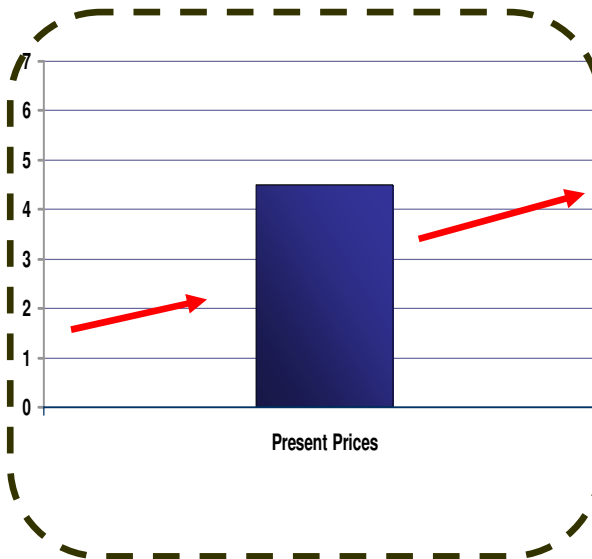
# Demand for gas is growing rapidly and gas prices are increasing

## Historical Prices



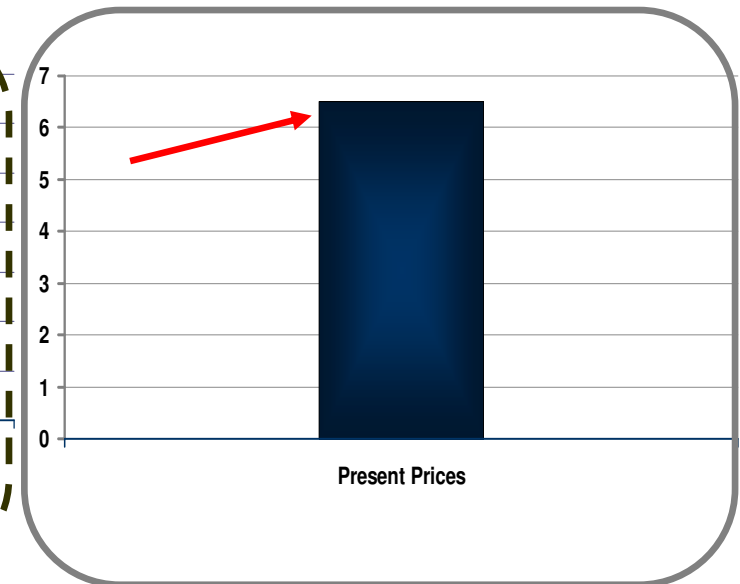
- Historically east coast gas prices were approximately \$3.50/GJ.
- Early CSM gas sales were at \$2.00/GJ trading at a discount to conventional.

## Present Pricing



- QLD gas prices average \$4.50/GJ (if you get any offers)
- NSW prices already around \$6.00/GJ.
- Pricing stress being created

## Future Prices (Export)



- Gas prices expected to move upwards towards the \$7.50/GJ range.
- LNG fundamentally links Australia to the Asian markets.

Source: Origin Independents Experts Report, Brokers Reports, ACIL TASMAN, June 2008

