



## ASX / MEDIA RELEASE

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### UPDATE: PRL 237, COOPER BASIN & BYRON ENERGY INVESTMENT

#### SUMMARY

- ✓ Metgasco has elected to continue its working interest, alongside Cooper Energy and Senex Energy, in PRL 237, following the finalisation of the Frey-1 well in the Cooper Basin
- ✓ Metgasco's substantial shareholding in Byron Energy has delivered a >300% total return to date and is a material asset to the Company
- ✓ Options held over Byron Energy common stock remain open and 'in-the-money'.
- ✓ Drilling of Byron Energy's littoral Louisiana Bivouac Peak project expected in the second half of 2018

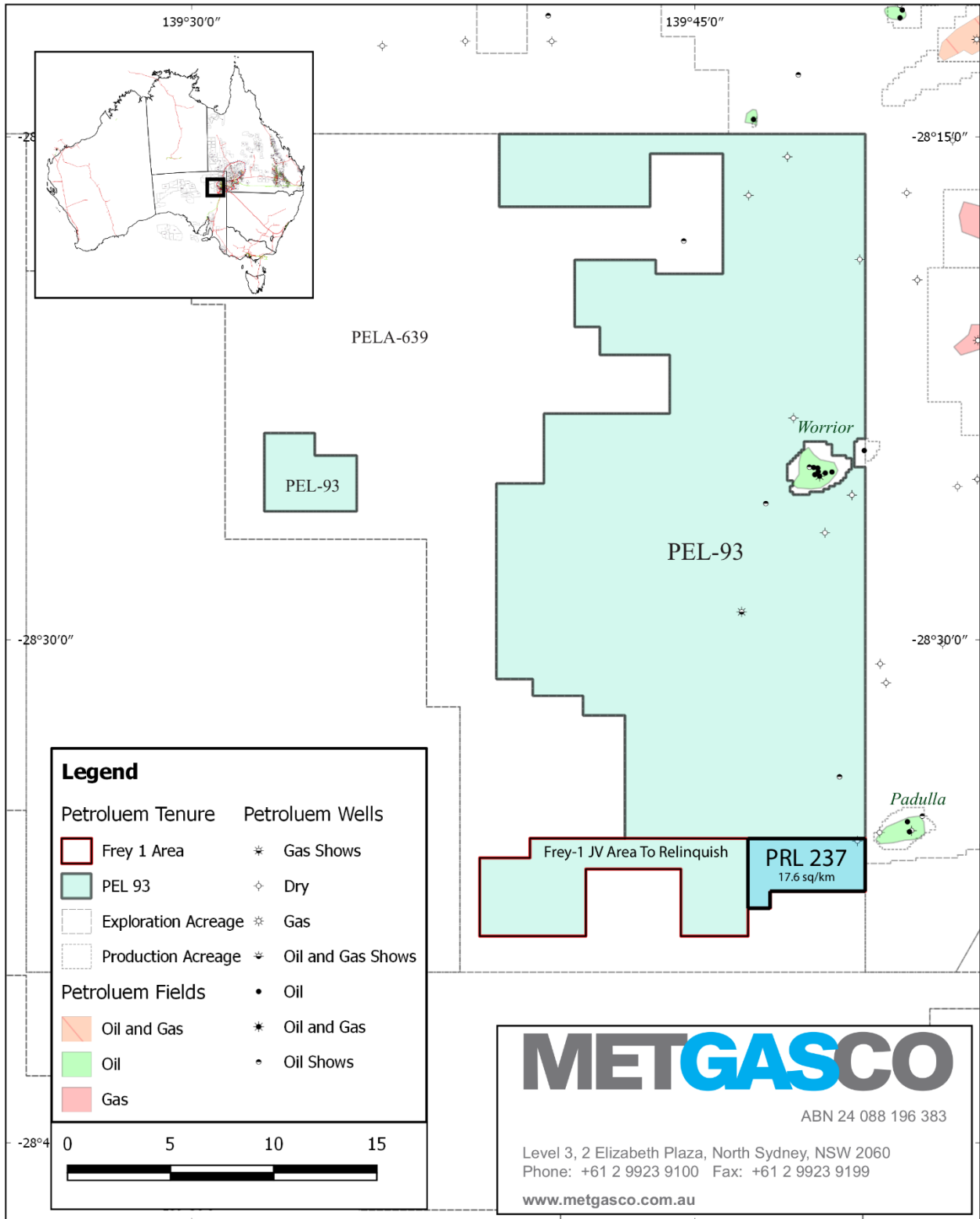
Metgasco Ltd (ASX:MEL) (**Metgasco**, or the **Company**) is pleased to provide an update of the Company's election to continue its working interest in Petroleum Retention Lease (**PRL**) 237, a continuation interest from the 2017 decision to participate in the drilling of the Frey-1 well in the Cooper Basin with its partners Cooper Energy Limited (ASX:COE) and Senex Energy Limited (ASX:SXY).

