



Investor Update & Capital Raising

17 June 2011

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Executive Summary

- Metgasco is seeking to raise approximately \$21 million through:
 - a non-underwritten Placement; and
 - a Share Purchase Plan (“SPP”).
- Institutional placement at \$0.26 per share which represents a discount of 17.5% to Metgasco’s closing price on 14 June 2011.
- Further details on the SPP will be sent to shareholders shortly.
- Existing funds and proceeds from this capital raising will be used to fund:
 - Gas sales to local industry
 - Gas sales to Richmond Dairies
 - Richmond Valley Power Station (Stage 1 - 6 MW)
 - Drilling Potential High Impact Conventional Gas Lead – Mackellar North P50 1,312 Bcf
 - Reserve development and licence commitment drilling in PEL 13 and PEL 426; and
 - Ongoing working capital requirements

Overview

- Metgasco is an ASX Listed, onshore conventional and unconventional gas company, with significant 100% owned acreage in Clarence Moreton Basin (NSW)
- Onshore conventional and unconventional gas
- Large uncommitted coal seam gas reserves – established in less than 10% of the Company's acreage
 - 1P Gas reserves of 2.7 PJ
 - 2P Gas reserves of 397 PJ
 - 3P Gas reserves of 2,240 PJ
- Significant potential to grow current reserves
- Located close to end markets and infrastructure on east coast of Australia
- Defined path to cashflow generation and value creation
- Increasing demand for gas – domestic and international
- Strong board and management team strengthened by the addition of new Managing Director - Mr Peter Henderson

Corporate Overview

Capital Structure

ASX code	MEL
Share price (at 14 June 2011)	\$0.315
Market Capitalisation (million)	\$79.6
Shares on Issue (million)	252.7
Options on Issue (million)	9
Cash (at 31 March 2011)	\$7.7
Debt	Nil

Board and Management Team

Nicholas Heath	Chairman, Non-Executive Director
Peter Henderson	Managing Director
Glenda McLoughlin	Chief Financial Officer & Company Secretary
Steven Koroknay	Non-Executive Director
Leonard Gill	Non-Executive Director

METGASCO



Major Shareholders

CSG Nominees	5.09%
Mr David Johnson	5.00%
HSBC Custody Nominees	4.84%
Ms Glenda McLoughlin	4.20%
Enmore Centre	2.18%
Top 20	31.61%

(2010 Annual Report)

