



ASX / MEDIA RELEASE

ASX Code: MEL

30 October 2018

QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 30 SEPTEMBER 2018

SUMMARY

Activities during the quarter ended 30 September 2018 (**Quarter**) comprised:

- A farm-in to South Marsh Island Block 74 (**SM-74**), operated by Byron Energy Limited (ASX:BYE) (**Byron Energy**), with an initial test well (**ITW**) expected to be drilled in February 2019;
- Participation in the (ultimately unsuccessful) Byron Energy Bivouac Peak Weiss-Adler et al No.1 well in the Gulf of Mexico, which was drilled to a total depth of 17,766 feet Measured Depth (**MD**);
- Receipt of a further A\$1.0 million principal repayment (along with interest) in respect of the Company's convertible note debt facility (**Byron Facility**) to Byron Energy;
- Conversion of A\$1.0 million of the remaining A\$4.0 million convertible notes with Byron Energy into shares, reducing the convertible notes outstanding to A\$3.0 million;
- Presentation at the Good Oil conference in Perth;
- Progression of technical and commercial evaluation of the two awarded Authority to Prospect (**ATP**) and new energy sector opportunities;
- Updating Metgasco's Corporate Strategy (as announced to the market 3 July 2018); and
- Appointment of an Executive Director with significant expertise and experience in petroleum engineering and field operations following the resignation of the Company's Executive Chairman.

Activities subsequent to the Quarter included:

- The Weiss-Adler et al No.1 well being plugged and abandoned, having been deemed non-commercial;
- A drilling contract for the SM-74 well being executed by its operator Byron Energy; and
- ATP2020 and ATP2021 Farm-out process commenced.
- Additional A\$1.0m principal repayment (along with interest) of convertible notes from Byron has occurred, in line with the note schedule.

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

Byron Energy

Following from the conversion of A\$1.0 million of the convertible notes to 3.76 million Byron Energy shares on 19 September 2018, Metgasco holds 41.66 million shares in Byron Energy, representing 6.05% holding. The conversion was at a 10% discount to the 30-day volume weighted average price of Byron Energy's ordinary shares.

At a total cost of approximately A\$3.65 million, these shares which have a market value of approx. A\$11.0 million, based on Byron's price of A\$0.265 as at 29 October 2018, represent an unrealised gain of approx. A\$7.4 million, excluding the value of Metgasco's options.

The Byron Facility was initially drawn down by Byron to A\$8.0 million and in accordance with its terms, Byron Energy has since repaid A\$4.0 million (as at this quarter's end). With the conversion of the 1.0 million Convertible Notes and an additional A\$1.0m principal repayment of convertible notes in line with the note schedule, the outstanding balance as at today's date is A\$2.0 million.

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

As previously announced, Metgasco elected to participate in the drilling of the Weiss-Adler et al No. 1 well on the Bivouac Peak prospect. It targeted a Gross Prospective Resource of 126 billion cubic feet (**Bcf**) and 11.2 million barrels oil (**Mmbo**) (32,270 million barrels oil equivalent (**Mboe**)).

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 in October 2018 after testing all objectives and being drilled to a total depth of 17,766 feet MD. Petrophysical evaluation of the porosity and sonic logs indicates 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

Final costs were considerably lower (under US\$1.0 million) than expected due to Byron's drilling team delivering excellent operational performance.

In July 2018, Metgasco elected to farm into the SM-74 project in the Gulf of Mexico. The Company accepted an offer from Byron Energy to earn a 30% WI via the funding of 40% of the cost of the 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). The drilling of this well is expected to begin in February 2019. The SM-74 well will test three amplitude supported target sands with mapped gross prospective resource potential of 5.2 million barrels of oil and 13 Bcf of gas (as certified by Collarini & Associates).

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, providing very significant economic benefits to the project, in both its drilling and development phases.

Byron Energy has also executed a drilling contract with White Fleet Drilling 350 LLC. The White Fleet Drilling 350 rig is expected to be available in early February 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.

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 assets to meet these commitments.

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 have identified two seismically defined drill ready prospects (Odin and Vali) approximately 5km to gas pipeline/producing infrastructure.

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

A farm-out process has been initiated with a number of interested companies to find suitable partner(s) for both blocks to partly fund an exploration drilling program planned for the 2nd half of 2019. The Company is pleased with the process to date and the calibre of potential partners who have expressed interest.

