

## KINGFISHER E1 – TESTING UPDATE

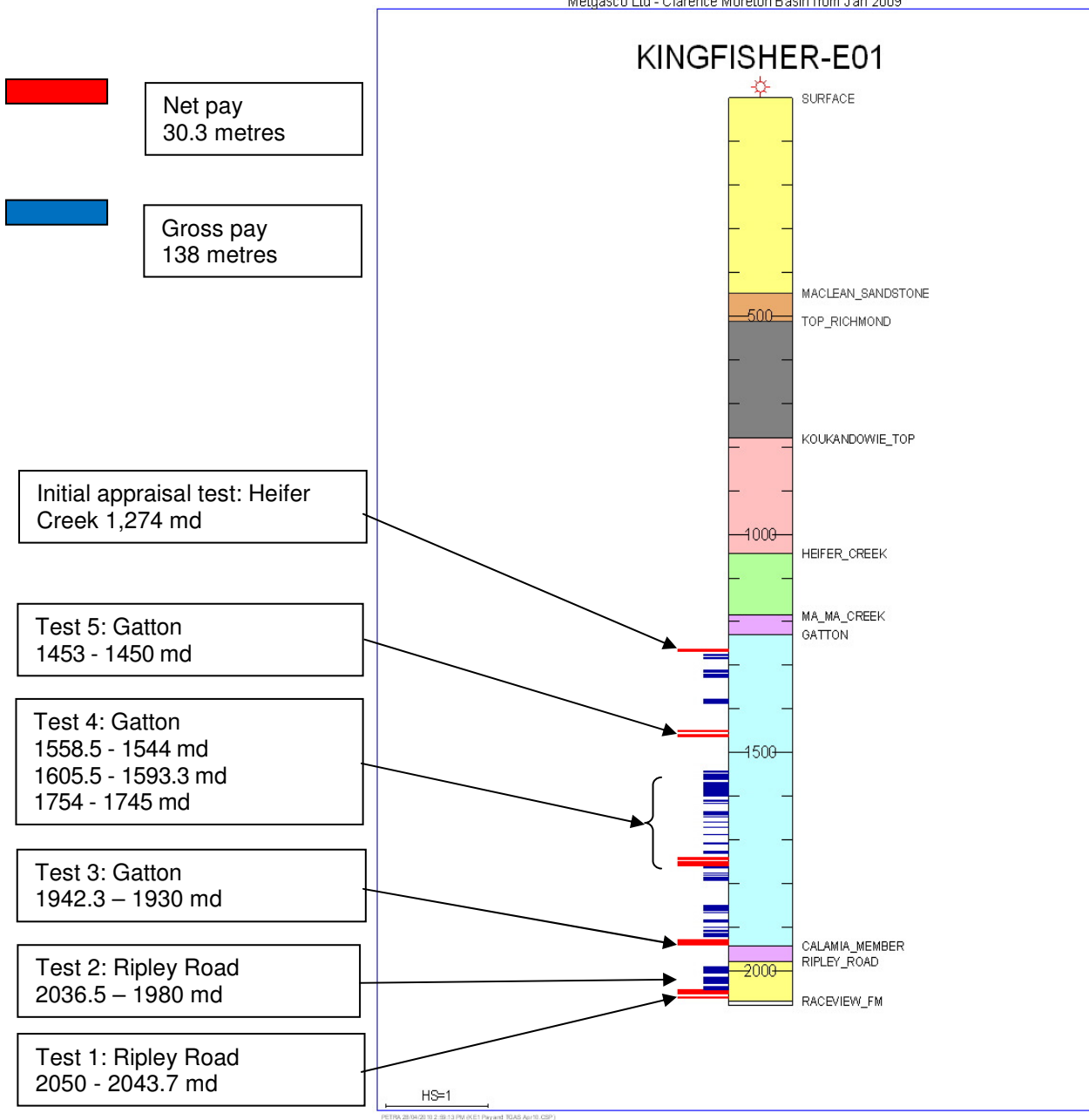
Metgasco advises that perforation and flow testing of the Test 5 interval in the Kingfisher well has resulted in gas flow to surface.

