



ASX / MEDIA RELEASE
16 February 2010

METGASCO INCREASES GAS RESERVES

- **2P gas reserves now 397 PJ (33% increase)**
- **3P gas reserves now 2,239 PJ (46% increase)**

Metgasco (ASX:MEL) advises that coal seam gas drilling and testing results from PEL 16 have been assessed by independent reserve certifiers, MHA Petroleum Consultants (Denver), resulting in a significant increase in gas reserves.

Gas reserves in the 2P category have increased to 397 Petajoules, an increase of 33%. Gas reserves in the 3P category have increased to 2,239 Petajoules, an increase of 46%.

MHA has provided an independent certification of gas reserves to the Company as follows:

PEL 16 – Independently Certified Coal Seam Gas Reserves (Petajoules)

Category	Reserves 10 March 2009	Current Reserves 16 February 2010	Metgasco Interest 100%
1P	2.7	2.7	2.7
2P	298	396.7	396.7
3P	1,538	2,239.3	2,239.3
2C Contingent Resource	-	1,177.4	1,177.4

Notes:

1P Reserves = Proved

2P Reserves = Proved + Probable

3P Reserves = Proved + Probable + Possible

The energy conversion factor used was 1.04 PJ per billion cubic feet ("bcf").

David Johnson, Managing Director of Metgasco said "This large increase in reserves has been achieved by the review and analysis of a significant amount of data on the coal seam gas resource within PEL 16. To date we have explored the coal seam gas potential of only six out of the eleven graticular blocks in PEL 16. It is our view that several areas within the tenement, that are currently undrilled, contain similar coal seam gas resources to the areas where we have currently booked 2P reserves. So there is further potential to add to 2P reserves in the future by undertaking additional drilling activity. As we have previously advised, Metgasco is currently engaged in a sell down process for PEL 16 with a view to bringing in a like minded partner to assist with the exploration and development of this tenement."

Mr Johnson added "We have also yet to complete our analysis and interpretation of data from our recent Kingfisher conventional gas discovery. This reserve upgrade is solely focussed on coal seam gas. We expect to provide further information to the market on potential gas reserves at the Kingfisher gas field in the future as well as further updates on results from production testing."

Compliance Statement

The Reserves statement provided in this announcement has been prepared by Mr Tim Hower of MHA Petroleum Consultants (Denver) and personnel under his supervision. Reserve estimates have been developed within the guidelines of definitions of proved, probable and possible reserves provided by the Society of Petroleum Engineers and the World Petroleum Council. These methods are consistent with the ASX Listing Rules. Mr Hower has consented to the use of the reserves figures in this announcement and the form and context in which the information appears.

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: +61 2 9923 9100 Fax: +61 2 9923 9199
Web: www.metgasco.com.au