

ASX ANNOUNCEMENT

24th July 2008

UPGRADE TO LARGEST 2P GAS RESERVES IN NSW

- 2P gas reserves now 298 PJ (21% increase)
- 3P gas reserves now 1,538 PJ (11% increase)

Metgasco (ASX:MEL) advises that it has achieved a further increase in gas reserves from its Reserve Expansion drilling program. Gas reserves in the 2P category have increased to 298 Petajoules (an increase of 21%). Gas reserves in the 3P category (Possible) have increased to 1,538 Petajoules (an increase of 11%).

The drilling and testing results have been assessed by MHA Petroleum Consultants (Denver). MHA has provided an independent certification of gas reserves to the Company as follows:

PEL 16 – Independently Certified Gas Reserves

Category	Previous Reserves	Revised Reserves	Metgasco Net Interest
	March 2008	July 2008	Revised Reserves July 2008
2P Reserves (PJ)	247	298	264
3P Reserves (PJ)	1,389	1,538	1,419

Commenting on the news, the Company's Managing Director David Johnson said "Metgasco is continuing to build its coalseam gas reserve position which is now the largest independently certified gas reserve position in New South Wales. This further increase in gas reserves is welcome at a time when the community is focussed on identifying low carbon emission energy resources. Metgasco has a well established development plan to supply gas to power generation projects in northern New South Wales and south-east Queensland. The large scale of the Company's 3P reserve position demonstrates the high potential of the Clarence Moreton basin to provide gas into east coast markets."

"Looking forward we expect a series of further reserve upgrades over the next 6 months as we continue to build to our previously stated 2P target of 640PJ. Critically we are also now very focussed on achieving the correct production methods for the coal seam gas resources identified to allow determination of 1P reserves where and as required. Our lead trial production well CP 11 is performing well and has increased its daily flow rate by 30% in the last 3 weeks. "

"In parallel we are progressing the processing of seismic data collected from the basin wide 2D seismic program and finalising our evaluation of the RE-14 conventional discovery. Once complete we would anticipate releasing data on structure, estimated gas in place and reservoir character".

The reserve certification was prepared by Mr Tim Hower of MHA Petroleum Consultants, Denver, CO, USA. The methods employed in developing these reserve estimates are consistent with the ASX Listing Rules and Society of Petroleum Engineers guidelines on definitions of proved, probable and possible hydrocarbon reserves. Mr Hower has consented to the use of the reserves figures in this announcement.

For further information contact:

David Johnson
Managing Director

Glenda McLoughlin
Chief Financial Officer

Metgasco Limited

ACN 088 196 383
Level 9, 77 Pacific Highway
North Sydney NSW 2060
Tel: (02) 9923 9100 Fax: (02) 9923 9199
Website: www.metgasco.com.au