



## NSW CSG Development Vital

Australia Gas, Global Gas Series  
November 1, 2012

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## **ASX Listing Rule 5.11 Disclosure**

Reserves have been certified by Mr Tim Hower of MHA Petroleum Consultants (Denver) who is a qualified person as defined under the ASX Listing Rule 5.11. Reserves have been developed within the guidelines of the SPE. Mr Hower has consented to the use of the reserve figures in this presentation. Conversion of reserves from PJ to Bcf at 1.04 PJ/1.00 Bcf.

# CSG – potential to have a huge influence in NSW

- NSW
  - ✓ more than 1 million gas customers
  - ✓ NSW has a supply issue from 2014/2015
  - ✓ Northern Rivers area: opportunity to sustain and grow industry through a lower cost, safer and more reliable supply of energy than LPG and diesel
  - ✓ 250 years of supply, but currently only providing 6% of NSW gas
- Eastern Australian market undersupplied by 2014 (Wood Mackenzie)
- AEMO – gas demand forecast to triple by 2020
- Gas prices forecast in the \$6 to \$12 range by 2020
- Potential to make a huge difference to greenhouse gases
  - ✓ Increased gas sales in the US have made a huge impact on greenhouse gases

NSW Government has given CSG the green light

- it is now time for NSW CSG companies to perform

# Corporate overview – well positioned to respond to demand for gas

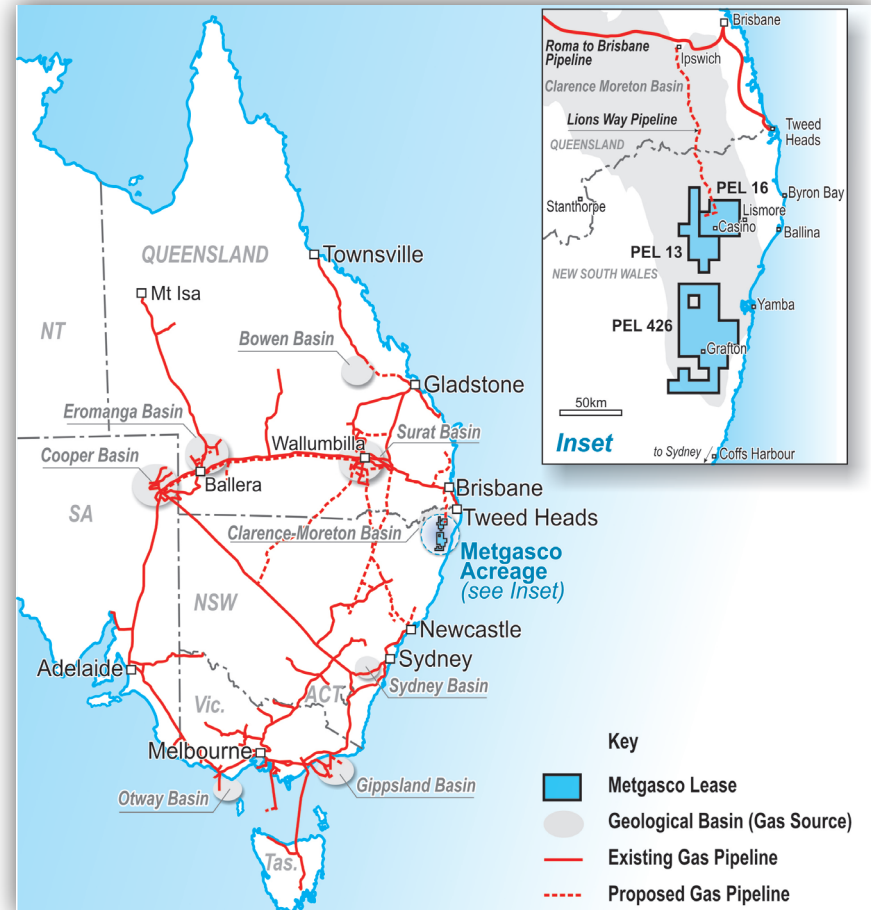
- Metgasco (“MEL”) is an ASX listed, onshore conventional and unconventional gas company, with significant 100% owned acreage in the Clarence Moreton Basin in northern NSW
- MEL’s pilot wells have demonstrated economic gas production in its large resource base and local gas sales are due to commence in 2013
- MEL is continuing to explore multiple commercialisation options for its gas including supply to Gladstone LNG and SE QLD gas markets

