



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 31 DECEMBER 2018

SUMMARY

Key activities during the quarter ended 31 December 2018 (**Quarter**) comprised:

- A farm-out process for the ATP 2021 and ATP 2020 blocks commenced in October 2018. Several companies have reviewed the data room information and discussions are ongoing;
- Metgasco's sub-surface work on ATP 2021 has confirmed two 3D seismically defined conventional gas prospects. Prospective resources were announced on 26 November 2018 and are shown in the tables below. Metgasco plans to drill at least one well in the 2nd half of this year;

Vali Prospect	Low (P90)	Best (P50)	High (P10)
Net OGIP (Raw) Bcf	6.6	26.3	101.2
Net Recoverable Gas (Raw) Bcf	4.8	19.0	72.9

Odin Prospect	Low (P90)	Best (P50)	High (P10)
Net OGIP (Raw) Bcf	3.8	12.0	37.8
Net Recoverable Gas (Raw) Bcf	2.7	8.7	27.2

- The Weiss Adler et al No-1 well (MEL 10% interest) was plugged and abandoned, having been deemed non-commercial. The exploration drilling program was efficiently managed by Byron Energy Limited (ASX:BYE) (**Byron Energy**);
- In October 2018, a jack-up drilling rig contract was executed by Byron Energy. The rig is currently scheduled to spud the SM74-Raptor exploration well in early March 2019
- A further A\$1.0 million principal repayment (along with interest) was received from Byron Energy in respect of the Company's convertible note debt facility (**Byron Facility**);
- Metgasco's Annual General Meeting was held on 28 November 2018 and all resolutions were approved;
- On 27 November 2018, Mr. Ken Aitken resigned from the position of Executive Director and assumed the position of CEO;
- Technical and commercial evaluation of new energy sector opportunities progressed;

Activities subsequent to the Quarter included:

- an additional A\$1.0 million principal repayment (along with interest) of convertible notes from Byron Energy occurred, in line with the note schedule.

The quarter's activities (and material developments since 30 September 2018) are outlined below.

Byron Energy

The Byron Facility was initially drawn down by Byron Energy to A\$8.0 million and in accordance with its terms, Byron Energy has since repaid A\$6.0 million (January 2019). As announced on 19 September 2018, A\$1.0 million notes were converted into shares, leaving the outstanding balance as at today's date at A\$1.0 million.

Metgasco also holds 10 million options in Byron Energy with a strike price of \$0.25 per share which are due to expire in July 2019 and are thus presently in-the-money.

The total cost of Metgasco's holding in Byron Energy is approximately A\$3.65 million, which compares to a market value of approx. A\$12 million, based on Byron Energy's closing price of A\$0.29 as at 24 January 2019, representing an unrealised gain of approx. A\$8.4 million, excluding the value of Metgasco's options in Byron Energy.

Until July 2019, Metgasco also retains the first right of refusal to farm-in to future Byron Energy's Gulf of Mexico exploration projects and a priority right to participate in any Byron Energy future capital raisings.

Bivouac Peak Leases

Metgasco held a 10% Working Interest (**WI**) (7.45% Net Revenue Interest (**NRI**)) in the Bivouac Peak project which was expected to cost approx. US\$1.3 million. The drilling programme commenced in August 2018 and was plugged and abandoned (**P&A**) in October 2018 after testing all objectives and being drilled to a total depth of 17,766 feet Measured Depth (**MD**). Petrophysical evaluation of the porosity and sonic logs indicated the first objective to be a water bearing sand and the second objective a set of thinner, tight, gas bearing sands and shales with less than 5 net feet of conventionally logged hydrocarbon. The P&A operations were completed on 22 October 2018 and the Parker 77B rig released.

The data collected from the Weiss-Adler #1 well is being used to further evaluate the prospectivity of the surrounding area and to gain a greater understanding of the adjacent Bivouac Peak Deep Prospect. Following completion of this evaluation work, Byron Energy will review the impact on prospective resources previously assigned to Bivouac Peak.

