



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 31 MARCH 2019

SUMMARY

Key activities during the quarter ended 31 March 2019 (**Quarter**) comprised:

- Metgasco identified a number of potential shallow oil exploration prospects and leads in ATP2021 which will lead to the re-processing of the 2D seismic over the areas of interest;
- Farm-out discussions regarding Metgasco's Cooper / Eromanga Basin projects are ongoing with several parties;
- An additional A\$1.0 million principal repayment (along with interest) of convertible notes from Byron Energy Limited occurred on 22 January 2019, in line with the note schedule;
- On 31 January 2019, Metgasco elected to convert the remaining A\$1.0 million of its convertible note into shares, finalising its secured funding facility (loan) to Byron Energy Limited;
- Metgasco's share of budgeted drilling costs of US\$4.4 million for the Byron Energy Ltd operated SM74 well was remitted in late March in accordance with the Raptor prospect well AFE;
- Drilling of SM74 was delayed to the first half of May due to later than anticipated rig availability from a third- party operator in the Gulf of Mexico;
- The Company's Financial Report for the half year ended 31 December 2018 was released on 1 March 2019;
- Mr. Langan, existing CFO of Metgasco, was appointed as Company Secretary following the resignation of Philip Mackey on 28 March;
- The Company continued to seek new exploration, development and production opportunities and is currently assessing a number of potentially value adding projects.

The quarter's activities (and material developments since 31 December 2018) are outlined below.

Byron Energy

The Byron Facility was initially drawn down by Byron Energy Limited 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, and an additional A\$1.0 million notes were converted into shares at the end of January 2019, thus finalising the Company's Convertible Note facility with Byron Energy.

Metgasco owns approximately 6.7% of BYE and also holds 10 million options in Byron Energy with a strike price of \$0.25 per share able to be exercised at any time up to 24 June this year.

The market value of these shares, based on Byron Energy's closing price of A\$0.30 as at 15 April 2019, is approximately A\$12.9 million, representing an unrealised gain of approx. A\$9.3 million, excluding the value of Metgasco's options in Byron Energy.

South Marsh Island Block 74

In July 2018, Metgasco elected to farm-in to the South Marsh Island Block 74 (**SM74**) 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 of 16,464ft measured depth (14,741 feet TVD).

The SM74 block is close to Byron's successful discovery in SM71 which has subsequently produced over 1 million barrels of oil. Byron identified the Raptor Prospect by applying reverse time migration technology (including Vector Imaging Partitioning) on existing 3D seismic data.

The quality of the exploration work conducted by Byron leads to the belief that the Raptor Prospect has a very high chance of geological success.

The Raptor Prospect will be drilled from a spare slot on the SM73D operating production platform. The well will be directionally drilled to a total depth of 16,464ft measured depth (14,741ft true vertical depth) and test three amplitude supported target sands with mapped gross prospective resource potential of 5.2 million barrels of oil and 13 billion cubic feet of gas (as certified by Collarini & Associates). If successful, a well completion will be run immediately prior to the rig leaving.

This innovative planning approach to drill from another operator's production platform has reduced the economic threshold of the well 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.

The processing and commercial agreement with the SM73 platform operator provides the opportunity after oil and gas marketing agreements are signed, to rapidly (approximately 3 months) commence production via the platform and the connected oil and gas pipeline network to local customers.

A follow-up prospect has been identified immediately south of the Raptor Prospect. This prospect will be pursued by the joint venture if the Raptor Prospect is successful.

The drilling of the Raptor Prospect is expected to commence in the first half of May 2019 when the jack-up drilling rig arrives from the previous operator. The delivery of the rig has been delayed by approximately two months due to the previous operator experiencing significant drilling and completion well delays.

Metgasco recently remitted to Byron Energy US\$4,393,590, being its share of budgeted drilling costs for the SM74 well, representing 40% of the current well AFE (US\$11,419,400) minus amounts billed to date.

Bivouac Peak Licences

On 11 October 2018, the Byron Weiss-Adler #1 was drilled to a depth of 17,766 feet MD and evaluated utilising quad combo wireline logging tools, tied to seismic using a synthetic generated from such data, and deemed uncommercial and was being plugged and abandoned ("P&A"). The P&A operations were completed on 22 October 2018 and the Parker 77B rig released.