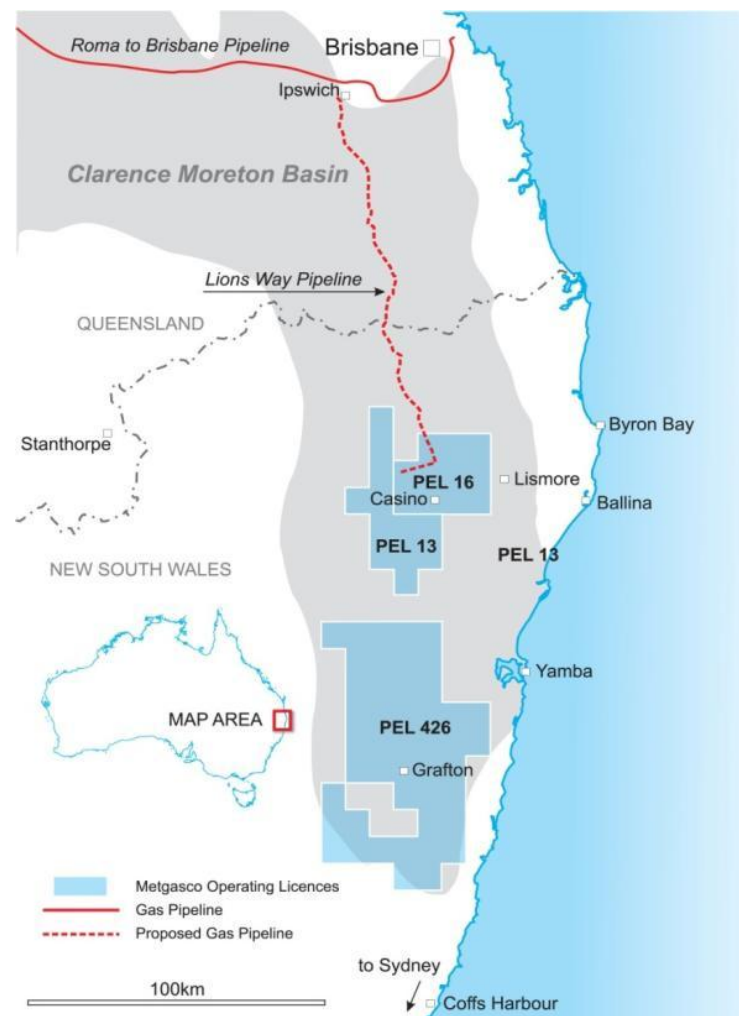
New Managing Director – Peter Henderson

- Metgasco about to transition from exploration to production
 - Skills now added at the top of the organisation to ensure delivery of our projects

- Peter Henderson
 - Senior roles with Santos, WMC, Clough & ExxonMobil
 - Mechanical engineer with 30 years experience in O&G industry
 - Most recently managed Chim Sao field development for Premier Oil in Vietnam: drilling, platform and associated facilities and an FPSO

Acreage

- World scale acreage position in Clarence Moreton Basin (CMB)
 - 3 tenements (PEL 16, 13 & 426)
 - 1,126,059 acres
 - 100% owned
- Active 2 year drill program demonstrated CMB is gas charged over distance of 100km
- Large gas resources with significant volume growth potential
- Located close to markets and infrastructure
- Development of Lions Way pipeline will connect Metgasco projects to wholesale gas markets
- Potential to supply gas to Gladstone LNG markets and to SE Qld gas markets



Large and growing coal seam gas reserves

- 100% ownership of gas reserves
- Large uncontracted reserve position in the CSG sector
- Reserves:
 - PEL 16 only
 - Over <10% of area
 - Excludes conventional gas
- First reserves in PEL 13 about to be achieved.

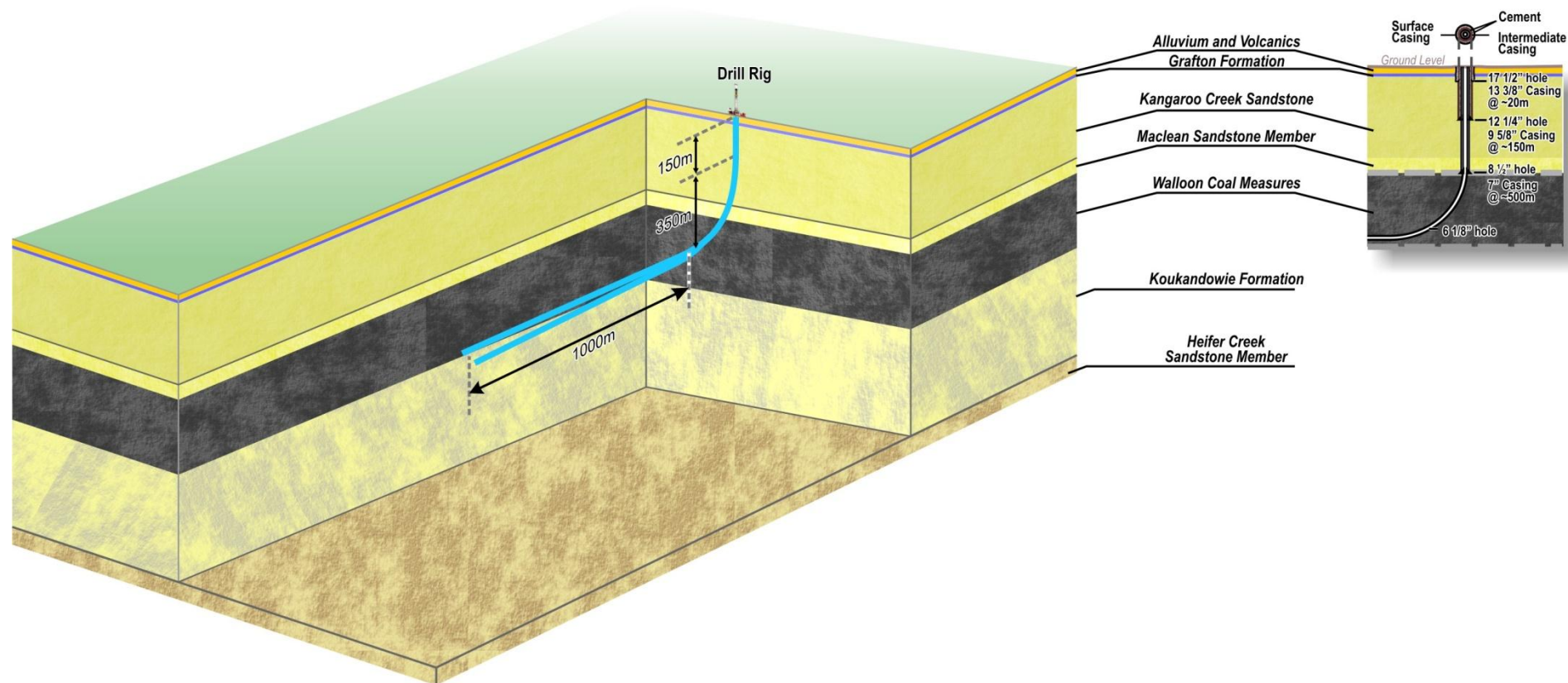
Reserves have been certified by Mr Tim Hower of MHA Petroleum Consultants (Denver) who is a qualified person as defined under the ASX Listing Rule 5.11. Reserves have been developed within the guidelines of the SPE. Mr Hower has consented to the use of the reserve figures in this presentation. Conversion of reserves from PJ to Bcf at 1.04 PJ/1.00 Bcf