State leases (lease numbers 21778 and 21779), comprising protection acreage, were relinquished during the quarter given the outcome of the initial well.

The Weiss-Adler et al No-1 well reached total depth and was fully evaluated in near record time. The estimated final costs to drill test and abandon the well was significantly below the original expectations of \$10.8 million, albeit above the \$7.5 million estimate included in Metgasco's ASX release of 11 October 2018

South Marsh Island Block 74

In July 2018, Metgasco elected to farm-in to the South Marsh Island Block 74 (**SM-74**) project in the Gulf of Mexico. The Company accepted an offer from Byron Energy to earn a 30% working interest via the funding of 40% of the cost of the initial test well (**ITW**) with Byron Energy paying the remaining 60%. Both companies will then bear their respective WI costs after the ITW is drilled to total depth (14,741 feet MD).

Byron Energy has also executed a drilling contract with White Fleet Drilling 350 LLC (**WFD 350**).

The WFD 350 rig is expected to be available in early March 2019 and is one of the few active rigs in the Gulf of Mexico configured in such a way as to allow proper access to the SM-73 platform.

The drilling of this well-Raptor prospect is expected to begin in early March 2019 when the preceding operator releases it. The Raptor well will test three amplitude supported target sands with mapped gross prospective resource potential of 5.2 million barrels of oil and 13 Billion cubic feet (**Bcf**) of gas (as certified by Collarini & Associates). Subsequent to the end of the quarter, Byron Energy released on 17 January 2019, a technical update on a regional seismic re-processing project. This project has indicated that the Raptor prospects sand at 13,500 ft is equivalent to the Tex X sand which is a significant producer, not just in the project area, but in the Gulf of Mexico, lowering the risk of the Raptor project.

A Platform Use Agreement was finalised by Byron Energy with the nearby operator at South Marsh Island Block 73 (**SM-73**), from which the SM-74 well will be drilled as a deviated well and in the success case produce, through the SM-73 D platform. This arrangement reduces the threshold for economic reserves by eliminating the need to build a new platform and offers significant capital savings in infrastructure as well as reducing the cycle time to first production if hydrocarbons are discovered.

Metgasco is fully funded for its expected US\$4.4 million drilling costs of SM-74 and does not expect the need to raise further capital or dispose of any equity investment assets to meet these commitments. Minor payments have initiated recently on SM-74 with the balance being due two weeks prior to well spud.

Cooper /Eromanga basin exploration blocks

On 1 June 2018, the Queensland Government granted Metgasco, ATP 2020 and ATP 2021, pursuant to section 41(1) of the *Petroleum and Gas (Production and Safety) Act 2004*.

This grant follows Metgasco's tender in 2015, notification of status as preferred tenderer in 2016 of Cooper Basin blocks 2021 and 2020, and Metgasco's successful conclusion of Native Title Negotiations in early 2018.

The ATP 2021 permit (100% owned) is surrounded by commercial gas and oil fields with cumulative gas production of approximately 600 Bcf within 20km of the permit boundary. The Metgasco technical team has identified two seismically defined drill ready prospects (Odin and Vali) approximately 5km from the permit boundary to gas pipeline/producing infrastructure.

Metgasco acquired access to a 2016 vintage 3D seismic data set from another Cooper Basin operator which significantly enhanced the older 2D seismic data set and assisted with defining the prospects. A geological and engineering review of all wells previously drilled in the permit has been carried out. A review of publicly available exploration and production data from neighbouring blocks has also occurred.

This sub-surface work on ATP 2021 has confirmed two 3D seismically defined conventional gas prospects. Prospective resources were announced on 26 November 2018 (please refer to Metgasco's ASX Announcement of that date) and are shown in the tables below. Metgasco plans to drill at least one well in the 2nd half of 2019.

Vali Prospect	Low (P90)	Best (P50)	High (P10)
Net OGIP (Raw) Bcf	6.6	26.3	101.2
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The Prospective Resources estimates are probabilistic in nature and are recoverable raw gas attributable to Metgasco's 100% interest in ATP 2021 as at 26 November 2018. Raw gas does not include the potential effects of inert gases such as Co2 which can be variable in the area.