In response to shareholder queries, and a substantial increase in the value and materiality of the Company's investment in Byron Energy Limited (ASX:BYE) (**Byron**), the Company also takes the opportunity to update shareholders regarding its structured investment into Byron, and provide guidance on the outlook for this part of the Company's activities.

#### PRL 237, Cooper Basin:

Metgasco participated (see ASX announcement dated 26 September 2017 "Investment into Frey-1 Cooper Basin Exploration Well") in the drilling of Frey-1 in October 2017. Metgasco is pleased to advise that the joint venture participants have elected to maintain an interest in the prospective eastern portion of the Frey-1 JV area. This has been retained as PRL237.

PRL 237 is adjacent to the producing Padulla field and infrastructure. The block contains leads that would potentially access the same source kitchen as Padulla. The most prospective area is part of the Greater Padulla structure. Modest 2018 work budgets have recently been approved.



## **BYRON ENERGY INVESTMENT:**

Metgasco entered into a staged financial investment with Byron in June 2016 (see ASX announcement dated 9 June 2016 “Staged Financial Investment into Byron Energy”). Pursuant to this investment, Metgasco obtained certain farm-in rights in relation to Byron’s prospective Gulf of Mexico (**GOM**) portfolio, options over Byron common stock, capital raising participation rights and provided an \$8.0m secured loan for the development of Byron’s South Marsh Island (GOM) discovery.

Given the recent material increase in the value of the Company’s Byron investments, Metgasco is pleased to provide an update and overview of the various components of that investment.

### **Secured Development Finance Facility:**

At present, of the \$8.0m facility advanced to and drawn down by Byron, **\$6.0m** remains outstanding. Byron has been repaying Metgasco in accordance with the facility schedule. The next \$1.0m repayment instalment is due for payment in April 2018. The facility is scheduled to be repaid in full by July of 2019. Outstanding funds attract an interest rate of 12% in addition to a line fee of 2%.

Metgasco’s loan facility carries rights, exercisable at Metgasco’s election, to convert some or all of the outstanding balance of the facility (expected to be \$5.0m at the relevant time), into Byron ordinary shares from July 2018, at a 10% discount to the then prevailing 30-day volume weighted average price of Byron shares.

### **Equity Investment in Byron:**

Metgasco exercised its capital raising participation right in respect of Byron’s August 2017 fundraising, subscribing for 37,897,000 Byron shares at a price of \$0.07 per share, for a total cost of \$2,652,790, emerging as a 5.77% substantial shareholder of Byron (see ASX announcement dated 14 August 2017 “Metgasco Elects to Participate in Byron Energy Equity Issuance”) and Form 603 Notice of Initial Shareholder lodged with the ASX on 3 October 2017.

As at the close of trading on 13 February 2018, Metgasco’s equity investment in Byron was valued at \$0.285 per share or \$10,800,645, an unrealised gain of \$8,147,855 (+307%).

Metgasco remains confident in the GOM strategy being pursued by Byron and does not presently have any intention of disposing its shareholding.

