



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 31 DECEMBER 2017

SUMMARY

- ✓ AGM held 9 November 2017, Non-Executive Director Philip Amery re-elected
- ✓ Native Title negotiations concluded for ATP 2020 and ATP 2021
- ✓ Investment into Frey-1 Cooper Basin exploration well concluded
- ✓ Byron Energy Limited (ASX:BYE) (**Byron**) investment generates significant returns
- ✓ Board continued to evaluate opportunities in the Oil & Gas sector.

The highlights of the quarter's activities are outlined below.

Queensland exploration blocks

Metgasco progressed through the Native Title negotiation process with the traditional land owners, the Wongkumara people. The Board is pleased to confirm that these agreements concluded successfully in January 2018 and that the Company will now apply for the Authorities to Prospect. Metgasco continues to advance its technical knowledge of these two blocks, which the company considers highly prospective, with assistance from specialised consultants.

Byron Energy

Key Points

- Metgasco holds 37.9 million shares in Byron at a cost of \$2.7 million which have a market value of \$11.9 million, based on Byron's closing price of \$0.315 as at 30 January 2018, an unrealised gain of \$9.2 million;
- The Byron Funding Facility was initially drawn down by Byron to \$8.0 million and in accordance with its terms, Byron has since repaid \$2.0 million (\$1.0 million each on 22 October 2017 and 22 January 2018);
- Metgasco holds 10.0 million options in Byron with a strike price of \$0.25 per share which expire in September 2019.

Pursuant to Metgasco's Convertible Note Deed with Byron, the Board elected to exercise its priority rights and in September 2017, took a 10% participation via a subscription of **A\$2,652,790** for 37,897,000 Byron Energy securities, at an issue price of A\$0.07. It has seen Metgasco become a substantial shareholder of Byron, holding a 5.77% interest and the Company lodged its Form 603

Notice of Initial Shareholder with the ASX on 3 October 2017. As at 30 January 2018, Metgasco's securities in Byron Energy have a market value of **A\$11,937,555**.

Permitted work for the Byron Bivouac Peak project in Louisiana, USA, in which the Company holds a 10% working interest (7.45% Net Revenue Interest), continued to be progressed during the quarter by Byron as the operator of the project. Byron has advised an expected drilling date in the second half of 2018.

In accordance with the terms of the Convertible Note Deed, the Company received the second instalment of A\$1.0 million in repayment of the initial A\$8.0 million loan facility (**Funding Facility**) from Byron after the end of the reporting period, on 22 January 2018. The third quarterly instalment of the A\$1.0 million repayment is due on 22 April 2018.

New business

During the quarter, Metgasco concluded the arrangement with Senex Energy Ltd (ASX:SXY) and Cooper Energy Ltd (ASX: COE) via a farm-in investment into the Frey-1 Area for a 20% working interest. Metgasco was responsible for paying 30% of the costs associated with the drilling, which totalled A\$684,000 (\$540,000 paid on 12 September 2017 and \$144,000 paid on 12 January 2018) for the Company. Given the lack of significant hydrocarbons shows upon reaching the target depth, it was decided to plug and abandon the well. Other farm-in opportunities in the Cooper Basin with both Senex Energy and other parties are currently being evaluated.

Metgasco continued with its strategy of reviewing a number of opportunities in the Oil & Gas sector and each opportunity has been reviewed for its potential to deliver short term reliable returns, long term growth opportunities and an appropriate risk / reward balance.

Cash position

The Company ended the quarter with a cash balance of A\$5.8 million and with no debt.

The following is a reconciliation of the Company's cash position from 30 September 2017 to 31 December 2017:

	\$A'000
Cash at 30 September 2017	<u>6,904</u>
Net interest and investment income	358
Funding Facility repayment by BYE	1,000
Exploration and evaluation expenditure	(13)
Investments at cost*	(2,179)
Overhead and administrative	<u>(228)</u>
Cash at 31 December 2017	<u>5,842</u>

* The market value of these investments as at 30 January 2018 was \$11.9 million

The Company's cash backing as at 31 December 2017 was \$0.0147 per share. This compares with the equivalent cash backing reported as at 30 September 2017 of \$0.0173 per share.

As noted above, the second repayment of A\$1.0 million in cash from the Byron Funding Facility was received on 22 January 2018.

Cost and capital management.

The Company continues to pay particular attention to costs and capital management whilst retaining its ability to seek new business opportunities. Metgasco has utilised consultants for various activities including project evaluation over the quarter and these are expensed as Overhead and Administrative items for the purposes of the above cash reconciliation.

The Company's cash balances are held as cash at bank, listed investment grade and near-investment grade exchange traded bonds and term deposits.

Shareholder base

At 31 December 2017, Metgasco had 398,464,823 shares on issue and 2,435 shareholders. Its top 20 holders held 222,318,260 shares or 55.79% of the Company's issued capital.

Certified Reserves / Resources

The company has no certified reserves or resources at present.

Tenements / Farm-in Opportunities

As at 31 December 2017, the Company holds a 10% working interest (7.45% Net Revenue Interest) in the Bivouac Peak project which is expected to cost approx. US\$1.3 million (A\$1.6 million on current exchange rates). Metgasco has been advised by the Operator, Byron, that approval processes are ongoing and that drilling is planned to commence no earlier than second half of 2018.

Outlook - work program for next quarter

Following the conclusion of the negotiations with the traditional land owners the Company will lodge the required signed Native Title agreements with the Queensland Government in early February 2018. Metgasco's technical team has now commenced phase 1 of the development of the Cooper blocks which includes the detailed analysis of all available 2D seismic data and the development of a 3D seismic exploration plan. Successful execution of the native title agreement will allow the development of the Cooper Basin acreage to move into the next stage.

The Company will continue its search to identify new business opportunities.

ENDS

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It holds an interest, via a secured production development funding facility, equity options and participation rights, in U.S Gulf of Mexico company Byron Energy Limited (ASX:BYE). Metgasco holds a 10% (non-operating) farmed-in interest in Byron's Bivouac Peak Louisiana hydrocarbon project with a planned initial well testing a Gross prospective resource of 32,270 Mboe in addition to farm-in rights in relation to Byron's Gulf of Mexico portfolio. Aside from its \$6.0 million secured receivable noted above, Metgasco holds cash and cash equivalent investments of approximately A\$5.8 million.

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