



**METGASCO**

## **NSW Gas Supply**

**Energy, Oil and Gas Investor Summit**

**March 2015**

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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.

# NSW gas supply is important

- Gas supply is important to NSW:
  - more than one million households and 33,000 businesses in NSW rely on gas
- Gas supply shortages are imminent and prices are forecast to climb
- Relying on reservation policies for gas from other Australian states is not realistic nor in NSW's interests
- NSW has plenty of gas resources and the potential to supply its own needs
- The best way to lower prices is to encourage competition and increase supply
- NSW should be encouraging its own gas industry:
  - Stable and sensible policies
  - Prompt approvals
  - Clear government support
    - provide confidence to the general community
    - remove the perception of sovereign risk
- Both major political parties should put NSW's energy supply above short term political games.

# Metgasco can contribute to NSW's energy needs

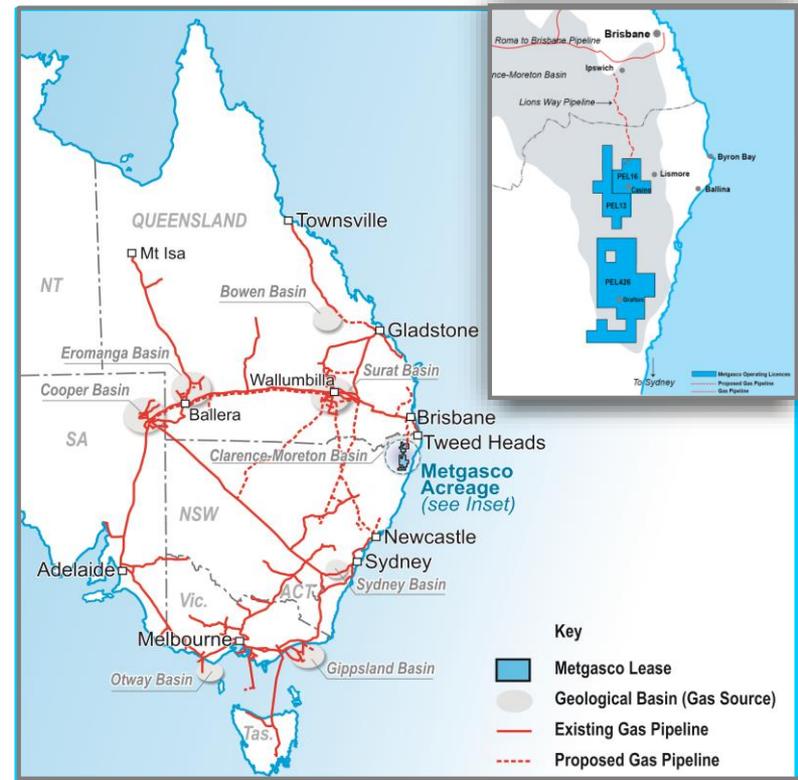
- Operated in Casino area for 10 years:
  - More than 50 wells drilled, mainly CSG
  - 400 km of seismic acquisition
  - 300 voluntary land access agreements
  
- Large gas resource potential – significant to NSW
  - CSG reserves/ resources\*:
    - ~ 4000 PJ 2C resources
    - \* 2P and 3P reserves reclassified as resources in 2H 2014 due to concerns about schedule for commercialisation
  - Conventional gas potential identified
  - Reserve growth potential across all PEL's and additional seams
    - target reserve potential > 5,000 Bcf

## Capital Structure

ASX code	MEL
Share price (at 17 March 2015)	\$0.022
Market Capitalisation (million)	\$10
Shares on Issue (million)	444
Options on Issue (million)	0
Cash at 31 December 2014 (million)	\$9
Debt	Nil

## Major Shareholders

ERM 12.9%



# Four years of industry frustration

Metgasco's NSW experience over the last four years

- An effective moratorium from March 2011 to September 2012
- February 2013:
  - 2 km exclusion zone announced
  - New responsibilities within government
- NSW Government unilaterally changed the rules and removed the 5 year royalty holiday that was an inducement to explore
- Arbitrarily changed its water pond standards
- 5 year delay in awarding a production licence
- Government suspended Metgasco's approval to drill a conventional gas exploration well only days before rig was due to arrive, with large cost implications to Metgasco. Metgasco taking Supreme Court action.
- Late 2014 – yet another NSW Gas Plan, with many features yet to be defined.
- 2015 NSW state election – a race to the bottom by the major parties?

NSW: The state of sovereign risk?

# Requirements for a successful NSW gas industry

- Policies that encourage companies to risk shareholder funds on exploration and development
- Regulations that manage risk, not regulations for regulation's sake:
  - Based on science and engineering principles
  - The smartest, not the toughest regulations
- Stable policies and regulations
- Simple regulatory approval processes
  - One government department to deal with
- Timely approval processes
- Government leadership to ensure the community that the gas industry is both safe and necessary
- Government must respect for rights of gas companies and observe agreements.

# Metgasco's future

- Metgasco has significant NSW gas resources
- NSW gas shortages are forecast
- With the right government support, Metgasco can add value to NSW
- Metgasco's immediate NSW activity influenced by outcome of Supreme Court action
- Pursuing interests outside of NSW.