Australian Coal Seam Gas Reserves (Petajoules)		
Company	3P	2P
QGC (BG)	14,261	7,245
Origin	6,206	4,786
Conoco Phillips	6,206	4,786
Shell	4,129	2,636
PetroChina	4,129	2,636
AGL	3,506	2,029
Santos	3,283	2,035
Bow Energy	2,739	149
Metgasco	2,239	397
Sinopec	2,190	1,689
Petronas	2,112	1,377
TOTAL	2,112	1,377
Eastern Star	1,818	988
Kogas	1,152	751
Molopo	828	345
Westside	432	114
Senex	249	79
Mitsui	212	110
CS Energy	189	70
Dart	18	-
Icon Energy	-	-
Blue Energy	-	-
Total	57,845	33,565

Significant progress over the last 12 Months

- CSG exploration – Bowerbird drilling program likely to deliver reserve upgrade
 - First drilling in PEL 13
 - CSG fairway interpreted to extend to the west
 - Currently preparing data for reserve certification process
- CSG: drilling program completed. Harrier production testing in progress
- Conventional exploration – 2010 Seismic survey in progress
 - Updated conventional leads and prospects
- Conventional discovery – Kingfisher gas field
 - Large gas resource identified
- Lions Way Pipeline – Environmental Assessment lodged with NSW Govt
- LNG Feasibility Studies completed
 - MOUs with LNG Ltd and FLEX LNG
 - Currently in commercial discussions

CSG Trial Production - Richmond seam



- Corella P11 – single lateral on production test for over two years
- Corella P18 – sidetrack single lateral (improved drilling and completion techniques) - currently dewatering
- Harrier P01 – dual lateral recently finished drilling – production testing underway