## Capital Structure

ASX code	MEL
Share price (at 30 October 2012)	\$0.21
Market Capitalisation (million)	\$93
Shares on Issue (million)	444
Options on Issue (million)	5.3
Cash (at 30 September 2012, million, including SPP)	\$30
Debt	Nil

## Major Shareholders

LNG Limited	7.8%
ERM	7.2%



# Significant CSG Reserves Base

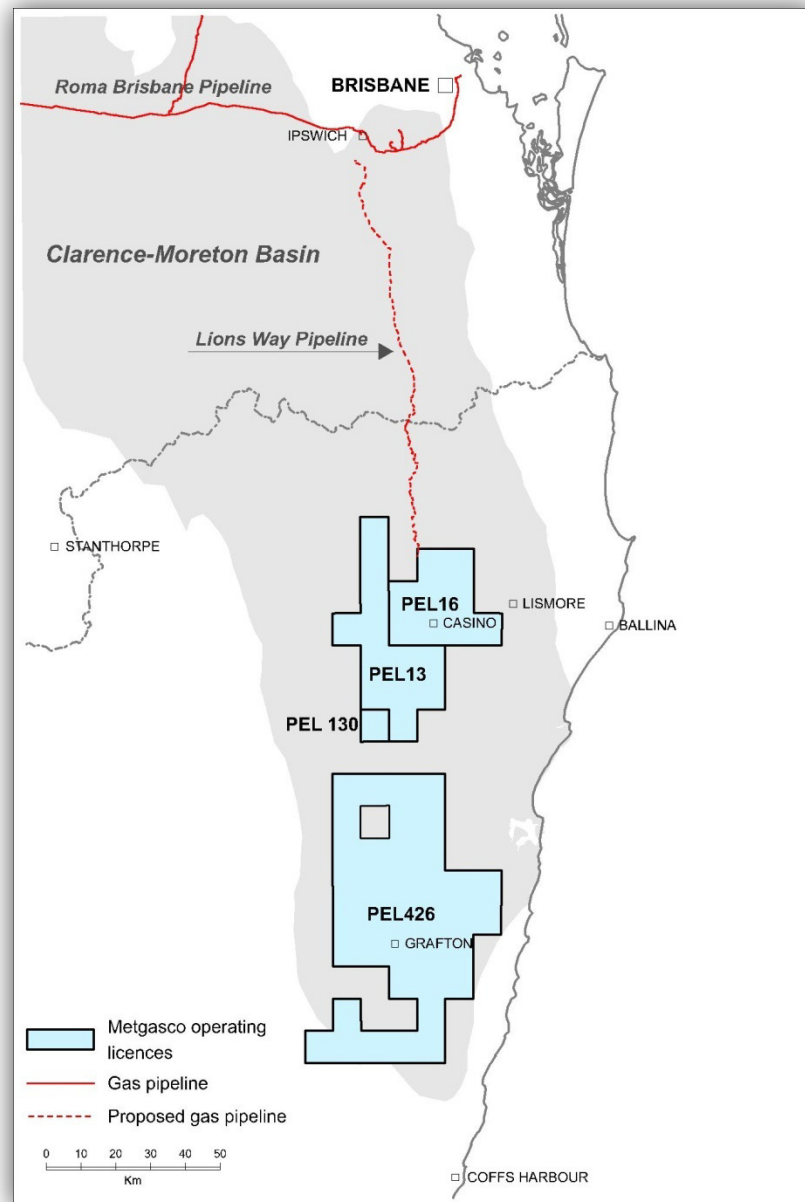
- World scale acreage position in the Clarence-Moreton Basin
  - 4 tenements (PEL 16, 13, 426 & 130)
    - PEL 130 subject to work program approval
  - 1,107,317 acres in PEL 16, 13, 130 & 426
  - 100% owned
- Large gas resource potential
  - MEL's starting base for CSG is a large OGIP estimate of 23 Tcf
  - Current reserves established in 10% of MEL's acreage
  - Potential for further reserve growth across all PELs and additional seams enable MEL to target a reserve position > 5,000 Bcf