# Metgasco Corporate Strategy

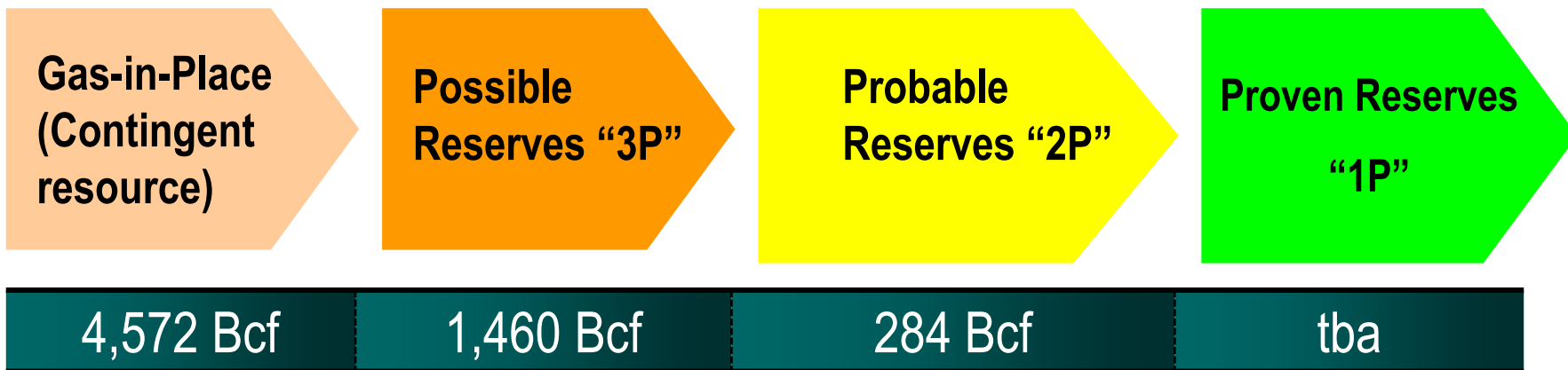
- Large scale play – multi TCF gas supply potential
- Exploration and development requires focus and systematic evaluation of hydrocarbon potential of basin
- Initial focus on evaluation of CBM
  - Establish gas reserves
  - Prove production potential
- Progress conventional exploration in parallel
  - Leads and prospects now identified
  - Farm-in partners for major capital expenditure

# CBM Development

- Evaluation of the Jurassic Walloon Coal Measures.
- WCM extensive throughout the basin
- Beginning to delineate the “fairway”
- Low finding costs of A\$0.03 per mcf
- Horizontal drilling technology
  - Well cost \$750,000 - \$1M
  - EUR 1Bcf per well over 15 years



# Reserve development milestones



- Converting resources to reserves is the critical first step  
This means moving a prospective resource estimate into the "2P" category
- Currently Metgasco has booked 2P reserves over < 5% of the Company's acreage
- 2P reserves booked in 4 out of 11 blocks in PEL 16
- Plenty of reserve growth to come
- The next step is to established 1P (proven) reserves by demonstrating gas production from pilot wells over time