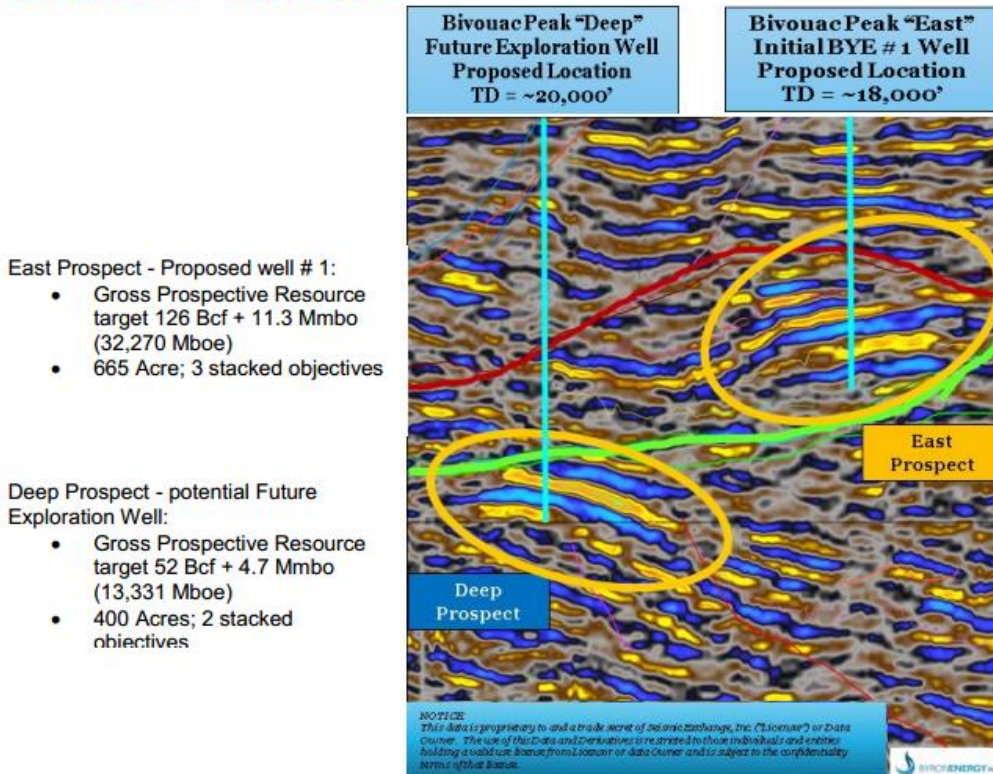
### **Options held over Byron shares by Metgasco:**

Metgasco’s 10m options over Byron ordinary shares, exercisable at \$0.25, are currently ‘in-the-money’, with an intrinsic value of \$500,000 and a Black-Scholes value of \$1,354,625. The options expire on 24 June 2019.

### **Bivouac Peak farm-in:**

Metgasco holds a 10% working interest / 7.45% net revenue interest in Byron’s Bivouac Peak prospect. Byron, as the operator, is progressing surveying and permitted work to prepare for the drill on the Louisiana coast. The project remains on track to meet its goal to commence drilling in the second half of 2018. The Bivouac Peak exploration well #1 is testing a Gross Prospective Resource of 32,270 Mboe.

## Far Offset Stack – Bivouac Peak:



\*Source: Byron Energy Limited (ASX release dated 26th July 2016)

## Future participation rights in respect of GOM projects:

Metgasco retains additional project participation options in respect of Byron’s GOM portfolio as outlined in announcements on 9 June 2016 (“Staged Financial Investment into Byron Energy”) and 14 August 2017 (“Metgasco Elects to Participate in Byron Energy Equity Issuance”). In summary, these comprise:

- the right to elect to participate for a minimum of 10% in the next development project pursued by Byron; and
- the opportunity to farm into future Byron projects, on a “preferred and priority partner” status, should Byron decide to farm out any further projects, during the term of the Convertible Note.

Metgasco considers the profile of its investment and investment options in relation to the prospective GOM portfolio assembled by Byron, to be attractive and remains open to potentially expanding its activities in this area with Byron and other operators. The Company is looking forward to continuing its good working relationship with Byron in the future.

## Financial & Corporate update:

### Cash and other investments

Metgasco’s cash and investment corporate bond holdings (excluding the \$6.0m Byron receivable noted above) were valued at approximately \$8.9m as at the end of January 2018.

### Other activities and company performance

In addition to pursuing the development of the Company’s wholly owned Cooper Basin exploration block and its GOM investments outlined above, Metgasco continues to actively evaluate additional opportunities, of an investment, corporate and project participation nature, in accordance with the general objectives adopted by the Board in mid 2016 (see ASX announcement 1 June 2016 “Corporate Update and Strategic review”).

The Board is pleased to note that total return delivered by Metgasco securities since shareholders voted to accept the NSW Government settlement and disposal of the Company's Northern Rivers assets, on 16 December 2015, has been +85% on a reinvestment of distributions basis, which compares favourably to the +46% return of the ASX200 Energy Index and the approximately +28% return of the S&P/ASX200 Share Index over the same term and on the same basis (as of Friday, 9 February 2018).

ENDS

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### About Metgasco:

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It holds an interest, via a secured production development funding facility, equity 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 Louisiana hydrocarbon project with a planned initial well testing a Gross prospective resource of 32,270 Mboe in addition to farm-in rights in relation to Byron's Gulf of Mexico portfolio. Aside from its \$6.0 million secured receivable noted above, Metgasco holds cash and investment corporate bonds of approximately A\$8.9 million and is a substantial shareholder in BYE holding 5.77% of their issued capital and 10 million options of ordinary shares.

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#### For further information contact:

Alexander Lang  
Executive Chairman  
[info@metgasco.com.au](mailto: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 9959 5387  
**Web:** [www.metgasco.com.au](http://www.metgasco.com.au)

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