ASX ANNOUNCEMENT

30 April 2009

QUARTERLY ACTIVITIES REPORT

QUARTER ENDED 31 MARCH 2009

Highlights

- Milestone achievement of first 1P coal seam gas reserve certification from the Clarence Moreton Basin of 2.7 PJ.
- First liquids recovery in the Clarence Moreton Basin with heavy condensate recovered from conventional well Riflebird-E14 (Kingfisher field). Follow up deep drilling to be undertaken this year.
- Completion of Orara E-1 stratigraphic well in PEL 426 produces free gas flows and provides further information on the exploration potential of the southern part of the Clarence Moreton basin in New South Wales.
- Successful capital raising of $15.7 million (before issue costs) under a placement and rights issue, both of which were heavily oversubscribed.

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Review of Exploration and Appraisal Developments

Coal Seam Gas ("CSG") Exploration and Appraisal Program

On 10th March 2009 Metgasco received 1P reserve certification of 2.7 Petajoules (proven, undeveloped) within the area of its pilot wells in PEL 16. This confirms that gas development from the Company's operations meets commercial criteria and is an important step forward in the Company's growth. These are the first ever proven coal seam gas reserves out of the Clarence Moreton basin in northern New South Wales. This development is significant because:

- It demonstrates that Metgasco has identified and proved a mechanism whereby it can drill and complete wells on a commercial basis;

- It represents only the initial conversion of a small percentage of Metgasco's large 2P reserve base into 1P Proven reserves. Further increases in 1P reserves can be achieved with additional production drilling; and

- It is further tangible progress of Metgasco's transition from exploration and appraisal stage towards field development.

Following a recent review of the project, Metgasco has identified several variations in drilling and completion techniques which are expected to result in reduced costs while contributing to well productivity. These improvements are expected to result in improvements in margins from the project. At the same time the Company has made considerable progress in delineating the relative productivity of areas under investigation which will allow a more focussed approach as the Company moves into field development.

Metgasco has interests in a significant acreage position of approximately 6,000km² (gross) covering the Walloon Coal Measures in the in the Clarence Moreton Basin in northern New South Wales. Metgasco holds the largest net certified reserve position in New South Wales. The large scale of the Company's 3P reserve position demonstrates the potential of the Clarence Moreton basin to be a major contributor to gas supplies on the east coast of Australia. The Company's current gas reserve position is described below.

PEL 16 – Independently certified coal seam gas reserves (Petajoules)

Reserve Category	Gross Reserves (PJ)	Net Reserves to Metgasco (PJ)
1P (Proven) Reserves	2.7	2.3
2P (Proven + Probable) Reserves	298	264
3P (Proven + Probable + Possible) Reserves	1,538	1,419

The estimates of gas reserves have been prepared by Tim Hower, and staff under his supervision, of MHA Petroleum Consultants (Denver). Mr Hower is chairman of MHA has over 25 years of Petroleum engineering evaluation experience and is a qualified person as defined under the ASX Listing Rule 5.11. Reserves have been developed within the guidelines of the SPE. MHA has consented to the use of this information.

Conventional Exploration and Appraisal Program

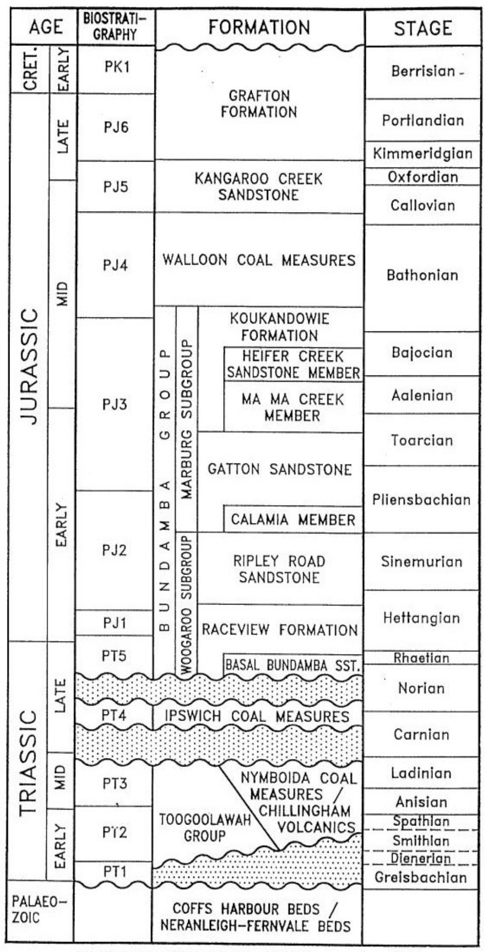
In the previous quarter the Company announced a contingent gas resource for the Kingfisher Field (Riflebird-E14 well) together with the identification of a number of other prospects and leads in PEL 16 which are summarised as follows:

Area	Bcf (OGIP) PMean	Bcf OGIP P10
Kingfisher Field	82	831
Mackellar Prospect	63	688
Mackellar North Lead	146	1,793
Bowerbird Lead	28	295
Cicada Lead	35	352
Fantail Lead	30	315
Monarch Lead	53	528
Triller Lead	36	389
Total	473	5,191

Metgasco is currently undertaking a rig selection process to undertake appraisal drilling on the Kingfisher Field. This drilling is expected to be undertaken in the first quarter of FY 2010. The goal of this well is to evaluate the production potential of the Gatton (Surat equivalent – Evergreen) and Ripley Road (Surat equivalent – Precipice) sands. Subject to the results from this well, the Company may progress to drill the Mackellar prospect and the Mackellar North lead in the coming 12 months.

The Kingfisher Field was first drilled in February 2008. Riflebird-E14 was drilled on the Kingfisher field, on the Mackellar high trend to a total depth of 1,296 metres. Results from wireline logging indicated gas shows in three sands of the Heifer Creek and Gatton sandstones.

These sands were tested in May 2008, producing gas to surface at initial rates of 257,000 scf/day on a 16/64" choke following perforation of the zones of interest with an estimated net gas pay in the drilled zone of 9-15 metres. A gas water contact was not observed.



Stratigraphy of the New South Wales sector of the Clarence-Moreton Basin. Figure 4

In June 2008, Metgasco acquired new 2D seismic data over the Mackellar trend. This combined with reservoir engineering studies has enabled the Company to establish gas in place estimates for the field. Riflebird-E14 was drilled to the depth capacity of the rig available at the time. The Company estimates that there is an additional 700 metres of gross sand below the total depth of Riflebird-E14 to be addressed.

Small volumes of heavy condensate produced from a low pressure seperator have been obtained from this well during the quarter.

Approvals for this drilling program have been received and procurement and drilling plans have been finalised. The Company will advise further when a drilling rig has been contracted and the expected mobilisation and the drilling timings is known.

Stratheden Joint Venture – Clarence Moreton Basin, NSW PEL 16 (Blocks 1,4,5)

Operator – Metgasco
Coal Seam Gas (Metgasco 85%, CS Energy 15%, CS Energy earning 50%)

The Stratheden Joint Venture between Metgasco and CS Energy is seeking to identity coal seam gas reserves sufficient to supply 18 Pj of gas per year to the Swanbank Power Station at Ipswich near Brisbane.

No significant field operations were undertaken in the joint venture area during the quarter. The Joint Venture partners are currently reviewing options for additional work to be undertaken in the joint venture area.

Clarence Moreton Basin- PEL 13

Operator - Metgasco
Coal Seam Gas (Metgasco 75%, Molopo Australia Ltd 25%)

During the quarter, Metgasco proposed the drillling and testing of a coal seam gas exploration well – Wyan-E1 to satisfy the permit's commitment well obligations. The Wyan-E1 well will be drilled in the coming quarter to approximately 700 metres and will target the Walloon Coal Measures in the western portion of PEL 13. The well will evaluate the coal bearing interval encountered using gas monitoring, chip samples, wireline logs and formation testing as required to determine the resource potential of the Walloon Coal Measures in the western portion of the permit.