Corporate strategy update

Given the Company has undertaken a number of steps in growing the business over the past two years, including: (a) undertaking its very successful investment with Byron Energy; (b) farming into Byron Energy's prospective Bivouac Peak asset; (c) returning approximately \$10.0 million capital to shareholders; (d) progressing its exploration assets in the Cooper Basin; and (e) continuing to evaluate new acquisition and project opportunities, the Board felt it was appropriate to review the Company's strategy and update shareholders on Metgasco's vision and direction.

The outcomes of this review, in the form of the Company's updated *Corporate Vision and Strategy Statement* and *Strategy Statement: Questions and Answers* documents are detailed on Metgasco's release of 3 July 2018 "Metgasco Corporate Strategy Update".

On-market share buy back

An on-market share buy-back of up to 10% of Metgasco's ordinary shares was approved by the Board in May 2018 for a period of 12 months commencing on 16 May 2018 (**Buy-back**).

During the quarter, 2,273,726 shares were bought back at a cost of \$131,599 (excluding brokerage costs) and as at today's date, a total of 7,863,389 shares have been bought back at a cost of \$459,975. 31,983,093 shares remain able to be bought back under the Company's Buy-back capacity.

The Board believes that maintaining the capital management flexibility the Buy-back provides is in the interests of all shareholders. The Buy-back has been carefully managed and is not necessarily active at all times. The Company at all times has due regard for its exploration activities, other business opportunities and general market conditions in considering whether to avail itself of its Buy-back capacity.

Cash position

The Company ended the quarter with a cash balance of A\$5.2 million and with no debt.

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

	\$A'000
Cash at 30 June 2018	<u>6,778</u>
Net interest and investment income	210
Funding Facility repayment by BYE	1,000
Exploration and evaluation expenditure	(2,117)
Overhead and administrative	(508)
Share buyback	(132)
Cash at 30 September 2018	<u>5,231</u>

The Company's cash backing as at 30 September 2018 was \$0.013 per share. This compares with the equivalent cash backing reported as at 31 June 2018 of \$0.017 per share.

The fourth repayment of A\$1.0 million (plus fees and interest) from the Byron Facility was received by the Company on 23 July 2018, and the fifth repayment of A\$1.0 million was received on 22 October 2018.

Shareholders should note that the Company's other financial assets including Corporate Bonds (yield investments) of approx. A\$2.1 million, the Byron Facility receivable of A\$2.0 million (interest + line fee of 14%), as well as the Company's shareholding in Byron Energy (approx. value A\$11.0 million) and options over Byron Energy, are not included in the Company's cash position disclosure.

Shareholder base

At 30 September 2018, Metgasco had 390,601,434 shares on issue and 2,285 shareholders. Its top 20 holders held 231,282,410 shares or 59.21% of the Company's issued capital.

Certified Reserves / Resources

The company has no directly held certified reserves or resources at present.

Appointment of an Executive Director

Mr. Ken Aitken was appointed as Executive Director on 4 September 2018. Ken has over 30 years of international and domestic experience in onshore and offshore oil and gas development in technical, leadership and executive roles. His skill set focus is upstream oil and gas, across exploration, development and production.

As Executive Director 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 Copper 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 contract are disclosed in Metgasco's release of 4 September 2018 "Appointment of Executive Director".

Appointment of Chairman

Mr. Amery was elected by the Board as its new Chairman following Mr. Lang's resignation.

Change of share registry

From 2 July 2018, responsibility for the maintenance of the Company's Share Registry was transferred to Link Market Services Limited.

Annual General Meeting

The Company's Annual General Meeting will be 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.

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 focus on farm-out discussions to seek appropriate partners to partly fund the exploration drilling program planned for the 2nd half of 2019. Metgasco will also continue to work with operator Byron Energy on the planning of the SM74 well (MEL 30% owned) due to spud in early February 2019.

ENDS

For further information contact:

Philip Amery - +61 (0) 402
091180

Chairman

info@metgasco.com.au

Ken Aitken – +61 (0) 2 9923 9100

Executive Director

info@metgasco.com.au

Metgasco Ltd ACN 088 196 383

Level 12, 680 George Street, Sydney NSW 2000

Tel: +61 2 9923 9100 Fax: +61 2 9923 9199

Web: www.metgasco.com.au