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AUSTRALIAN STOCK EXCHANGE
Via Electronic Lodgement

COMMENCEMENT OF DRILLING PROGRAM

Metgasco is pleased to announce that it has signed a contract with AJ Lucas to undertake its Phase 2 drilling program. This program will involve the completion of two horizontal wells, coring of pre-collar hole MSC-08 and the workover of vertical wells MSC-04 and MSC-06.

This drilling program is designed to improve the productivity of the field through predicted enhanced gas flows from horizontal drilling. Results from the horizontal wells, combined with the coring of MSC-08 to provide additional data on gas content, will assist with the Company's reserve development strategy.

AJ Lucas is an experienced surface to in-seam drilling contractor. The firm will be providing a UDR 1200 rig for this program.

All regulatory approvals for this drilling program have now been received.

The rig is planned to mobilise in early December.

Overview of Project

Metgasco holds 100% of PEL16 located near Casino and Lismore in northern New South Wales. The Company is appraising the gas production potential of the Walloon Coal Measures in the Clarence Moreton Basin. The Walloon Coal Measures have been the subject of successful exploration and development activity in Queensland over the past four years.

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