CSG Trial Production – Thornbill E01



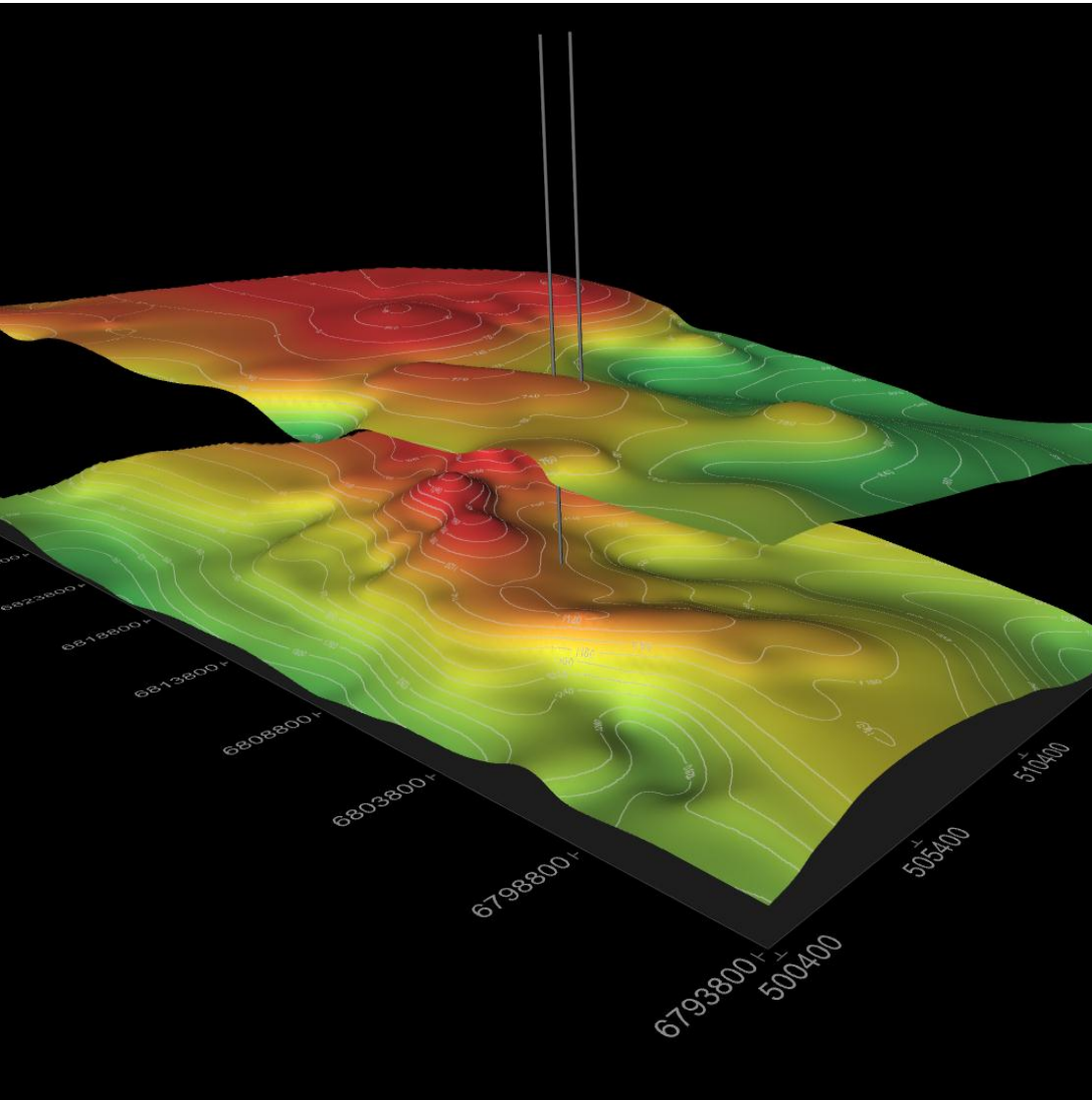
- Thornbill E01 – Vertical well, no stimulation
- Produced gas immediately at 100Mcf/d
- No water production

Kingfisher gas field

- Kingfisher E01
 - First major conventional gas discovery in NSW (November 2009)
- 138 meters of gas charged sands identified
- Additional gas charged sands likely below the TD of Kingfisher E01
 - Depth of system unknown
 - Up to 500 meters of additional section below TD of Kingfisher E01
- Extended production tests
 - 2,050-2,043.7m (conventional zone) – 2.97mmcfd
 - 1450-1453m (tight gas zone) – fracture stimulation conducted in 3 meter zone
- Extensive testing and appraisal program conducted
 - Good quality +95% CH₄ gas
- Clearly merits follow up drilling!



