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Lodgement of Market Briefing**

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Market Briefing

Metgasco MD on the company's assets and strategic outlook

Interview with Peter Henderson (Managing Director & CEO)

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The New South Wales Government's new regulations and initiatives for the coal seam gas [CSG] industry have attracted a lot of media attention. What is the Government's overall stance, and what does this mean for Metgasco?

Peter Henderson

After 18 months conducting extensive reviews and community consultation, the New South Wales [NSW] Government has come out strongly in support of the CSG industry. It has publicly recognised the importance of CSG to NSW given projected supply shortages in the State. It has also acknowledged that, with the appropriate frameworks in place, the industry is environmentally sound.

CSG exploration had been put on hold over the past 18 months while the government conducted its reviews. We now have the green light to restart Metgasco's exploration and development activities, and are looking to accelerate our work programme. Metgasco's two key exploration licenses, PEL 13 and PEL 16, have been renewed, and we have also obtained our first production licence.

It is worth noting the recent State Infrastructure Strategy 2012-2032 report. It recognises the CSG development is vital for the state and that it is a potential game changer for NSW.

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Can you provide some more detail around the NSW CSG industry, and in particular, the projected supply shortages?

Peter Henderson

Natural gas accounts for one-third of the State's energy supply. Only six per cent of this gas is actually produced in NSW, and all of this local production comes from CSG operations. The remaining 94 per cent of the gas is imported from other States, particularly Queensland.

While gas demand is expected to triple by 2020, contracted gas supplies to NSW begin expiring in 2014, with all expiring by 2017.

The imbalance between demand and supply will inevitably push up gas prices and creates ready demand, right on our doorstep, for Metgasco's gas. Industry forecasts are for prices to increase from \$3/GJ today, to between \$6/GJ and \$12/GJ by 2020 (*source: Queensland Gas Market Report*).

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What is the size of Metgasco's reserves, and are you looking to grow reserves?

Peter Henderson

Metgasco's three tenements span more than one million acres of fully owned reserves in the Clarence Moreton Basin in northern NSW. The region has been shown through previous drilling to be gas charged over a total distance of more than 100 kilometres.

While only 10 per cent of Metgasco's tenements have been tested to date, we already have sizeable CSG 3P reserves of 2.4Tcf, or 2,500 PJ, and another 2,500 PJ of contingent resources.

A large percentage of the CSG reserves in Australia are already committed to LNP exports and are held by major companies. Metgasco is the last company with significant quantities of uncontracted gas reserves in Eastern Australia and is therefore an increasingly attractive opportunity.

There is significant scope to increase our reserves through further exploration. We have large gas reserve potential with an upside resource estimate of 24 Tcf of OGIP, and we are targeting a reserve position of more than 5 Tcf. Our immediate focus at present, however, is not reserve addition, but demonstrating CSG productivity and moving into the production or commercial phase of our operation, providing gas to the Northern Rivers region.

We should also not forget our conventional potential. We have mapped numerous conventional gas prospects and leads over the three exploration licences. Our 2009 Kingfisher discovery demonstrated that many of the sands are gas charged and identified the potential of Kingfisher being part of a much larger gas accumulation that we call the Greater Mackellar structure. The conventional potential at this stage has a different risk profile to our more mature CSG reserves but, if fully charged with gas, the Greater Mackellar structure could contain more than 1 TCF of gas and be of similar or greater commercial significance to our certified CSG reserves.

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What will Metgasco look to achieve in the year ahead?

Peter Henderson

After having our exploration and production programme put on hold for the past 18 months, we have completed careful planning and are geared up to make significant progress over the coming year.

Our key focus is to further demonstrate the productivity of our CSG reserves and to test the conventional potential with a well drilled into the Greater Mackellar structure. By mid-2013, we will have finished drilling three lateral CSG wells and will be testing flow rates. We plan to have drilled the Greater Mackellar structure, and are also planning three core wells.

We also aim to establish our first gas production. Subject to the timing of government approval, we will generate our first cash flows in 2013 through the supply of gas to Richmond Dairies. We are

actively targeting further local industry groups like the meatworks to add to our local sales contracts. These gas sales will be made either by pipeline or compressed natural gas delivery.

Our ability to deliver on these three goals over the coming year will clearly demonstrate the quality of our assets and the substantial inherent value of our reserves.

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You mentioned your conventional gas prospect, the Greater Mackellar structure. Can you please tell us a little more about this as the market has focused on your unconventional resources?

Peter Henderson

Independent of our CSG interests, Metgasco also holds significant conventional gas prospects and targets. One of these is the Greater Mackellar structure that alone holds potential for 1.3Tcf OGIP. As I mentioned earlier, we will be testing some of this potential with a well in the second quarter of 2013.

In addition to the Greater Mackellar structure, we have a number of other conventional gas prospects and targets. The combination of conventional and unconventional prospects and targets is unique for a company the size of Metgasco and provides substantial value upside as we prove up the prospects.

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Does Metgasco have the funding in place to achieve the goals you have set for 2013?

Peter Henderson

We recently completed a \$10.2 million institutional capital raising that was oversubscribed. Metgasco now has a strong balance sheet with \$22.2 million cash and no debt. Further funds raised via our Share Purchase Plan that will close on 22 October 2012 will strengthen our cash position.

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How strong is Metgasco's management team?

Peter Henderson

We have made quite a few management changes in the last 12 months as part of the process of building an organisation that is capable and motivated to move from the exploration to the production / commercial phase.

Sean Hooper, our CFO, has prior oil & gas experience, having previously been at Horizon Oil. Robert Petersen, our development manager, was previously at AGL and Eastern Star Gas. Richard Shields, our external relations manager has 20 years experience in government and community relations.

Peter Stanmore continues as our exploration manager, bringing more than 30 years of Australian exploration experience through Esso and Santos, and Simon Hann recently joined as Drilling and Production Manager, bringing 20 years of international and domestic drilling experience with him. Before joining us, Simon was the drilling and completions manager for Santos / GLNG in Queensland, drilling 200 CSG wells a year.

We have also established strong relations with some specialised consultancies to ensure that we have the best advice possible to commercialise our gas reserves and operate our facilities at low cost and in full compliance with regulations.

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Looking out longer-term, are there any additional growth opportunities Metgasco is considering?

Peter Henderson

Given our existing reserves and the scope to significantly increase them through more exploration activity, we are considering a number of growth opportunities and have the benefit of being able to access a number of paths to market.

As I previously mentioned, we are looking at compressed natural gas and micro LNG sales within the Northern Rivers region. This is located right on our doorstep. CNG and micro LNG can offer local industry groups a more reliable and lower cost alternative to diesel and LPG. Local businesses are currently paying \$25/GJ for LPG and \$35/GJ for diesel. Our gas sales will help to significantly reduce energy costs for these industries.

Further down the track, we aim to supply gas to the general east Australian domestic market and potentially the export LNG market.

First and foremost, we remain focused on achieving the measurable operational goals we have set ourselves for the year ahead.

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Thank you, Peter.

For further information, please contact Metgasco on +61-2 9923 9100, or visit

www.metgasco.com.au

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Qualified Person statement: Reserves have been certified by Mr Tim Hower of MHA Petroleum Consultants (Denver) who is a qualified person as defined in 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.