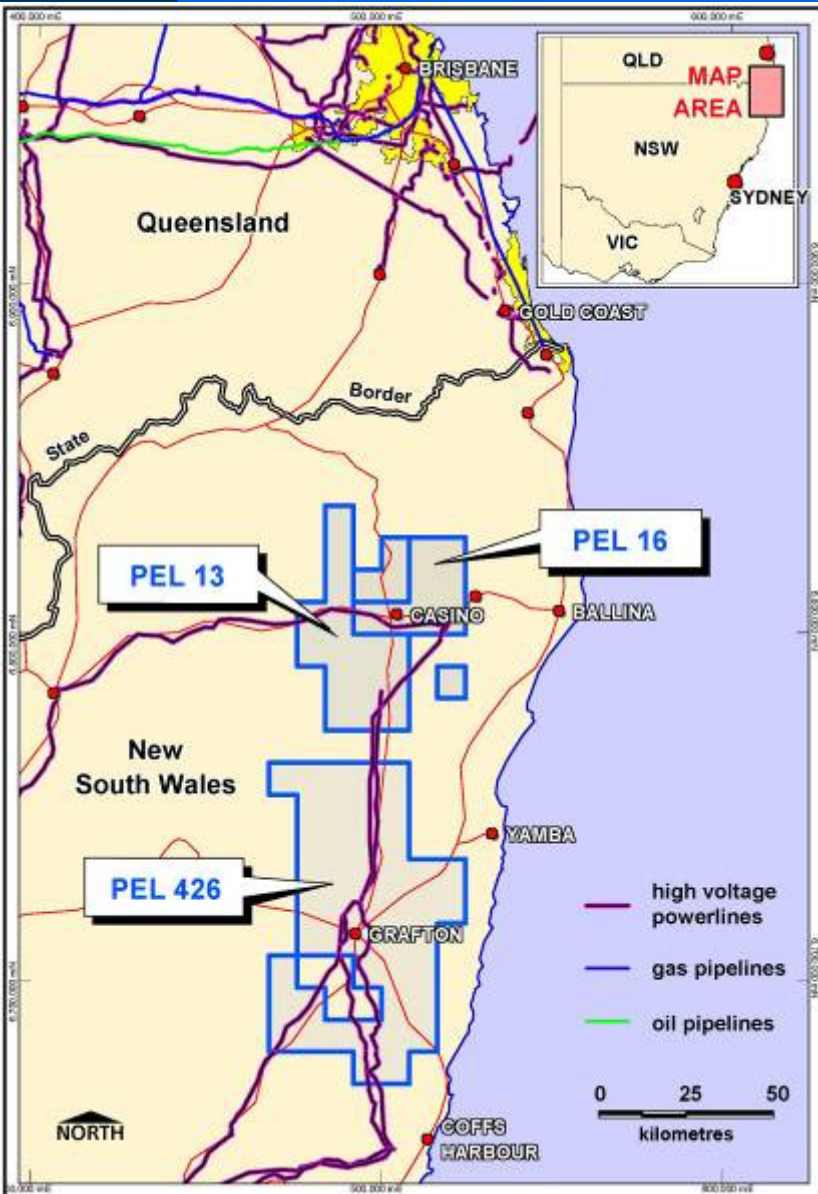
# Progress on our CBM pilot



*Flaring at Pilot Well Corella-11*

- Metgasco is currently running a 5 well horizontal well pilot.
- Each coal seam gas project needs to identify the optimal production technique for its reservoir - eg Horizontal wells, Vertical underream, Frac etc
- Lead well in the pilot – Corella-11 currently producing at 200 mcf/day
- Corella-11 on test for 10 months
- CSG wells typically take 1-2 years to reach peak production rate
- Corella-11 is still dewatering, so peak rates still to come

# Metgasco Commercialisation Strategy



- Alliances in place with **strong counterparties:**
  - CS Energy
  - BP
- Develop Lions Way Gas Pipeline
- Richmond Valley Power Station (30 MW)
- Current projects represent **annualised gas sales of 35 Bcf per year**

# Commercialisation Strategy

## Project

## Comments

Richmond  
Valley Power  
Station

- 30 MW gas fired power station
- 2.5 PJ per year
- Environmental Assessment completed, DA expected in December
- First sales end 2009/ early 2010