The data collected from the Byron Weiss-Adler #1 well has been used to further evaluate the prospectivity of the surrounding area and to gain a greater understanding of the adjacent Bivouac Peak Deep Prospect. This evaluation work was completed in the March 2019 quarter. The Bivouac Peak state leases were relinquished during the December 2018 quarter and the private leases are expected to be relinquished in the coming months.

Metgasco completed legal process to release US securities/mortgages and registration over the Licenses previously securing its debt facility to Byron.

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, Odin and Vali. The recoverable gas prospective resources in the Permian sandstone of the Vali and Odin prospects were announced on 26 November 2018, and illustrate the significant gas potential close to local producing infrastructure pipelines and East gas markets with a rising demand and strong pricing.

Metgasco has completed investigation of preliminary well cost estimates and processing and pipeline tariff costs. The risk based exploration economics are compelling for the exploration prospect Vali as a single well standalone development.

Technical work on the shallow oil prospectivity of the ATP2021 license has indicated a number of Jurassic prospects and leads. The 2D seismic over the Narvi, Mimir and Magni areas are being re-

processed in the next quarter to enable oil prospective resources to be better defined. This 2D re-processing work has been delayed due to original seismic tapes not being available from DNMRE and the data having to be requested from the previous operator.

The ATP 2020 permit (100% owned) has multiple exploration targets with oil and gas potential close to existing infrastructure. Existing 2D seismic data is also being reprocessed in the next quarter to determine if the Loki lead can be upgraded to drillable status. This reprocessing work is scheduled to be completed in late Q2 early Q3 CY2019 when a forward program in the permit will be determined.

Farm-out discussions in relation to Metgasco's Cooper Basin exploration blocks are progressing well with a number of interested parties. The Company expects to update shareholders as to the block's development timetable in Q3 CY 2019. Metgasco plans to drill at least one well in the 2nd half of 2019.

Corporate Activities

Metgasco is actively 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\$0.4 million and with no debt.

The following is a reconciliation of the Company's cash position from 1 January 2019 to 31 March 2019:

	\$A'000
Cash at 31 December 2018	5,678
Net interest and investment income	95
Funding Facility repayment by Byron Energy	1,000
Sale of investments	399
Exploration and evaluation expenditure	(6,322)
Overhead and administrative	<u>(427)</u>
Cash at 31 March 2019	<u>423</u>

The Company's cash backing as at 31 March 2019 was \$0.001 per share. This compares with the equivalent cash backing reported as at 31 December 2018 of \$0.015 per share.

The sixth repayment 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\$1.7 million as well as the Company's shareholding in Byron Energy (approx. A\$12.9 million as at 15 April 2019) and options over Byron Energy, are not included in the Company's cash position disclosure above.

Shareholder base

At 31 March 2019, Metgasco had 390,601,434 shares on issue and 2,232 shareholders. Its top 20 holders held 231,157,273 shares or 59.18% of the Company's issued capital.

Certified Reserves / Resources

The company announced the prospective resources in the Cooper/Eromanga basin on 26 November 2018.

Resignation of Company Secretary

Following the resignation of Philip Mackey, Mark Langan has been appointed as Company Secretary and the person responsible for communications with ASX for the purposes of Listing Rule 12.6. Mr. Langan is the existing CFO of the Company and is now fulfilling both roles.

Outlook - work program for next quarter

The Company continues to perform technical work on Cooper Basin ATP 2020 and ATP 2021 permits and intends to quantify an initial prospective oil resource late Q2/early Q3 CY, as well as complete the process to farm-out one or more of these permits with appropriate partner(s). The farm-out process is expected to partly fund the exploration drilling and seismic programmes planned for the 2nd half of 2019, though the Company remains fully funded to undertake this work itself if this is deemed superior.

Metgasco will also continue to work with operator Byron Energy on the imminent drilling of exploration well Raptor 1 in SM74, in which the Company has farmed in for a 30% earned interest. Drilling operations are expected to commence in the first half of May 2019 on this highly significant project.

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 2018 corporate strategy. The Metgasco team are currently reviewing a number of potential value-adding corporate /asset opportunities onshore Australia.

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