## CSG Reserves and Resources

	Reserves			Resources	
	1P (Bcf)	2P (Bcf)	3P (Bcf)	2C (Bcf)	OGIP <sup>2</sup> (Bcf)
PEL 13		30.0	290.8	1,282.8	10,940
PEL 16	2.6	381.4	2,153.2	1,049.7	7,339
PEL 426	-				4,951
<b>Total</b>	<b>2.6</b>	<b>411.4</b>	<b>2,443.9</b>	<b>2,332.5</b>	<b>23,230</b>

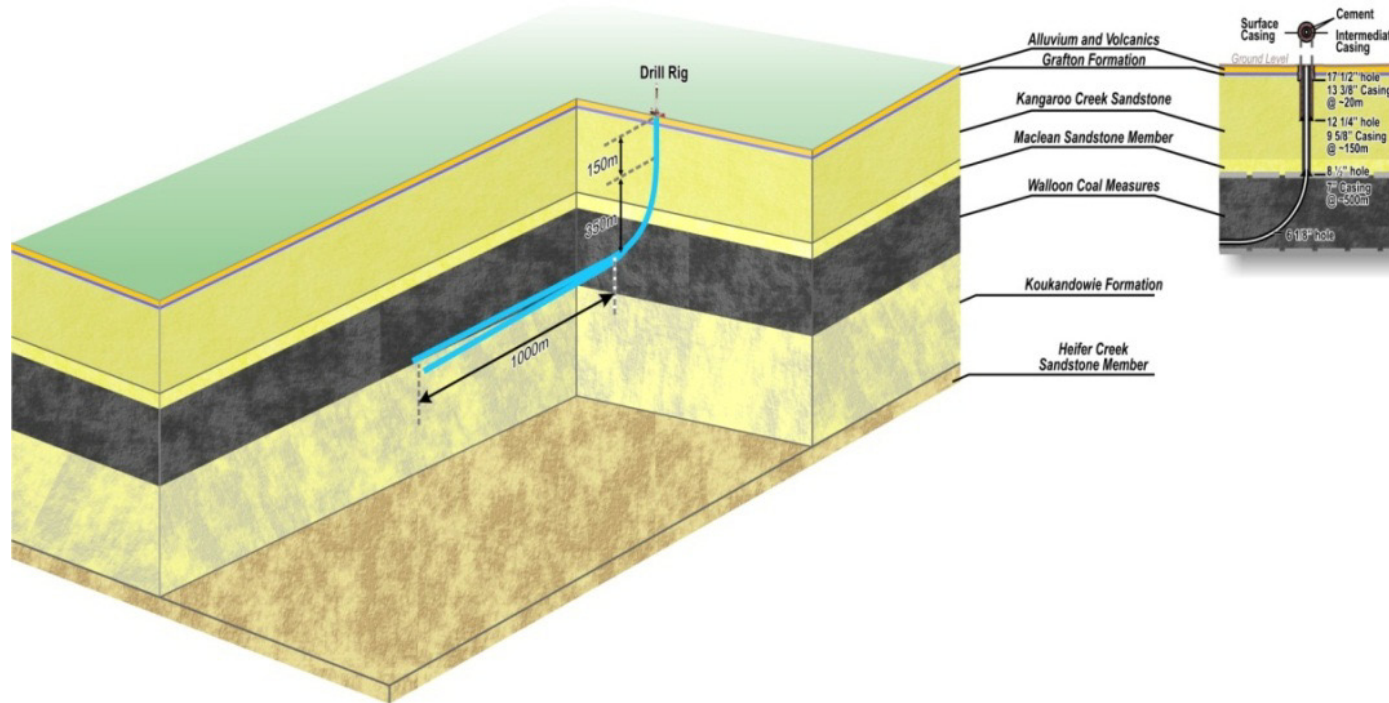
### Notes:

1. 1P, 2P, 3P & 2C Reserves and Resources certified by MHA Petroleum Consultants (Denver)
2. OGIP estimates undertaken by Mr. Peter Stanmore General Manager of Exploration at Metgasco.



