



ASX / MEDIA RELEASE

30 April 2010

QUARTERLY ACTIVITIES REPORT QUARTER ENDED 31 MARCH 2010

Highlights

- **Continued to deliver strong reserve growth**
 - 2P gas reserves increased to 397 PJ (up 33%)
 - 3P gas reserves increased to 2,239 PJ (up 46%)

- **Kingfisher E1 reservoir testing program delivered flow rate of 2.97 million scfd in Test 1 in Ripley Road sandstone**

- **Significant portfolio of conventional leads and prospects identified with a total Pmean estimate of 1,361 Bcf and P10 estimate of 15,000 Bcf.**

- **Progress on commercialisation strategy and infrastructure development including Richmond Valley Power Station**

- **Commenced 2010 Work Program**
 - Expansion of coal seam gas exploration program with drilling of Bowerbird E2 in PEL 13
 - Commenced planning for coal seam gas (CSG) production wells
 - 2010 seismic program to commence next quarter

- **Cash reserves of \$24 million**

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Review of Exploration and Appraisal Developments

Conventional Exploration and Appraisal Program

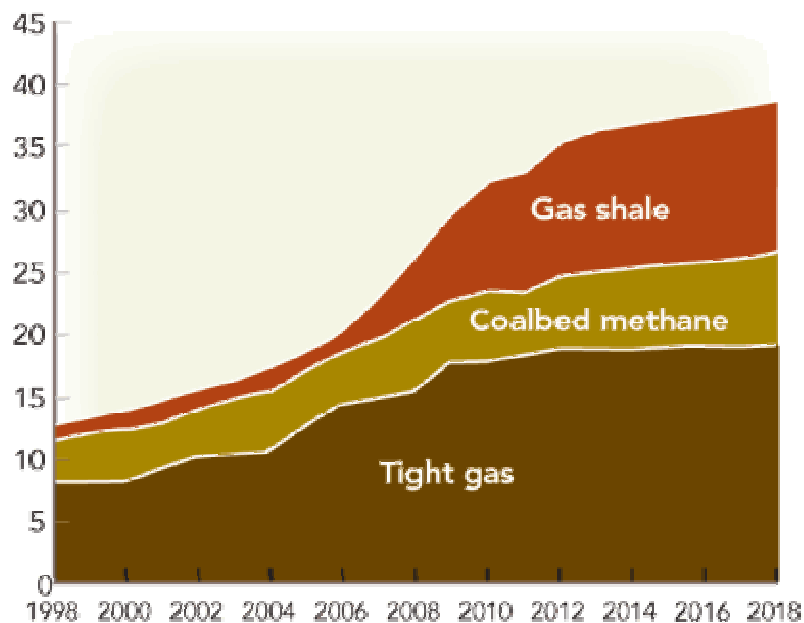
Kingfisher E1

Metgasco commenced its reservoir testing program in the Kingfisher E1 well during the quarter. Kingfisher E1 was drilled to a total depth of 2,090 metres in December 2009. Over 138 metres of gas bearing sands were encountered in the well. The well was logged after drilling and the initial interpretation of the logs was that the well contained net pay of 30.3 metres.

The Kingfisher field is a stacked sand reservoir comprising multiple zones with reservoirs of varying quality including significant sections expected to include tight gas. As this is the first deep conventional well drilled by Metgasco and the first significant discovery in the Clarence Moreton basin, considerable efforts are being undertaken to ensure that a thorough and detailed analysis of reservoir characteristics is achieved.

Reservoir testing is currently being undertaken on the zones included in the Company's initial estimate of 30.3 metres of net pay and also in selected zones which were not included in the initial estimate of net pay which are expected to include tight gas. In recent years, tight gas sand production has become highly lucrative in onshore basins in the US and is now the dominant source of unconventional gas supply in the US (see Figure 1: US Unconventional Gas Production). Consequently, Metgasco has taken the view that it does not intend to overlook this potentially large scale resource in conducting the Kingfisher E1 well testing process.

