



ASX / MEDIA RELEASE

ASX Code: MEL

1ST June 2016

CORPORATE UPDATE AND STRATEGIC REVIEW MANAGEMENT AND BOARD CHANGES

The Board of Metgasco advises that after five years of service as CEO and Managing Director, Mr. Peter Henderson is leaving the Company. His resignation from the Board has been accepted. Mr. Henderson has left the Company effective 1st June 2016.

The Board wishes to extend its sincere thanks to Peter, who led the Company through a challenging period and a difficult operating environment, for his long service. Importantly, Peter led a process that achieved a favourable financial settlement with the New South Wales government against this backdrop. The Board wishes him every success in his future endeavours.

Associated leaving costs of \$330,000 are in accordance with his contractual entitlements. All references in relation to the Company's financial position through this announcement are net of this payment.

Business Management:

The Board is currently reviewing staffing and resources of the business and is presently confident it has the necessary resources to pursue its primary objectives, of identifying and pursuing new business opportunities in the oil and gas sector while managing costs and capital in a manner consistent with maintaining and creating value for shareholders.

The CEO/MD role is not intended to be replaced imminently. Effective immediately, all non-executive directors have agreed to materially increase their level of engagement within the Company and Mr. Alexander Lang has agreed to formally step into the role of Executive Chairman. The Board has in consequence agreed to modestly increase director's fees (from \$40,000 pa to \$50,000 pa for Directors and from \$60,000 pa to \$70,000 pa for the new role of Executive Chairman). The Board has reached an agreement that the Directors and the Executive Chairman will only be compensated for additional time committed to the Company where direct commitment in excess of five full-time equivalent days per month is required.

Business position:

The Company currently holds cash, bonds and investment fund assets (excluding accrued coupons) totalling \$28,621,841, equivalent to \$0.0715 per share, and has no debt. MEL's current issued capital is 401,108,520 shares. Since the date of the last quarterly report bonds associated with the Company's legacy Northern Rivers activities of \$310,000 have been received with a residual \$11,000 receivable remaining.

These financial assets are comprised of:

- Cash at Call and on Term Deposit with Australian banks of \$17,776,011
- Investment Grade corporate bond investments of \$6,161,032 and
- Structured Credit Fund investments of \$4,684,797.

The present weighted rate of return from these cash and near-cash holdings is expected to be in the range of 3.3 – 3.7% pa and current expectations are that, in the absence of extraneous or new expenses associated with successful transaction execution, on a forward basis the Company's financial earnings will exceed its operating costs.

The Company continues to retain on staff office administration and geoscience support necessary for the evaluation of new business opportunities in the oil and gas sector.

The Company has made substantial reductions in its cost base in the course of 2016 and will continue to retain flexibility and capacity to adjust in meeting its business objectives.

Strategic Review and Outlook:

Consistent with the Company's statements at its December meeting of shareholders (and subsequently) Metgasco continues to evaluate and pursue investment opportunities in the oil and gas sector.

A recent Board review of the Company's strategic direction and focus identified the following objectives for new business transactions:

- The generation of reliable income streams from either direct or indirect exposure to operating production cash-flows;
- Strong *risk-adjusted* investment return expectations;
- Accepting project or exploration risk only in the context of a balanced portfolio of other income producing assets and
- An aggregate exposure profile capable of delivering strong total shareholder returns including *both* capital growth and distributions.

The Company remains confident of securing a transaction or transactions that meet the above criteria for the benefit of shareholders.

In accordance with the above criteria, the Company has, as a result of its strategic review, ruled out consideration of merger or acquisition opportunities that would result in all, or most of, the Company's financial resources being allocated to either single project, or to exploration, risk.

While the Company has evaluated and continues to evaluate opportunities that may meet the above threshold objectives, there is no certainty that a transaction or transactions will be entered into and in the absence of executing an appropriate transaction the Board will consider a return of capital early in the second half of 2016.

The Board's sole focus remains maximising total returns and per-share value in the short to medium term for the benefit of shareholders.

Contact and further information:

The Board will be updating shareholders further in June on the progress of its strategy and invites all interested shareholders to make contact at any time.

ENDS

Background on Metgasco

www.metgasco.com.au

Until end 2015, Metgasco had a 100% interest in PEL 16, 13 and 426 in the Clarence Moreton Basin in NSW where it operated the largest acreage position in the basin, exploring for conventional and unconventional gas. It had 2C gas resources of 4,428 Petajoules. At end 2015, Metgasco agreed to withdraw from NSW operations and court action against NSW Government in return for \$25 million. It is now seeking new business opportunities in the oil and gas sector and has set itself a target of securing the first phase of its new business activities by mid-2016.

For further information contact:

Alexander Lang
Executive Chairman
info@metgasco.com.au

Metgasco Limited ACN 088 196 383
Level 3, 2 Elizabeth Plaza, North Sydney NSW 2060
Tel: +61 2 9923 9100 Fax: +61 2 9959 5387
Web: www.metgasco.com.au
