



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

QUARTER ENDED 30 SEPTEMBER 2016

During the quarter, Metgasco continued its search for new business opportunities in the oil and gas sector. Among other opportunities, the Company progressed its staged investment into Byron Energy Limited (**Byron**) (ASX:BYE) announcing:

- a) the signing of the Funding Agreement and execution of the Convertible Note Deed and General Security Deed, as announced to the market on 22 July 2016;
- b) notice to Byron on 28 July 2016 of our intention to farm into the Bivouac Peak, Louisiana USA, prospect (**Bivouac Peak**); and
- c) execution of the Bivouac Peak Participation Agreement on 22 September 2016.

Metgasco continued to optimise the returns on its cash and further reduced its costs.

The highlights of the quarter's activity are outlined below.

Return of capital

On 12 September 2016, shareholders approved a Return of Capital in the amount of \$0.025 per share totalling approx. \$9,961,620. As advised to the market on 27 September 2016, the Return of Capital is dependent on receipt of an appropriate Class Ruling from the Australian Taxation Office (**ATO**). The Company awaits the issue of the Class Ruling from the ATO and anticipates the payment of the Capital Return to shareholders in November 2016.

Cost and capital management.

Consistent with the disclosure in the Company's Quarterly Activities Report for the quarter ended 30 June 2016, the Company continues to pay particular attention to costs and capital management whilst retaining its ability to seek new business opportunities.

The cash received from the NSW Government settlement has been deployed in liquid investments which have an appropriate balance of yield and risk. Given emerging potential risks around the outlook for interest rates, the Board has elected to transition its investments in bonds and credit, which have benefited from falling rates and may be sensitive to rising rates, to cash on deposit.

Cash position

The Company ended the quarter with a cash balance of \$17.517 million with no debt, and liquid investments in bonds and funds of \$10.979 million.

The following is a reconciliation of the Company's cash position from 30 June to 30 September 2016:

	\$A'000
Cash at 30 June 2016	<u>17,742</u>
Net interest and investment income	415
Bivouac farm-in	(89)
Overhead and administrative costs	<u>(551)</u>
Cash at 30 September 2016	<u>17,517</u>

The Company's cash and liquid investment backing as at 30 September 2016 was \$0.0715 per share. This compares with the equivalent cash backing reported as at 30 June 2016 of \$0.0715 per share.

New business

During the quarter, Metgasco has reviewed a significant number of opportunities in the oil & gas sector. In line with the Company's strategy, each opportunity has been reviewed for its potential to deliver short term reliable returns, long term growth opportunities and an appropriate risk / reward balance.

Shareholder base & new director appointments

During the quarter, there was a significant change in the Company's top 20 shareholders with a new shareholder, M&A Advisory Pty Ltd, acquiring in late August, a relevant interest in the Company's issued capital of approx. 19.2%. M&A Advisory Pty Ltd nominated Andrew Purcell as a director and following the Company's director appointment process, as set out in the Company's Corporate Governance Statement, Mr Purcell was appointed as a director on 26 September 2016.

Another significant shareholder, Keybridge Capital Limited (ASX:KBC), with an approx. 10.54% relevant interest in the Company's issued capital, nominated John Patton as a director and following the Company's director appointment process, Mr Patton was appointed as a director on 19 September 2016.

At 30 September 2016, Metgasco had 398,464,823 shares on issue and 2,715 shareholders. Its top 20 holders held 179,730,594 shares or 45.11% of the Company's issued capital.

Bivouac Peak Farm-in

As noted above, Metgasco has executed a formal Participation Agreement with Byron in relation to Metgasco's interest in the Bivouac Peak project.

Bivouac Peak comprises an onshore/marshland lease, acquired by Byron from private landowners, of over approx. 2,500 contiguous acres (9.7 square kilometres) along the southern Louisiana Gulf Coast, onshore from Byron's existing shallow water projects in the Federal Outer Continental Shelf leasing areas. High quality 3D seismic data has been used to define gross prospective resource potential of 15,990 Mbo and 177,666 Mmcf on Byron's Bivouac Peak leases.¹

¹ Source: Byron Energy Limited (Quarterly Activities and Cashflow Report September 2016 dated 17 October 2016)
Metgasco Quarterly Activities Report
Quarter ended 30 September 2016

Metgasco has paid its share of sunk costs of approx. A\$89,000 (approx. US\$65,000) and pre-drill costs at its participating working interest of 10%. Metgasco will earn assignment of the 10% working interest (7.45% net revenue interest (**NRI**)) in the leases/well when Metgasco:

- (a) elects to drill when the Initial Test Well is formally proposed (planned in 2017); and
- (b) by either reaching agreed drilling depth or reaching its funding cap on the drilling costs of US\$1.333m.

If Metgasco chooses not to participate in the Initial Test Well when proposed, Metgasco will forfeit all rights to the leases. Metgasco's share of any future well completion costs, subsequent drilling, or development costs will be at its then earned working interest of 10%.

Metgasco will pay a 13.33% share of the initial well costs to reach agreed drilling depth or up to a cap of US\$1.333m, whichever occurs first, at which time, Metgasco's costs forward will revert back to their working interest of 10%. Metgasco's share of any future well completion costs, subsequent drilling, or development costs will be at its then earned working interest of 10%.

Certified Reserves / Resources

The company has no certified reserves or resources at present.

Permits Listing

The Company has notified Byron of our intention to farm-in to the Bivouac Peak tenement SM 70/71 for a 10% working interest (7.45% NRI). It has no other permits or interests at present.

Outlook - work program for next quarter

The prime focus for the Company in the next quarter is to identify and secure further new business opportunities in the oil and gas sector as well as continue and complete the review of those opportunities already identified.

Glossary

Bcf	Billion cubic feet (of natural gas)
Mboe	Thousand barrels of oil equivalent
Mmbo	Millions barrels of oil
Mmcf	Million Cubic Feet

ENDS

Background on Metgasco

www.metgasco.com.au

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It holds an interest, via a secured production development funding facility, options and participation rights, in U.S Gulf of Mexico company Byron Energy Limited (ASX:BYE). Metgasco holds a 10% (non-operating) farmed-in interest in Byron's Bivouac Peak Littoral Louisiana hydrocarbon project with an initial H1 2017 well testing a Gross prospective resource of 32,270 Mboe. Metgasco also holds a portfolio of cash, fixed income and managed credit assets valued at approx. A\$20m (net of a Capital Return of 2.5c/share approved by shareholders in September 2016, payment of which is dependent on receipt of an appropriate Class Ruling from the Australian Taxation Office. The Company awaits the issue of the Class Ruling from the ATO and anticipates the payment of the Capital Return to shareholders in November 2016).

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Metgasco Limited

ABN

24 088 196 383

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(89)	(89)
(b) development	-	-
(c) production	-	-
(d) staff costs	(116)	(116)
(e) administration and corporate costs	(435)	(435)
1.3 Dividends received (see note 3)	-	-
1.4 Interest and investment income received	415	415
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(225)	(225)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,742	17,742
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(225)	(225)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	17,517	17,517

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	67	356
5.2 Call deposits	17,450	17,386
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,517	17,742

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	46
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	27
9.2 Development	-
9.3 Production	-
9.4 Staff costs	60
9.5 Administration and corporate costs	346
9.6 Other (Secured Loan to Byron Energy Ltd)	8,000
9.7 Total estimated cash outflows	8,433

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	SM 70/71 Bivouac Peak Louisiana USA	Farm-in	Nil	10%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Company secretary

Date: 26 October 2016

Print name: Philip Mackey

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.