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Lodgement of Market Briefing**

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Market Briefing

Metgasco MD on the company's strategic focus for 2013

Interview with Peter Henderson (Managing Director & CEO)

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What drilling work are you currently undertaking and what is its aim?

Peter Henderson

We are currently drilling Thornbill E04, the first of Metgasco's wells to be drilled since the release of the NSW State Government's detailed reviews and new regulations supporting the development of the coal seam gas [CSG] industry. This is the fifth well to have been drilled in NSW since the government's policy initiative was announced.

Thornbill E04 is a simple vertical exploration well, the objective of which is to further define coal distribution in PEL 426. Improved understanding of coal distribution will help direct future exploration and development activity. Eventually, this is likely to lead to increased reserves. The well will be "plugged and abandoned" before the rig leaves the site and the site rehabilitated.

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Have there been any delays to the work program?

Peter Henderson

Our program started a little later than expected as a result of a range of factors which included rig availability, approvals and some protest action.

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What are your plans for the next 12 months?

Peter Henderson

We currently plan to complete two CSG core wells, three CSG lateral/pilot wells, and a conventional exploration well.

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Given the delayed start to the program, we have deferred one of the three planned core wells so that we can keep the more important lateral/pilot and conventional wells on schedule. The lateral wells will further demonstrate the productivity of the coal seams as well as provide gas supply for local sales when production assessment and production licences are approved. Currently we have 411Bcf of 2P and 2,443Bcf of 3P CSG reserves.

Parallel with the drilling program we are seeking approvals to allow us to sell gas locally and position the business for production growth over the next few years.

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What are your plans for drilling the Greater Mackellar structure and how large is this structure?

Peter Henderson

Right now we're analysing the successful seismic data captured late last year. This data will help us to better define the structure before drilling of the Rosella-1 well starts. Our plan is for drilling to occur over the May to June period.

With an Original Gas In Place of 1.3 Tcf, the Greater Mackellar structure is a very large prospect.

It's also worth noting that unlike other CSG companies Metgasco also has this and other conventional gas opportunities.

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What are you looking to achieve from the 2013 work program?

Peter Henderson

Our overall objective this year is to take Metgasco from the exploration phase to the production/commercial phase. In addition, we aim to better understand the geological structure in our licence areas.

The Clarence Moreton Basin in Northern New South Wales is an extension of the Surat Basin in South East Queensland. The Surat Basin has been prolific for CSG and conventional oil and gas. It's worth noting that unlike the CSG fields in Queensland, our wells produce very little water, which is important for the commerciality of wells.

Excluding any allowance for Metgasco's conventional gas prospects, we already have one of the largest uncontracted 3P reserves base in eastern Australia. Our exploration and appraisal activities over the next few years should allow us to further increase these reserves.

Over the next 12 months we are aiming to further demonstrate commercial flow rates/well productivity and commence local gas sales by year's end. One of our short to medium term goals is to provide competitively priced natural gas to local businesses. Natural gas has the potential to displace higher cost imported supplies of LPG and diesel.

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Do you have the support of the communities in which you operate?

Peter Henderson

Our community responsibilities have been and continue to be front of mind since we commenced our drilling activities in the Clarence Morton Basin in 2005. We have always operated with a focus on ensuring open and honest communication with community groups.

Based on our experience since we started, we believe that we have the support of a broad cross section of the Casino and Grafton communities in which we operate. Local farmers have provided us with access to their properties, and residents and businesses are eagerly awaiting the opportunity to access cheaper and cleaner power when we move into production.

As with all things, there is a vocal group of people who would prefer there be no drilling for natural gas in northern NSW. They do not accept the outcomes of the extensive review undertaken by the NSW government which identified that CSG operations are safe and have the potential to deliver significant benefit to NSW. We acknowledge the right to lawful and peaceful protest. Equally we expect protesters to respect that our operations are being conducted lawfully and to respect the rights of others, including our staff and the landholders we work with, who do not share their views.

It is worthwhile noting that currently 95% of the gas consumed in NSW is imported from other states and 38% of the gas consumed on the east coast of Australia is CSG sourced.

It is significant that the Richmond Valley Council made a statement at the end of 2012 recognising the importance of CSG and requesting different stakeholders work together. The NSW State Government is very supportive given the considerable energy demand and supply imbalance looming within the next three years.

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Is your 2013 work program fully funded?

Peter Henderson

Yes. Following the capital raising undertaken last year, our current planned work program for 2013 is fully funded. However, we are very mindful of the substantial cost increases being felt in our industry as a result of more onerous regulation and tight supply of services, so we are watching our costs very closely.

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How will you look to fund future work?

Peter Henderson

Once the 2013 work program is complete we will have tested both our conventional and unconventional prospects and hopefully further demonstrated the commerciality of both our CSG and conventional resources.

Metgasco is one of the last remaining independent gas companies on the east coast of Australia with uncommitted certified 2P gas reserves. We own 100% of our production and exploration licences covering more than 1.1 million acres and have no complications associated with overlying tenure.

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As a result we are in the fortunate position of being able to consider all funding options to ensure shareholder value is maximised. One such option, given the size of Metgasco's reserves and resources, is to bring in a large joint venture partner via a farm-in agreement.

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Thank you, Peter.

For further information, please contact Metgasco on +61-2 9923 9100, or visit www.metgasco.com.au

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Qualified Person statement: Reserves have been certified by Mr Tim Hower of MHA Petroleum Consultants (Denver) who is a qualified person as defined in ASX Listing Rule 5.11. Reserves have been developed within the guidelines of the SPE. Mr Hower has consented to the use of the reserve figures in this presentation. Conversion of reserves from PJ to Bcf at 1.04 PJ / 1.00 Bcf.

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