CS Energy

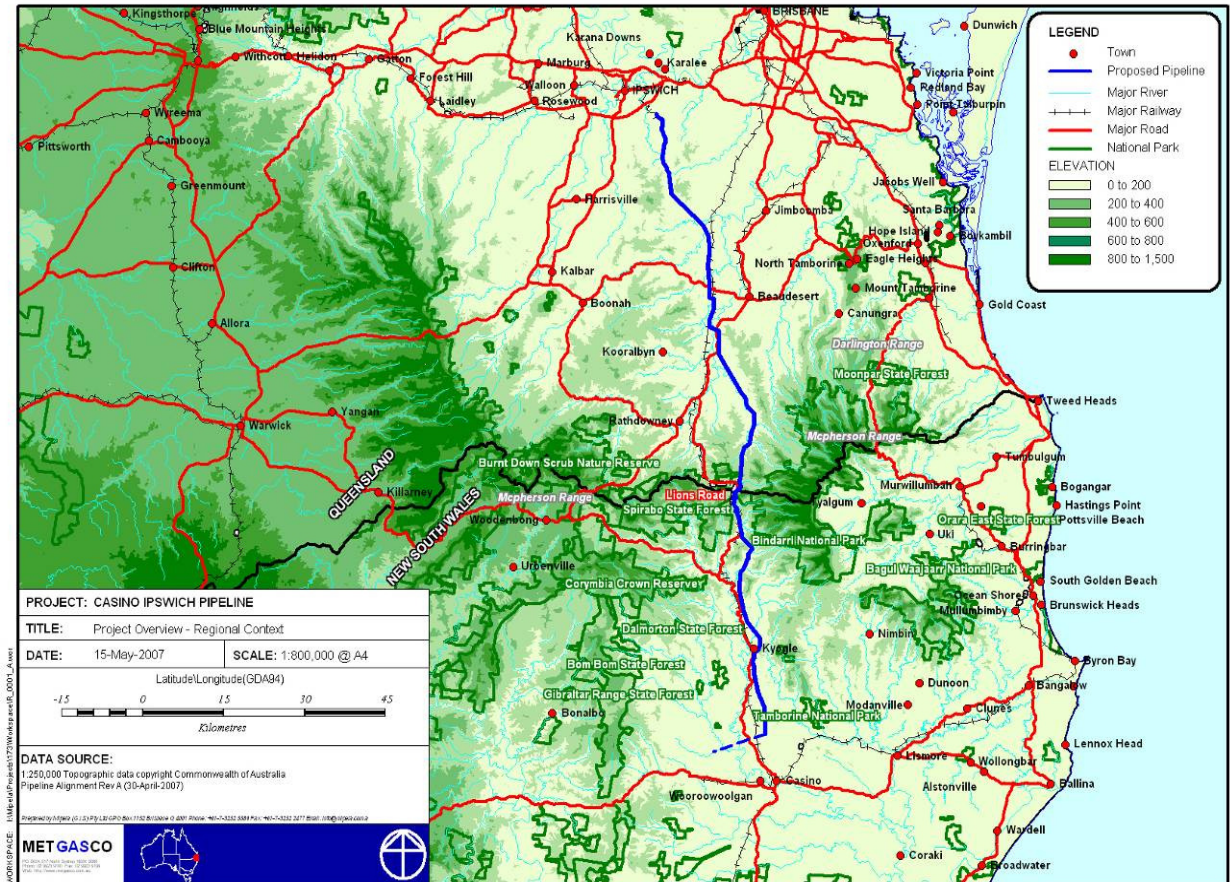
- Farm-in up to 50% of Blocks 4,5,&1 in PEL 16.
- First Stage completed.
- Second Stage CS Energy contribute first \$94.5 million development expenditure
- Gas sale agreement in negotiation for 18 PJ per year to CS Energy
- Lions Way pipeline in development