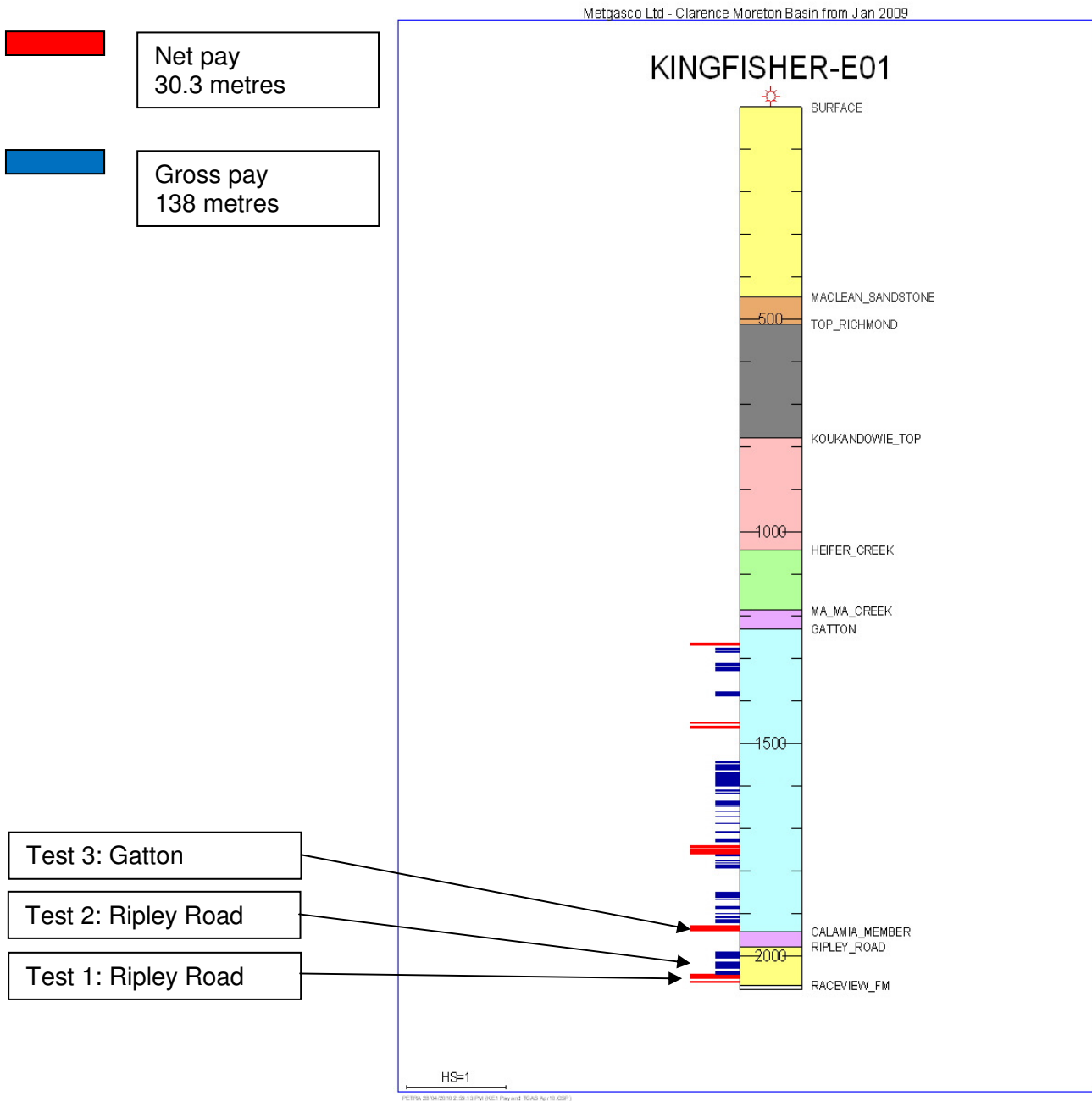
Figure 1: US Unconventional Gas Production Capacity (bcfd)



Source: US DOE 2008

Not all of the zones identified from wireline logging are intended to be tested. Selected zones will be tested commencing at the bottom of the well and progressively moving upwards as described in Figure 2: Kingfisher E1. (following page)

Figure 2 – Kingfisher E1



The first stage of the reservoir testing commenced on 25 January 2010. Two separate intervals totalling 5.3 metres within a zone between 2,043.7 and 2,050 metres were perforated in the Ripley Road sandstone. This interval represented the lowest accessible zone identified from the wireline logs. It should be noted that additional zones below this were identified from the logs but these zones were unable to be accessed for perforation because of space constraints in the bottom of the hole. The well was shut in and pressure allowed to stabilise. The testing program commenced with a 7 hour cleanup flow prior to the flow test through a 1” choke. A 15 hour flow test produced a stabilised flow rate of 2.97 million scfd. Reservoir studies are currently underway to determine the significance of this flow test. Subsequent analysis of gas samples from this test indicated the gas composition to be as follows:

- 95.8% methane
- 2.1% nitrogen
- 0.3% carbon dioxide
- 1.5% ethane
- 0.3% propane and butane

Metgasco subsequently conducted a second test over a 12 metre interval between 1,980 and 2,035.5 metres in the Ripley Road sandstone. This test was conducted in a zone identified as tight gas from wireline logging and not included in the Company's estimates of net pay. As expected, tight gas was encountered.