# CSG proven production – Richmond seam

## Schematic of Multi-Lateral Well

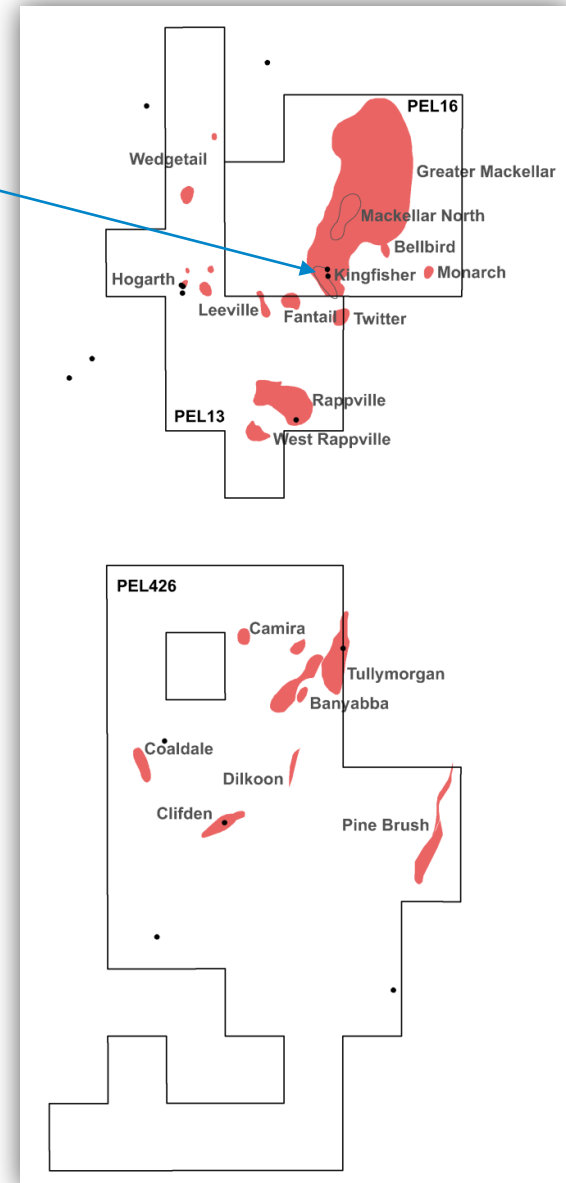


**After several years of resource definition, MEL has recently refined completion techniques to enable strong, sustainable gas flow rates**

- Corella P11 – single lateral on production test for over three years – 200 mcf/d production rate: validates the target of 400 mcf/d from dual lateral
- Corella P18 – sidetrack single lateral (improved drilling and completion techniques) encouraging test results
- Harrier P01 – dual lateral: test results on target for > 450 mcf/d

# Further upside from conventional gas discovery

- Kingfisher E01
  - First major conventional gas discovery in NSW (November 2009)
- Large section of gas charged sands identified
  - 138 metres of gas charged sands in Ripley Road and Gatton formations
  - Up to 500 meters of additional section below TD of Kingfisher E01
- Extensive testing and appraisal program conducted
  - Good quality +95% CH<sub>4</sub> gas
  - Production test (2,050-2,043.7m) – 3 mmscfd
  - Extended production test of Gatton formation (1,450-1,453m) following limited stimulation of a 3 meter zone
- Greater Mackellar Structure
  - P<sub>mean</sub> OGIP 1,312 Bcf
  - Plan to drill in 1H 2013