Exploration program – 2010 2D seismic



Kingfisher Field

- Contingent resource
 - P50 : 77 Bcf
 - P10 : 284 Bcf
- Likely to be related to Mackellar North structure

Mackellar Lead

- P50 OGIP 77 Bcf

Mackellar North Lead

- P50 OGIP 1,312 Bcf

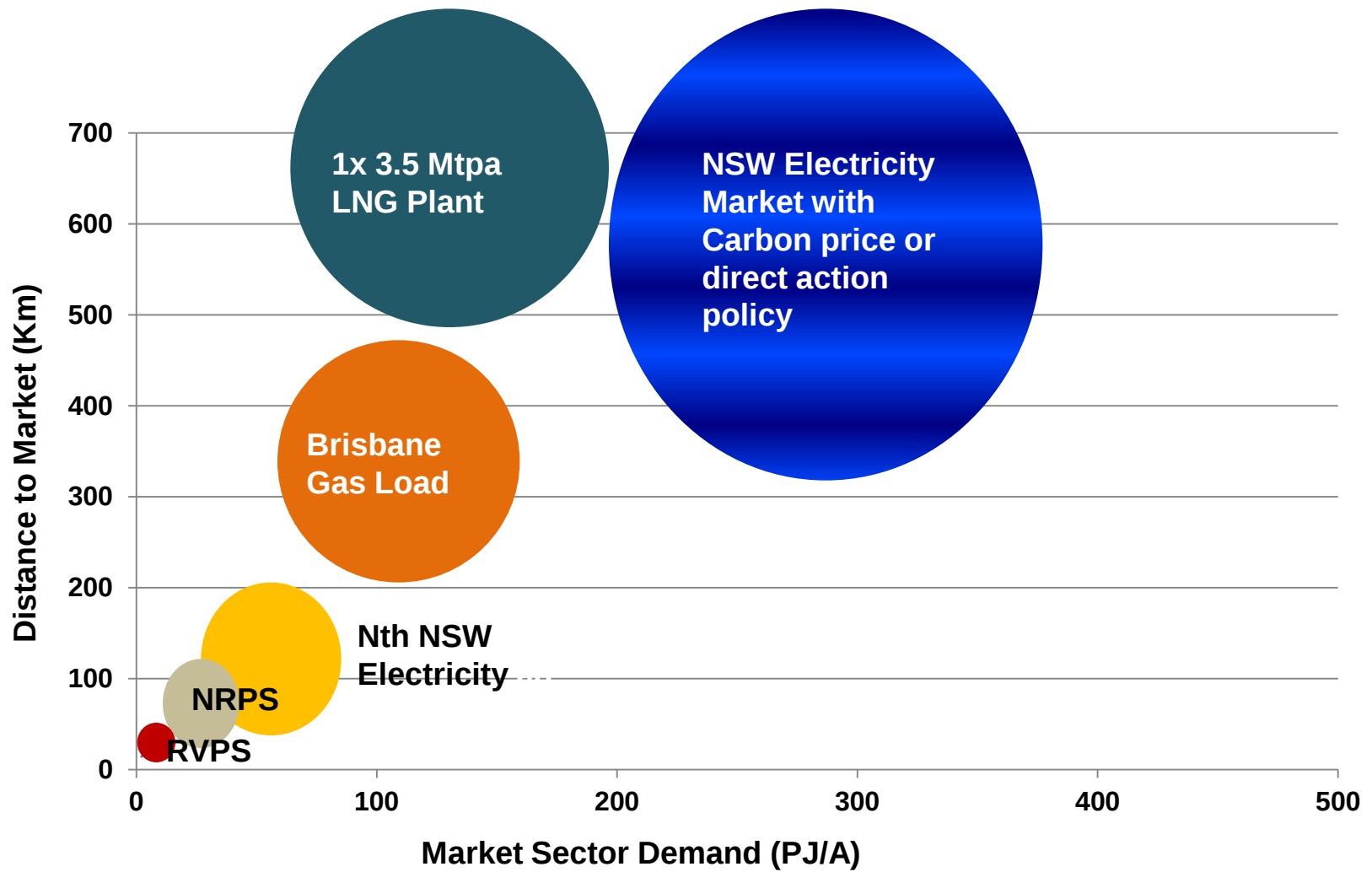
The growing importance of gas worldwide

- Recent Exxon Mobil forecasts predict...
 - Natural gas will surpass coal use in the next two decades
 - China's natural gas demand will rise 6-fold
 - Natural gas consumption will come close to oil consumption
- The UK Government says...
 - The rapid growth of gas-fired power in the UK in the 90's kept Britain's CO2 levels to the level agreed at Kyoto – the only nation to meet its target
- The NSW Government says...
 - Gas is forecast to supply 30% of the States power needs over the next 25 years
- Australian gas markets are changing
 - Development of LNG projects in Gladstone means the domestic market will need to adjust to global energy prices
 - The dominant buyer of Australian gas will soon be the world market

