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METGASCO TO COMMENCE DRILLING MULT-LATERAL PILOT PRODUCTION WELLS

Metgasco is pleased to advise that it is about to commence drilling the first of four coal seam gas multi-lateral pilot production wells. Drilling is expected to commence next month.

The Harrier Pilot wells will be located in the Eden Creek trend area near Corella P11 where Metgasco has had its lead pilot production well on continuous gas production for approximately three years.

The following wells are planned to be drilled:

- Harrier P01
- Harrier P02
- Harrier P03
- Corella P18

The Harrier Pilot wells will target the Richmond seam within the Walloon Coal Measures at depths of between 300 to 400 metres. The multi-lateral wells have been designed with two horizontal sections each targeting 1,000 metres of in-seam exposure per lateral resulting in 2,000 metres of in-seam exposure in total. Both horizontal sections will be drilled from a single vertical off take well. The objective of these wells is to further confirm commercial flow rates from this area where Metgasco has established its initial 1P, proven reserve certification.

These are the first dual lateral wells that the Company has drilled. The increased in-seam section is designed to provide greater exposure to the reservoir and thereby result in gas production rates above those currently being achieved from Corella P11, which has a single in-seam horizontal section of 680 metres.

Metgasco has a 100% interest in PEL 16, 13 and 426 in the Clarence Moreton Basin in NSW where we operate the largest acreage position in the basin. Metgasco currently has 2P gas reserves of 397 Petajoules and 3P gas reserves of 2,239 Petajoules from less than 10% of our acreage area. We are exploring for gas in coal seams, conventional and shale reservoirs and in 2010 discovered the Kingfisher gas field, the largest conventional discovery in NSW in over a century of exploration in the State. Metgasco is currently progressing its gas commercialisation agenda which includes gas and electricity supply to NSW and gas supply to Queensland. With gas in place resources likely to exceed the domestic markets requirements and sufficient to supply export scale projects, Metgasco is currently investigating LNG project development options.

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