Metgasco is currently conducting a third test over a 9.5 metre interval between 1,930 and 1,942.5 metres in the Gatton sandstone. Currently, this zone is on pressure build up. Testing of the zones above 1,930 metres will continue over the coming quarter.

2010 Seismic Program

Metgasco will commence its 2010 seismic acquisition program next quarter. This program will acquire approximately 210 line km of new 2D seismic over identified conventional leads and prospects and the Eden Creek coal seam gas fairway. The focus of the seismic program will be on defining structural closure on priority leads in PEL 16 and PEL 13. This program includes 60 line km of seismic which will be acquired to meet work commitment requirements in PEL 13 and PEL 426.

Significant conventional potential now identified in Metgasco tenement areas

Metgasco has now finalised its evaluation of conventional leads and prospects in PEL 16, PEL 13 and PEL 426 and determined unrisked, pre-drill original gas in place (OGIP) estimates. This exercise has identified 23 leads and prospects worthy of follow up work. The Company has developed its initial Pmean and P10 estimates of these leads and prospects with a total Pmean estimate of 1,361 Bcf and an upside estimate in the P10 case of 14,948 Bcf.

The table below provides further information:

Metgasco – Conventional Leads and Prospects (Bcf)		
Pre-drill OGIP estimates		
	PMean	P10
PEL 16		
Mackellar	63	688
Mackellar North	146	1,793
Bowerbird	28	295
Cicada	35	352
Fantail	30	315
Monarch	53	528
Triller	36	389
PEL 16 (Total)	391	4,360
PEL 13		
Hogarth	44	457
Dyrabba	105	1,160
Rappville Updip	91	995
Rappville West	29	292
Shannon Brook	30	315
PEL 13 (Total)	299	3,219

Metgasco – Conventional Leads and Prospects (Bcf) - continued

	PMean	P10
PEL 426		
Tullymorgan	27	279
Banyabba	90	1,065
Camira	65	774
Clifden	19	193
Pine Brush	46	353
Dilkoon	39	426
Orara	56	631
Clarenza	29	292
Coaldale	201	2,273
Kungala	72	793
Southgate	29	292
PEL 426 (Total)	672	7,371
TOTAL (PEL 16, 13, 426)	1,361	14,948

Coal Seam Gas (“CSG”) Exploration and Appraisal Program

Coal seam gas pilot program – Corella P18

Coal seam gas pilot well, Corella P18, spudded on 5 December 2009. The well is designed as a dual lateral completion with a single vertical intersect which will act as the water and gas off take well.

Subsequent to unsuccessful attempts to recover the stuck drill string Corella P18 was suspended on 4 February and the rig demobilised to enable the integrity of both the vertical well and the lateral to be investigated. A down hole camera was used to investigate the vertical well and the intersection with the lateral. Subsequent to this investigation a decision has been made to complete the lateral by sidetracking around the abandoned drill string. This drilling activity will be undertaken as part of the forthcoming CSG drilling program.

Coal seam gas production

Total field production averaged 260,000 scfd over the quarter. Gas and water production from Corella P11 remains steady with no indication of decline after more than two years on production. Two additional wells on the same pad, Corella P12 and Corella E04 have been set up to produce gas and water from simple vertical intersections with the Richmond, the seam targeted in CP11. This has increased the gas production from the Corella P11 pad by 30,000 scfd.

Coal seam gas exploration – PEL 13

Bowerbird E2 was spudded on 18 March 2010. The purpose of this core well was to test the thickness and coal characteristics of the Walloon Coal Measures at a location approximately 20 km