Unconventional gas is here to stay

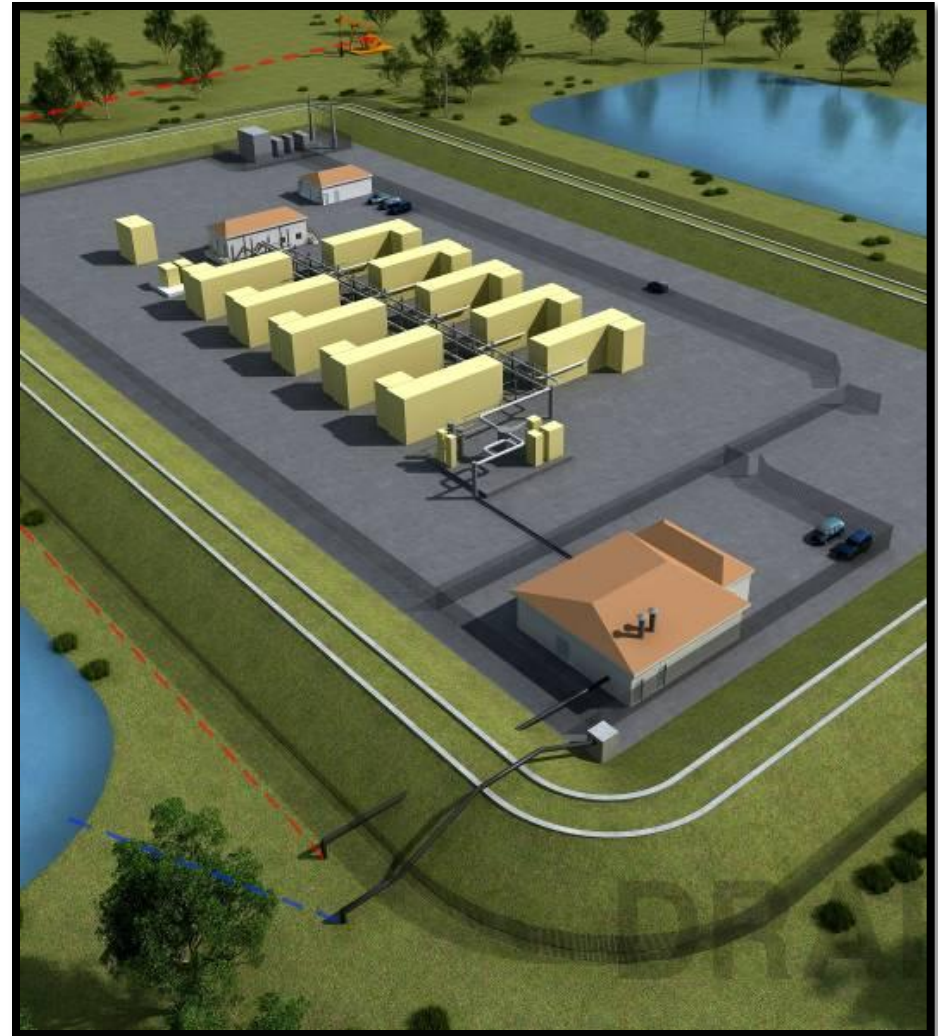
- Unconventional gas
 - Coal seam gas
 - Tight gas
 - Shale Gas
 - Hydrates and other
- Energy majors are hungry for positions in large scale unconventional gas resource plays
 - Shell/ Petrochina – Acquisition of Arrow Energy A\$3.5 Billion
 - BG – Acquisition of QGC A\$5.2 Billion
 - ConocoPhillips – Acquisition of Origin assets A\$7.1 Billion
 - BHP – Acquisition of Chesapeake's Fayetteville Shale Assets US\$4.75 Billion
 - ExxonMobil – Acquisition of XTO US\$40.9 Billion