BP

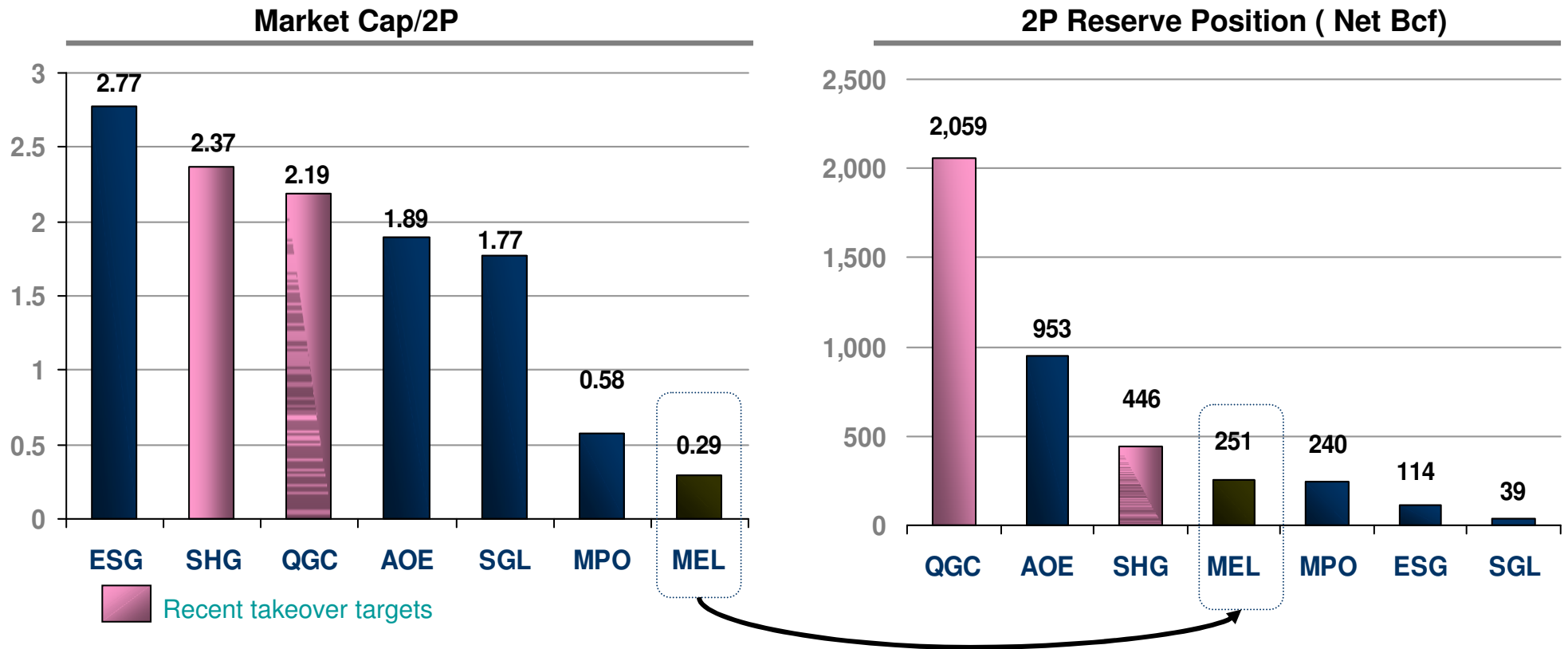
- MOU for sale of 15 PJ per year to Bulwer Island refinery

# Delivering gas to SE-Queensland

- Lions Way gas pipeline - 145 km high pressure gas pipeline.
- Brisbane is the only capital city on the east coast of Australia supplied with gas by a single gas pipeline.
- The Lions Way pipeline enhances security of gas supply to Brisbane by supplying gas from a different basin, via an alternative transportation route.
- Environmental Assessment and Development Approval process currently underway.