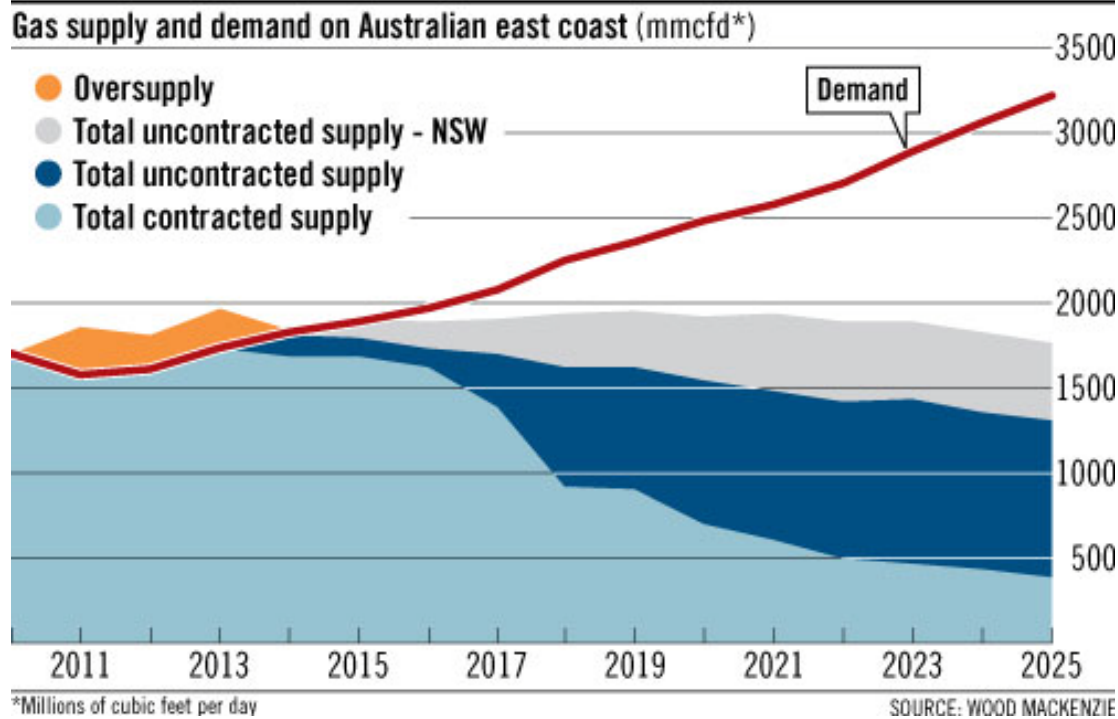


# Strong east coast demand – domestic and export

Gas Market is undergoing significant structural change driven by

- LNG developments in QLD - Gas being sold to higher priced Asian LNG markets
- Transition to a lower carbon economy
- Declining production from traditional east coast conventional gas - Cooper Basin

## Massive shortfall



Source: Australian Financial Review 29 March 2012



# NSW – Security of supply / importance?

*“The point is that NSW is facing a gas supply crisis...The supply contracts start to run out in 2014 and one-third of the energy in NSW comes from gas.”*

*The Hon Chris Hartcher, MP,  
The Australian - August 18 2012*

- NSW consumption approx. 140 PJ/annum and growing
- 94% of NSW's gas now comes from interstate (Cooper or Gippsland Basin)
- Gas shortages will start to occur in the next few years as current contracts expire

October 8, 2012

Infrastructure NSW, 20 year strategy : CSG Development Vital

**“THE development of the coal seam gas industry will be “game changing” for New South Wales, reducing the state's dependence on coal and possibly creating an LNG export industry”.**

“ CSG industry would help to address the security risk of declining reserves of conventional gas from interstate basins; meet the increasing demand for gas-fired generation; and help to contain upward pressures on wholesale gas prices because of declining reserves and increased demand including for exports”.

The report recommends the NSW government encourage private sector investment to build pipelines connecting the state's CSG fields in areas such as the Gunnedah Basin to the national gas transmission network.

“The planning and approval processes need to be streamlined, proportionate and timely,” it said.