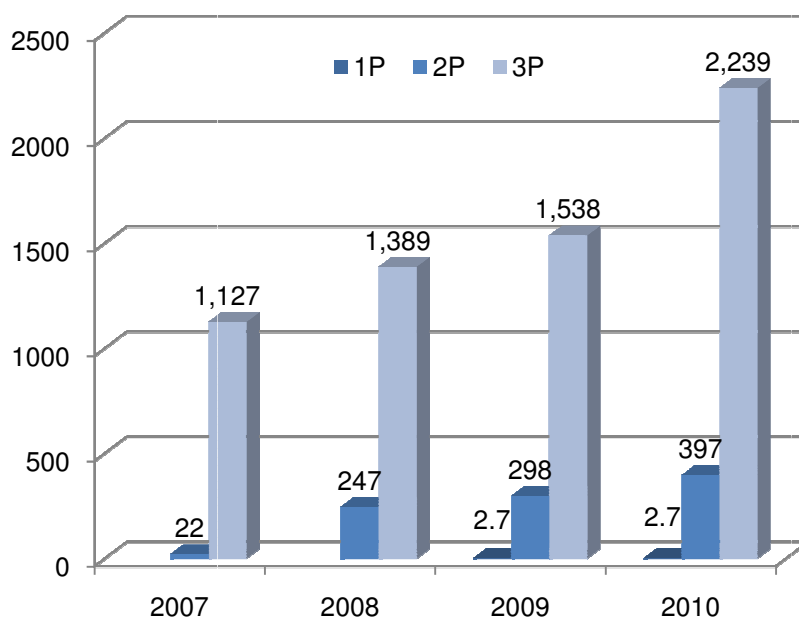
north-west of Casino. The well was drilled to a total depth of 672 metres and intersected the top of the Walloons at 296 metres. A total of 42 metres of gassy coal and gas bearing carbonaceous shale was intersected with approximately 17 metres of coal core samples taken for analysis. Wireline logs and desorption samples were acquired and are currently being evaluated. This well extends Metgasco's area of potential production from pilot well Corella P11 into the Eden Creek area.

Minor oil shows were observed in this well in two zones (354 metres and 643 metres). Material was collected from the cores and subsequent analysis confirmed evidence of migrated oil. The Company considers that these samples provide early evidence of the generation of liquid hydrocarbons in the basin. Bowerbird E2 was located on the Eden Creek structural high trend.

Certified Reserves

On 16 February 2010, Metgasco announced that it had further increased its independently certified gas reserves during the quarter. Gas reserves in the 2P category increased by 33% to 396.7 PJ and reserves in the 3P category increased by 46% to 2,239.3 PJ. There was no change in the 1P reserve category. All reserves to date have been recognised in PEL 16. In addition, the Company's independent reserve certifier, MHA Petroleum Consultants, advised that PEL 16 contained an additional 2C Contingent Resource of 1,177 PJ. Metgasco has a 100% interest in these gas reserves.

Continued growth in certified gas reserves (Gas reserves in PEL 16)



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 and 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.

Change in gas reserve position

PEL 16 – Independently certified coal seam gas reserves –Petajoules (PJ)		
Reserve Category	Reserves 10 March 2009	Reserves 16 February 2010
1P (Proven)	2.7	2.7
2P (Proven + Probable)	298	397
3P (Proven + Probable + Possible)	1,538	2,239
2C Contingent Resource		1,177

Review of Commercial Developments

Gas Supply and Lions Way Pipeline Project

All environmental studies relating to the Lions Way Pipeline project have been completed. The Environmental Assessment reports are currently being prepared for lodgement with the relevant regulatory authorities.

Richmond Valley Power Station

The Richmond Valley Council has now approved the subdivision of the site proposed for the construction of the Richmond Valley Power Station. This subdivision was subsequently registered and land purchase has been completed.

Detailed discussions were held with the Department of Planning on the submissions received by the Department during the public consultation process for the Environmental Assessment of the 30MW Richmond Valley Power Station. A formal response to all the submissions was lodged with the Department on 11 February and the Department has subsequently circulated this response to the agencies for comment. It is expected that the discussions with the Department on the conditions for any approval will commence in the next quarter.

Gas commercialisation strategy

Metgasco is continuing to investigate gas commercialisation opportunities and is currently in discussions with several prospective customers.

Review of Corporate Developments

Update on PEL 16 Sale Process

Metgasco has continued to engage with interested parties on this process during the quarter. Additional data available on the Kingfisher E1 well and conventional prospectivity of PEL 16 was provided to participants in the sale process during the quarter. A more complete data set will be available to participants once the testing of Kingfisher E1 is completed.

New Director

As previously advised Mr Steven Koroknay was appointed as a Non-Executive Director on 19 January 2010.

Cash Position

The Company ended the quarter well with a cash position of \$24 million.

Shareholder Base

At 31 March 2010 Metgasco had 248,956,674 shares on issue and 9,402,358 options outstanding. The number of shareholders was 6,254.

Outlook - Planned Forward Work Program Next Quarter

- **Further production testing of Kingfisher E1** – Metgasco expects to continue production testing over the coming quarter and to evaluate development drilling options.
- **2010 seismic program** – Metgasco expects to commence the 2010 seismic program which will acquire approximately 210 line km of 2D seismic over CSG areas and leads and prospects in PEL 16, PEL 13 and PEL 426.
- **Coal seam gas pilot drilling** – Metgasco is currently finalising plans for additional pilot drilling in PEL 16 and PEL 13. This drilling program will include the completion of Corella P18.