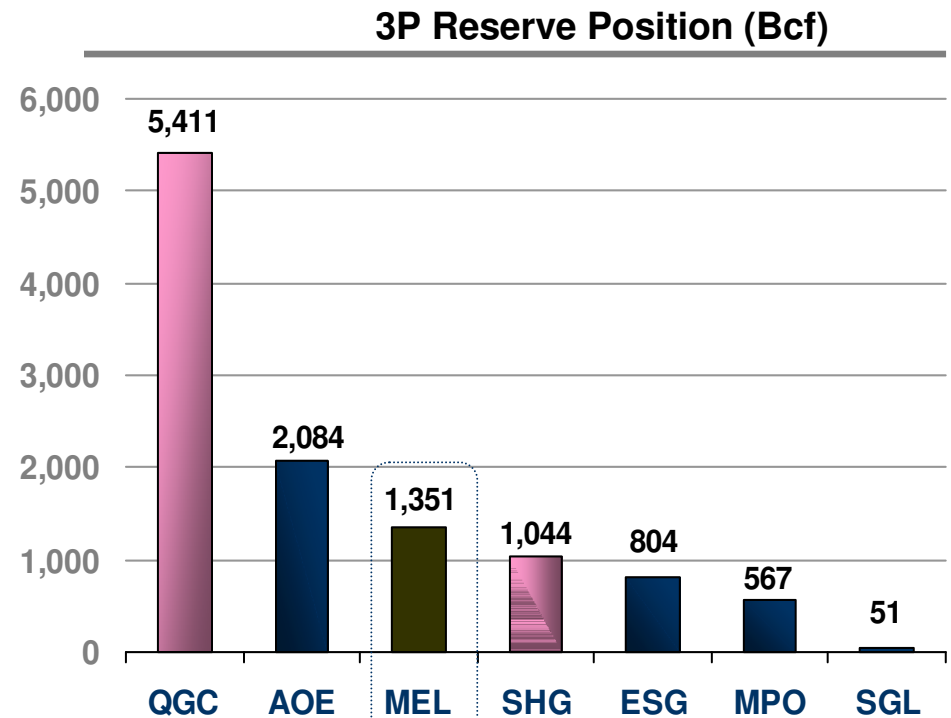
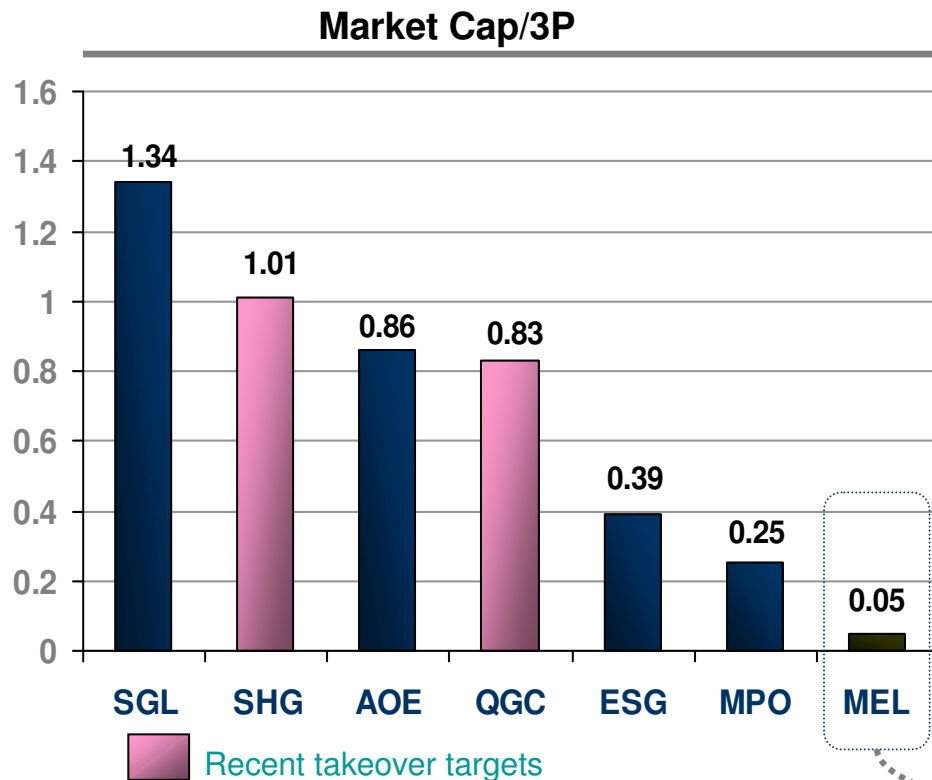


# Best value in the Australian CBM sector on 2P reserves



- MEL is valued at \$0.14 per GJ based on current 2P reserve position.
- Recent corporate activity has valued CSG 2P reserves at **\$4.02 (high)- \$1.22 (low)** per GJ - high = ConocoPhillips/ Origin  
low = QGC/Sunshine Gas bid