# Upward trend in gas prices

## ***Price risk now skewed to the upside***

Availability of abundant low-cost marginal CSG for domestic use now increasingly unlikely

*Source: National Gas Outlook: Domestic gas Prices and Markets. ACIL Tasman 30 May 2012*

- Days of wholesale sales gas prices contracts under \$4/GJ are over
- LNG plants will secure gas contracts to ensure that plants are fully utilised
- Domestic gas prices likely to increase to over \$6.50 to \$10 by 2015, \$7 to \$12 by 2020\*\*
- Gas contracts are increasingly oil linked

*Source: Broker Research and Company Estimates*

*\*\* 2012 gas Market Review - Queensland*

# NSW Government gives CSG / Metgasco the green light

"With yet to be tapped coal seam gas reserves representing over 250 years of supply, it's essential that we start to get Projects moving with proper protection in place."

*The Hon Chris Hartcher, MP,  
NSW Minister for resources and Energy, 15 May 2012*

"Importantly, the Study (referring to the Namoi Catchment Study) shows that the collective impacts of coal mining and coal seam gas extraction can be effectively managed without negatively impacting agricultural water use across the region

*The Hon Chris Hartcher, MP,  
Media Release, 31 July 2012*

The NSW government has released the following policies to provide the general public with more confidence in the industry:

- Strategic Regional Land Use Policy (SRLUP)
- Aquifer Interference Policy
- Codes of Practice for Coal Seam Gas

The release of these policies coupled with the renewal of Metgasco's Petroleum Licences 13 and 16 and the granting of Metgasco's first production licence are a strong message that the NSW Government is behind the CSG industry.

# Large uncontracted coal seam gas reserves

- 100% ownership of gas reserves
- Large uncontracted reserve position in the CSG sector
- Reserves:
  - Cover PEL 13 and 16
  - Over 10% of area
  - Excludes conventional gas
- Scope to significantly increase CSG reserves

## Eastern Australian CSG Reserves (PJ) as at 31 December 2011

Company	3P	2P
QGC	15,675	10,350
Arrow Energy	12,500	7,800
Origin Energy	7,799	5,562
ConocoPhillips	6,809	5,444
Santos	3,998	2,901
AGL Energy	3,831	2,111
<b>Metgasco</b>	<b>2,542</b>	<b>428</b>
Sinopec	2,404	1,922
Petronas	1,449	1,449
TOTAL	1,449	1,449
Mitsui Group	1,111	420
Molopo Energy**	824	343
KOGAS	790	790
Westside Corp	725	258
TRUenergy	559	304
Other	266	12
Senex	249	79
Toyota Tsusho	156	156
Stanwell Corp	137	137
Red Sky	114	5
Blue Energy	75	
<b>Total</b>	<b>63,462</b>	<b>41,920</b>

Source: IES - Modelling and Analysis for Gas Market Review 2012. A Report to the Office of Queensland Gas Market Advisor