The ATP 2020 permit (100% owned) has multiple exploration targets with oil and gas potential close to existing infrastructure. A seismic re-processing project was initiated in December 2018 to determine if additional seismic acquisition is required before a lead identified in the license can be advanced to drillable prospect.

A farm-out process for both ATP 2020 and ATP 2021 permits was initiated in October 2018 to find suitable partner(s) who would partly fund exploration drilling and seismic programmes planned for the 2nd half of 2019. The farm-out process has included creating an electronic data room of background technical information and presentations to interested parties. A number of high calibre potential partners have expressed an interest. Discussions will continue in Q1 CY2019.

Corporate Activities

Metgasco is currently reviewing value accretive corporate deals to enhance and expand the company's assets. All opportunities under review are in accordance with the corporate strategy announced in July 2018. The Metgasco Board held four meetings during the quarter, in addition to a number of new business subcommittee meetings.

Cash position

The Company ended the quarter with a cash balance of A\$5.7 million and with no debt.

The following is a reconciliation of the Company's cash position from 30 September 2018 to 31 December 2018:

	\$A'000
Cash at 30 September 2018	5,231
Net interest and investment income	206
Funding Facility repayment by Byron Energy	1,000
Bond refund	11
Exploration and evaluation expenditure	(459)
Overhead and administrative	(311)
Cash at 31 December 2018	5,678

The Company's cash backing as at 31 December 2018 was \$0.015 per share. This compares with the equivalent cash backing reported as at 30 September 2018 of \$0.013 per share.

The fifth repayment of A\$1.0 million was received on 22 October 2018 and the sixth payment of A\$1.0 million was received on 21 January 2019.

Shareholders should note that the Company's other financial assets including Exchange Traded Bonds (yield investments) of approx. A\$2.1 million, the Byron Facility receivable of A\$2.0 million (plus interests and fees) as well as the Company's shareholding in Byron Energy (approx. A\$12 million as at 24 January 2019) and options over Byron Energy, are not included in the Company's cash position disclosure above.

Shareholder base

At 31 December 2018, Metgasco had 390,601,434 shares on issue and 2,261 shareholders. Its top 20 holders held 231,607,273 shares or 59.30% of the Company's issued capital.

Certified Reserves / Resources

The company announced the prospective resources in the Cooper/Eromanga basin on 26 November and is referred to in an earlier section in this quarterly report.

Resignation of Executive Director and CEO appointment

Mr. Ken Aitken resigned as Executive Director on 27 November 2018.

Mr Aitken has an increasing suite of operational activities and other Perth based clients and has continued with the company as a part-time Chief Executive Officer on a continuing contract.

As Chief Executive Officer, he will be focused on new business development, including bringing his well operation management expertise to bear on the Company's work program in the Cooper Basin, as well as assisting in the management of Metgasco's non-operated exploration activities in the US Gulf Coast.

The key terms of Mr Aitken's CEO contract were disclosed in Metgasco's release of 15 January 2019 "Confirmation of Terms of Employment for CEO".

Annual General Meeting

The Company's Annual General Meeting was held on Wednesday, 28 November 2018 at 10:00am (AEDT) at the Sydney offices of Metgasco's auditors, Grant Thornton, Level 17, 383 Kent Street, Sydney NSW 2000. All resolutions were passed.

Outlook - work program for next quarter

Metgasco will continue to make prudent and appropriately-sized investments in energy exploration assets, where these represent a compelling risk/return proposition and are in accordance with our recently announced corporate strategy. The Company continues to perform technical work on Cooper Basin ATP 2020 and ATP 2021 permits and will continue the process to farm-out these permits with appropriate partner(s) to partly fund the exploration drilling and seismic programmes planned for the 2nd half of 2019. Metgasco will also continue to work with operator Byron Energy on the planning of the exploration well Raptor 1 in SM-74, in which the Company is earning a 30% interest. Drilling operations are expected to commence in March 2019.

ENDS

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