Multiple development pathways – gas, power, LNG



Commercialisation Agenda - Local sales and power generation

- Gas sales to Richmond Valley customers
- 30 MW Richmond Valley Power Station
 - Field development studies complete
 - Site acquisition complete
 - Development approval granted
 - EPC contracts in discussion
 - Offtake agreements now being negotiated
 - Application for registration and licences



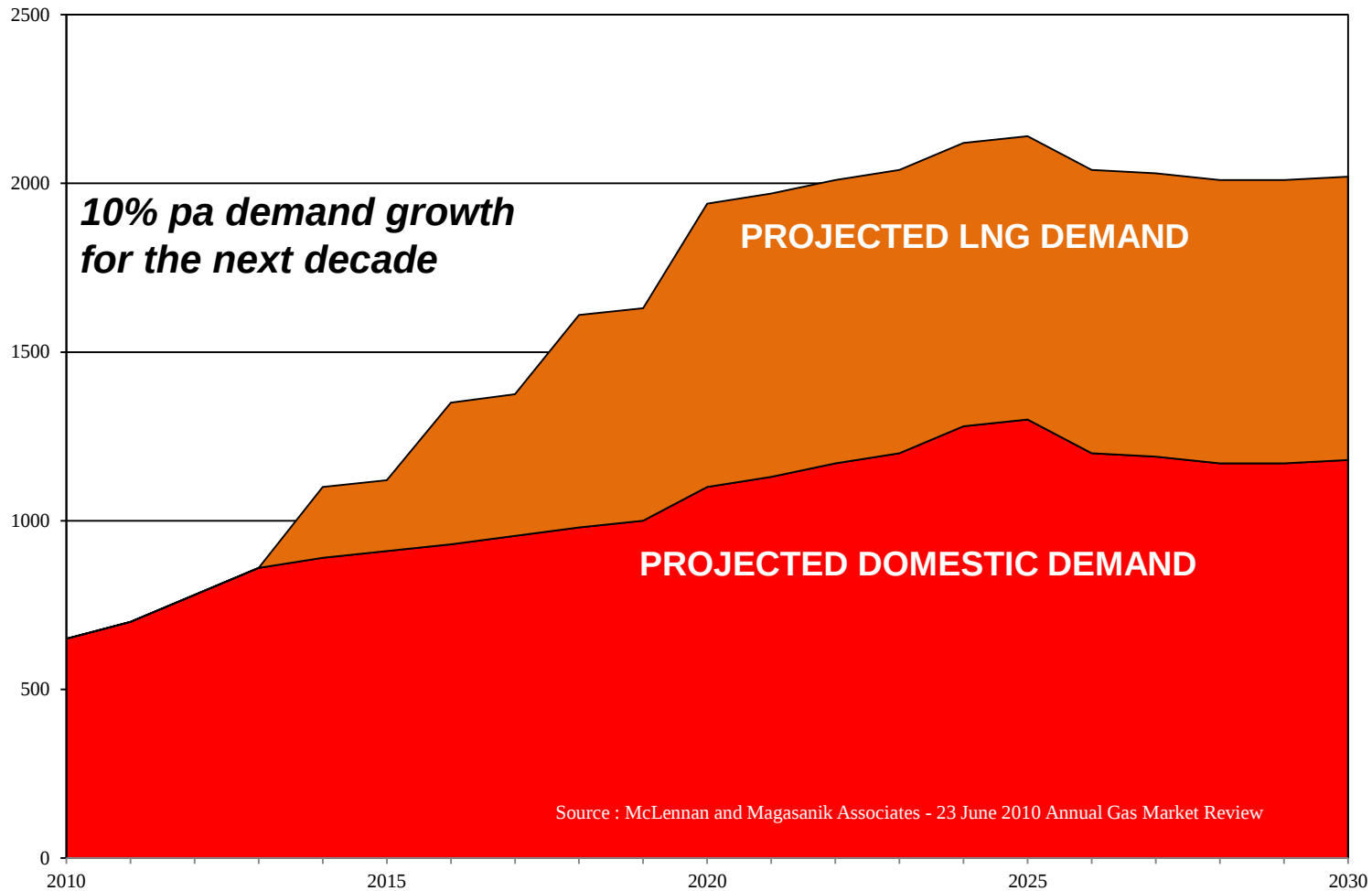
Commercialisation Agenda - Lions Way Pipeline