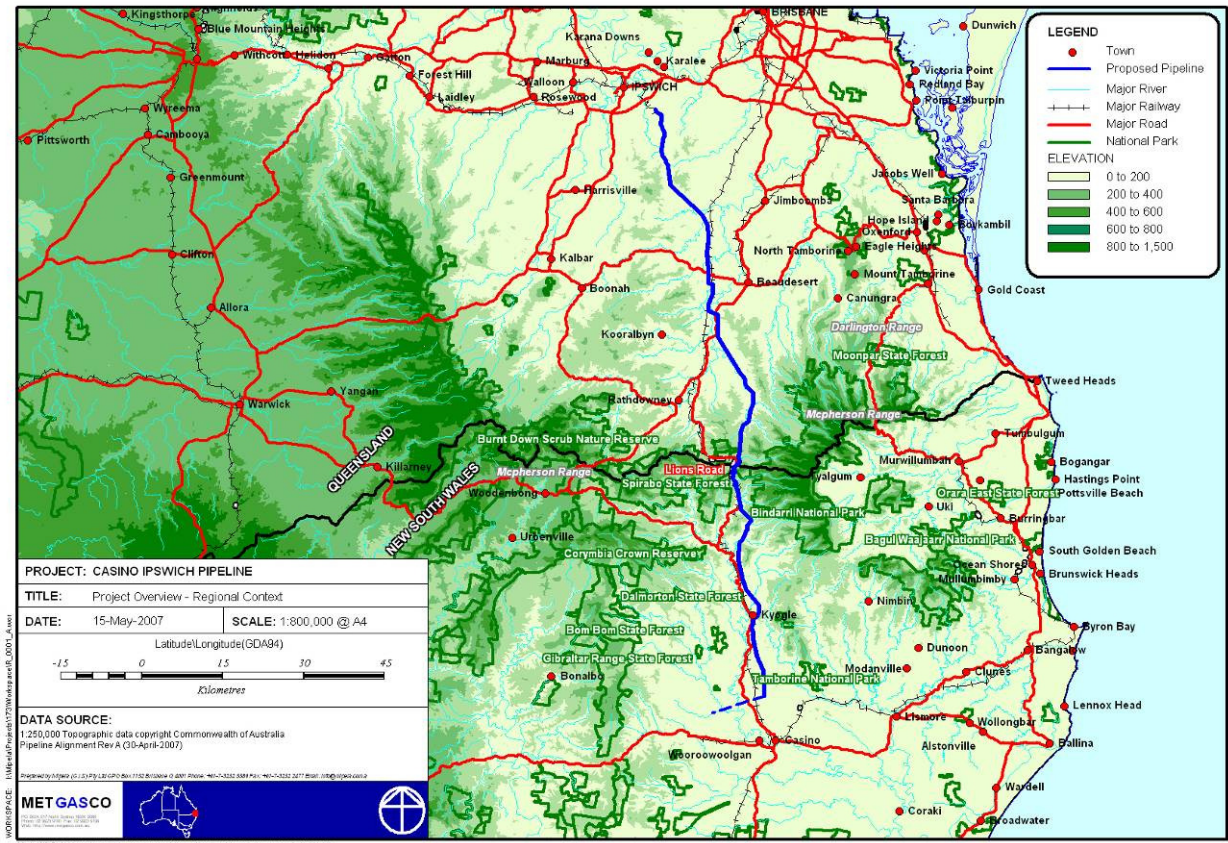
# What about on 3P reserves ?



- Recent QGC/BG acquisition valued 3P reserves at \$0.80/Gj.
- Applying this benchmark to MEL would capitalise the Company at \$1.1billion or \$8.60 per share.

# Delivering gas to SE-Queensland

- Casino to Ipswich gas pipeline - 145 km high pressure gas pipeline.
- Brisbane is the only capital city on the east coast of Australia supplied with gas by a single gas pipeline.
- Environmental Assessment and Development Approval process currently underway.



# Metgasco in Summary...

- ✓ Large scale gas play at the cusp of commercial development
- ✓ CBM and conventional prospects
- ✓ Moving towards development of a substantial portfolio of gas commercialisation projects. Gas sales of approx 35 Bcf/pa in development (over 30% of the current Brisbane gas market).
- ✓ 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.