On 17 June 2010, Metgasco perforated a three metre zone in the Gatton sandstone at 1450-1453 md. An impulse build up test was conducted on the shut in well bore. Pressure from this zone built up quickly to 2040 psi at the well head.

Prior to conducting flow testing on this zone, Metgasco ran a static gradient survey which indicated no liquids in the well bore. A flow test was subsequently run and the Test 5 reservoir flowed at an initial rate of 168,000 scfd on a 10/64" choke with a wellhead pressure of 285 psi. The analysis of gas composition from this zone was 94.8% methane, 2.35% ethane, 1.6% nitrogen and 1.25% other trace gases.

Preliminary test analysis suggests the existence of natural fracturing in the reservoir. Metgasco's current interpretation is that a fractured zone around the well bore contributed to rapid early pressure build up which is consistent with the gas response encountered during drilling. Additional pressure testing and flow data is currently being acquired. A summary of test results from this exploration well is provided below:

Test & Formation	Interval Tested (metres depth)	Gross Interval (metres)	Zones Perforated	Perforated Interval Thickness (metres)	Results
Initial Test: Heifer Creek (reported 10/11/2009)	Open hole section at 1274	n/a	n/a	n/a	Gas present Flow rate sampled at 900,000 scfd on 32/64" choke
Test 1: Ripley Rd	2050-2043.7	6.3	2	5.3	Gas present - 95% CH4 Flow rate sampled at 2.97 mmscfd production rate on 1" choke,
Test 2: Upper Ripley Rd	2036.5 - 1980	56.5	9	12	Gas present, minor pressure buildup
Test 3: Lower Gatton	1942.3-1930	12.3	2	9.5	Gas present, moderate pressure buildup,
Test 4: Gatton	1754-1745	9	2	4.5	Gas present, minor pressure buildup
	1605.5-1593.3	12.2	2	6	Gas present, slow pressure buildup
	1558.5-1544	14.5	3	5	Gas present, moderate pressure buildup
Test 5: Upper Gatton	1453-1450	3	1	3	Gas present Flow rate sampled at 168,000 scfd on a 10/64" choke
<b>Total</b>		<b>113.8</b>	<b>21</b>	<b>45.3</b>	



**Comments on results to date**

The results to date from the testing program on the Kingfisher E1 well have confirmed the presence of a large gas resource within the Kingfisher gas field. The Kingfisher field can be characterised as a stacked sand reservoir with gas bearing sands of varying permeability and porosity. A significant number of these sands have demonstrated tight gas properties.

Tight gas is currently a major contributor to gas production in the US where proven fracture stimulation techniques (or “fracking”) have been successfully applied to exploit tight gas resources. Fracking involves stimulating the production of fractures within a tight matrix rock and propping open these fractures with sand or other proppant material to allow gas to flow to the well head. Production rates generally improve by a significant multiple from the application of this process. Metgasco is now well advanced in designing a frac for the Kingfisher field which will be trialled in the Test 5 interval. Information obtained from this frac will form the basis for detailed frac design work for future Kingfisher wells.

## Background to Kingfisher E1

Kingfisher E1 is the first appraisal well of the Kingfisher field located in PEL 16 in the Clarence Moreton basin in northern New South Wales. The well was drilled in November 2009 to appraise the Heifer Creek and upper Gatton sandstones and explore the lower Gatton and Ripley Road sandstones. Metgasco's initial analysis is that the field has a contingent resource of 77 Bcf (P50) and 284 Bcf (P10) which is the largest conventional gas discovery in the history of New South Wales oil and gas exploration. Results from the production testing program will provide further information on the scale and commercial significance of this discovery.

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