- New high pressure gas pipeline to connect Metgasco gas fields in Northern NSW to customers in SE Qld
 - 145km pipeline starting in Casino (NSW) and finishing in Ipswich (Qld)
 - Environmental Assessment Studies lodged with DOP. Regulatory review process underway
 - will allow for supply of gas into SE Qld via an alternative delivery route and alternative supply basin
- Access to gas grid offers opportunity to participate in LNG market via swaps



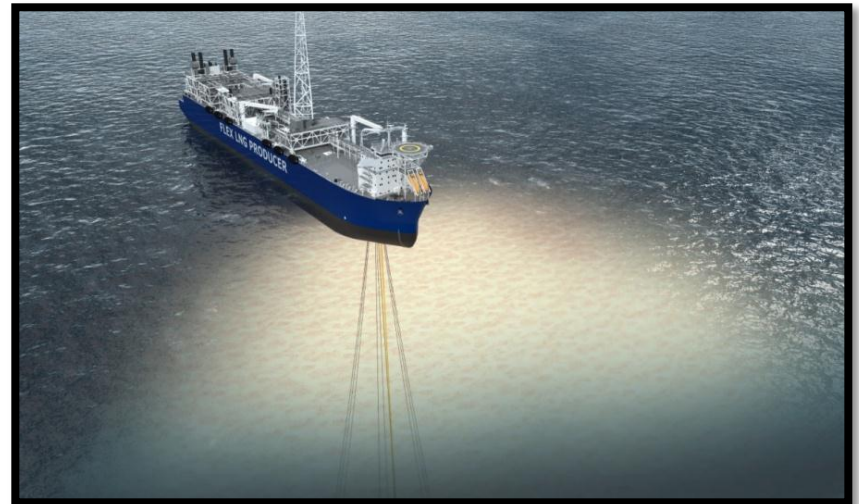
Commercialisation Agenda - LNG Sector

Eastern Australia Gas Demand Growth



Commercialisation Agenda - LNG Studies

- Metgasco gas resources should be sufficient for LNG scale participation or development
- Worley Parsons LNG Feasibility Study completed
 - Demonstrated that standalone LNG developments at Gladstone, Brisbane and offshore NSW (FLNG) are economically attractive
- MOU with **LNG Ltd**, developer of approved & environmentally permitted LNG site at Fisherman's landing at Gladstone
- MOU with leading FLNG technology provider **FLEX LNG** for Floating LNG located offshore NSW
- Also have potential to supply currently planned LNG projects
- Farmin discussions based on an LNG development are underway



Looking forward

- Heightened demand for gas
 - Domestic customers currently seeking to lock in large gas volumes
 - Gladstone LNG projects require additional gas to meet export commitments
 - Potential for stand-alone LNG project
- Metgasco is one of three companies on the east coast with large, uncommitted 2P gas reserves
 -and the only company on the east coast with conventional gas supply potential
- Metgasco plans:
 - First gas sales and production
 - Gas sales to local customers (Richmond Dairies)
 - Richmond Valley Power Station – Stage 1 (6 MW)
 - Drill high impact conventional gas lead – Mackellar North P50 1,312 Bcf
 - Continue to refine CSG production technology and improve reserve position
 - LNG Project - refine options and pursue partnership / farmin opportunities

Equity Raising - Details

- Metgasco to raise gross proceeds of approximately \$21 million of new equity
 - Placement of approximately \$6 million to s708 investors
 - Share Purchase Plan of approximately \$15 million
- The offer price of A\$0.26 represents:
 - a 17.5% discount to last close; and
 - a 18% discount to the 3 week VWAP
- Share Purchase Plan - details will be provided at a later date

Capital Raising - Source and Use of Funds

Source of Funds	A\$Million
Opening Cash (31 Mar)	7.7
Placement	6.0
SPP	15.0
TOTAL	28.7

Use of Funds	A\$Million
Conventional Gas Exploration	5.0
Local electricity and gas supply - Local Gas Sales - Richmond Valley PS (6MW) - Production wells - Surface infrastructure	12.0
Reserve Development Drilling and License Commitments (CSG)	2.3
Working Capital	9.4
TOTAL	28.7