■ LNG participant company

■ Independent

# Multiple commercialisation options available

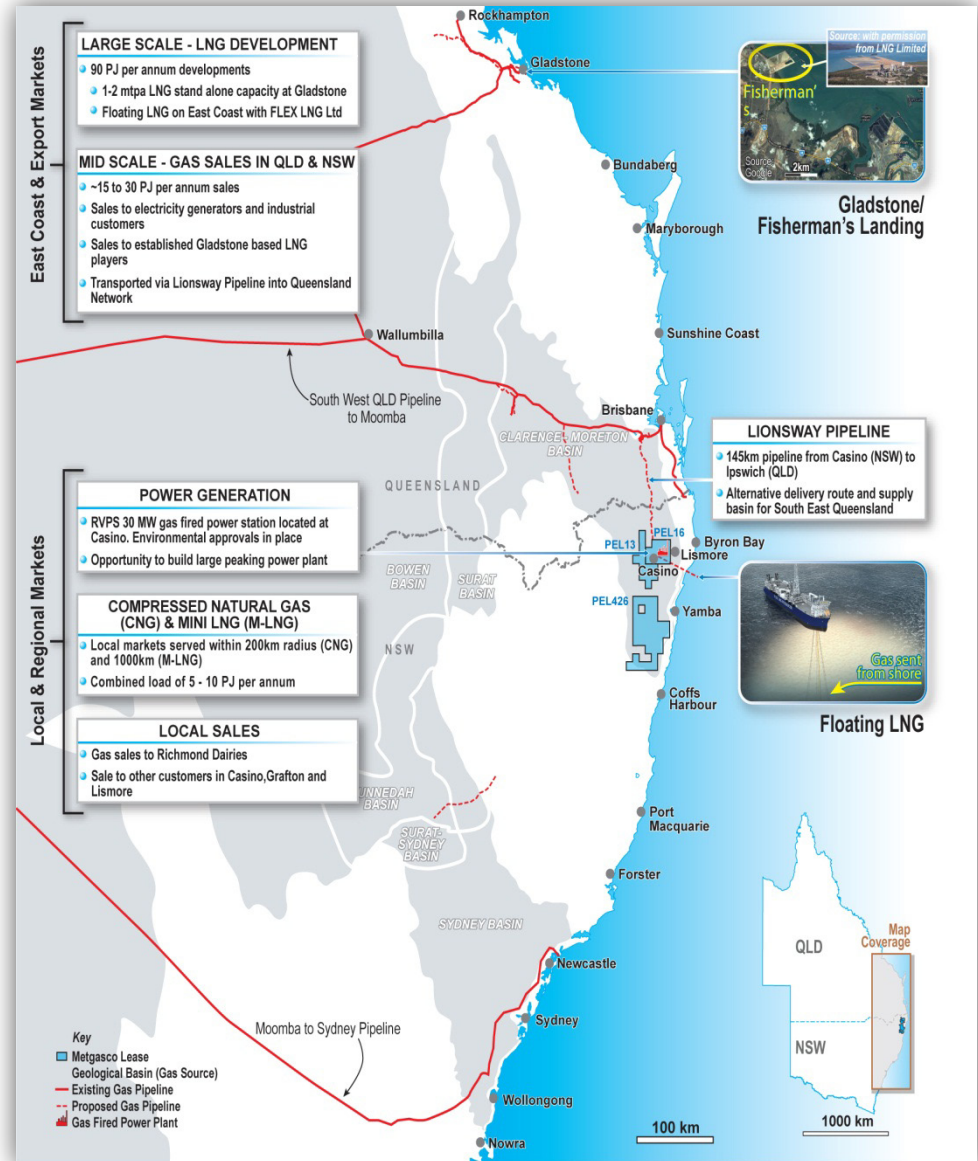
## Local and Regional markets

- Local Sales – eg Richmond Dairies
- Compressed Natural Gas (CNG)/micro LNG
- Local power Generation



## Domestic and Export

- 15PJ to 30 PJ Gas Sales for Domestic & third party sales to LNG Proponents
- Stand Alone Large Scale LNG development



# CSG – responding to the challenges ahead

## Technology

- Productivity
- Recoveries

## Costs

- Labour and materials
- Supplies

## Water Management

- Huge opportunity for benefits to the community

## Schedule

- Resources (people and equipment) and management
- Working efficiently within new NSW regulatory environment

## Community Support

- Strengthen relationships with the local communities in which we operate
- Increase internal resources devoted to ensuring accurate information is communicated
- Promote benefits of industry, ensure compliance with regulations, and respect for those we work with
- Deliver benefits to the community

# Metgasco is moving ahead

- Heightened demand for gas
  - NSW faces supply shortages / higher prices as early as 2014
  - Northern Rivers region faces high LPG and diesel costs
  - Gladstone LNG projects require additional gas to meet export commitments
  - Potential for stand-alone LNG project with FLEX LNG
- Among the last of the independent companies on the east coast with uncommitted, certified 2P gas reserves
- Significant onshore conventional gas supply potential
- NSW Government is behind the CSG Industry
- New management team in place

## Field Work

- Continue to refine CSG production technology by drilling HP02,03 & 04 and demonstrating commercial productivity
- Drill high Impact conventional gas lead-Rosella E01

## Commercial Development

- First gas sales and continue to grow local market.
- Secure GSA for a major gas supply project to underpin a major field development
- Pursue partners for upscale commercial potential