A geophysical study, based on interpretation and mapping of recently processed seismic was completed in March. The study focussed on the largest conventional prospects in PEL 13 to assess their resource and drilling potential. Several interesting leads were identified for further analysis.

Clarence Moreton Basin – PEL 426

Operator – Metgasco
Coal Seam Gas and Conventional (Metgasco 56.6%, Molopo Australia Ltd 43.4% subject to assignment of interests).

During the quarter the Orara-E1 exploration well was drilled to evaluate the presence and development of the Walloon Coal Measures in the southern area of the Clarence Moreton basin and the Heifer Creek sandstone below the coal measures. This well reached total depth of 680 metres on 14th January 2009 and a short duration production test was run with gas flows of approximatley 100,000 scf/day observed.

Analysis of gas samples taken from the well indicate that both coal seam gas from the Walloon coals and conventional gas from thin sandstone intervals in the deeper Heifer Creek sandstone contributed to the observed flow. However, wireline logging was unable to conclusively determine the source of gas flows observed.

The initial gas flow rates were followed up with further production flow and pressure build up tests conducted during the quarter. Production rates observed were lower than those initially achieved and accordingly this well will be plugged and abandoned.

Metgasco considers that the evidence of the presence of the Walloon Coal Measures in the southern area of the basin is significant as it provides further data on the widespread distribution of the Walloon Coalm Measures in the basin and has positive implications for further exploration activity in the southern part of the Clarence Moreton basin.

Molopo Australia Ltd elected to take a small dilution in their interest in this tenement and, pending execution of a Deed of Assignment, Metgasco's interest will increase to 56.6%.

Review of Commercial Developments

CS Energy – Gas Supply and Lions Way Pipeline Project

The major focus of work during the quarter was continued environmental work, ground inspection activities and land access discussions. Route changes are being processed and follow up contact to advise affected landowners is in process.

Richmond Valley Power Station

The primary focus of activities for the quarter was engagement with New South Wales Government agencies in relation to development approval of the project.

Review of Corporate Developments

Farm-out of PEL 16 Conventional Assets

The Company is currently seeking to farm out its interests in the conventional gas rights to PEL 16 and held discussions with a number of parties during the quarter. This process has not concluded as at the date of this report.

Successful Capital Raising

On 17th March, Metgasco announced that it had successfully raised approximatley $8 million via a placement to institutional and professional investors. On the same date the Company advised that it would be undertaking a 1 for 8 non-renounceable rights offer at the same price of $0.40 per share as offered under the placement. The rights offer closed on 24 April 2009. Both the placement and Rights Offer were heavily oversubscribed.

The funds raised strengthens Metgasco's financial position and provides the resources and flexibility to more rapidly pursue the Company's attractive coal seam gas and conventional gas exploration projects.

Funds will be utilised to:

- Increase 1P reserves through additional coal seam gas production drilling;
- Increase 2P reserves through further coal seam gas reserve evaluation drilling;
- Undertake potential high impact appraisal drilling at the Company's recent Kingfisher field conventional gas discovery and possibly similar locations on the Mackellar High Trend;
- Meet working commitments to joint ventures;
- Progress the development of the Lions Way Pipeline development to connect the Casino Gas Field with the south-east Queensland gas markets and the Richmond Valley Power Station; and
- Replenish Working Capital.

Planned Forward Work Program Next Quarter

- Drilling of Wyan-E1 well in PEL 13;
- Preparation for appraisal drilling at the Kingfisher field.
- FLOW program – follow up program to the Integrated Study of the Company's coal seam gas project to further evaluate technical characteristics of the Walloon Coals in the Clarence Moreton basin.
- Preparation for the drilling of new generation coal seam gas pilot wells.
- Preparation for reserve development drilling to further expand the Company's reserve base.
- Continued progress on approvals for Lions Way Pipeline and Richmond Valley Power Station.