



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 30 JUNE 2018

SUMMARY

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

- Metgasco elected to participate in drilling the first well on the Bivouac Peak prospect in littoral Louisiana, spudding in August;
- formal grant of Authority to Prospect (**ATP**) 2021 and 2020 by the Queensland Government was received by the Company;
- an on-market buyback was commenced by the Company; and
- technical and commercial evaluation of awarded ATPs and new energy sector opportunities continued.

Activities subsequent to the Quarter included:

- Metgasco's substantial farm-in to South Marsh Island Block 74 (**SM-74**), with an initial test well (**ITW**) expected to be drilled in November 2018;
- receipt of a further principal repayment (along with interest) in respect of the Company's convertible note debt facility (**Byron Facility**) to Byron Energy Limited (ASX:BYE) (**Byron Energy**), reducing notes outstanding to A\$4 million and lifting corporate cash to approximately A\$8 million; and
- the Company commenced a formal search for a Chief Executive Officer, with a number of high quality candidates identified.

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

Byron Energy

Key Points

- Metgasco holds 37.9 million shares in Byron Energy Limited (ASX:BYE) (**Byron**) at a cost of approx. \$2.7 million which have a market value of approx. \$11.4 million, based on Byron's price of \$0.30 as at 31 July 2018, an unrealised gain of approx. \$8.75 million;
- the Byron Facility was initially drawn down by Byron to \$8.0 million and in accordance with its terms, Byron has since repaid \$4.0 million; and
- Metgasco 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 announced on 28 June 2018, Metgasco elected to participate in the drilling of the Weiss-Adler et al No. 1 well on the Bivouac Peak prospect. The Weiss-Adler et al No. 1 well is expected to be spud in August 2018 and will be drilled to a depth of 18,294 feet (Mining Depth 18,000 feet). True Vertical Depth is designed to test the Bivouac Peak East Prospect, targeting 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 will earn a 10% working interest (**WI**), (7.45% Net Revenue Interest (**NRI**)), in the leases/well when: (a) Metgasco funds its portion of the drill costs of the ITW; and (b) by either reaching Earning Depth or reaching its funding cap on the drilling costs (approx. US\$1.333m).

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

Shortly after the end of the Quarter, 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. The participants expect to commence drilling of the well in November this year.

Collarini & Associates, Byron Energy's third party reserves certifiers, have attributed a gross combined reserves potential over the three taser sands of 5.2 Mmbo and 13 Bcf of gas.

Metgasco is fully funded for the expected drilling costs of both the Bivouac Peak first well and the subsequent drilling of an ITW at SM-74. The Company does not expect the need to raise further capital or dispose of any assets to meet these commitments.

Queensland 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.

On-market share buy back

The Board approved the implementation of an on-market share buyback of up to 10% of Metgasco's ordinary shares for a period of 12 months commencing on 16 May 2018 (**Buy-back**).

The Buy-back is being conducted within the "10/12/limit" as defined in the *Corporations Act 2001 (Cth)* and does not require shareholder approval.

Metgasco is buying shares under the Buy-back when the Board believes that the shares are trading below their intrinsic value and any decision to buy shares under the Buy-back is being effected against the backdrop of existing market conditions, the trading range of the Company's securities and capital priorities of the Company in respect of existing projects and new transactions.

The Board believes that the Buy-back is in the interests of all shareholders and is considered sound capital management. As at today's date, 7,268,895 shares have been bought back at a cost of \$427,278.01 and 32,577,587 shares remaining to be bought back under the Buy-back.

Cash position

The Company ended the quarter with a cash balance of A\$6.8 million and with no debt.

The following is a reconciliation of the Company's cash position from 31 March 2018 to 30 June 2018:

	\$A'000
Cash at 31 March 2018	<u>6,393</u>
Net interest and investment income	282
Funding Facility repayment by BYE	1,000
Exploration and evaluation expenditure	(217)
Overhead and administrative	(350)
Return of capital	(330)
Cash at 30 June 2018	<u>6,778</u>

The Company's cash backing as at 30 June 2018 was \$0.017 per share. This compares with the equivalent cash backing reported as at 31 March 2018 of \$0.016 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.

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\$4 million (interest + line fee of 14%), as well as the Company's shareholding in Byron Energy (approx. value A\$11.4 million) and options over Byron Energy, are not included in the Company's cash position disclosure.

Cost and capital management

The Company continues to pay particular attention to costs and capital management whilst retaining its ability to seek new business opportunities. Metgasco has utilised consultants for various activities including project evaluation over the quarter and these are expensed as Overhead and Administrative items for the purposes of the above cash reconciliation.

The Company's cash balances are held as cash at bank, and term deposits.

Shareholder base

At 30 June 2018, Metgasco had 394,349,755 shares on issue and 2,317 shareholders. Its top 20 holders held 230,157,381 shares or 58.36% of the Company's issued capital.

Certified Reserves / Resources

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

Tenements / Farm-in Opportunities

As at 30 June 2018, the Company holds a 10% WI (7.45% NRI) in the Bivouac Peak project which is expected to cost approx. US\$1.3 million (A\$1.8 million on current exchange rates). The drilling is planned to commence in August of 2018.

On 19 July 2018, the Company announced its agreement with Byron Energy to farm-in to the SM-74 project in the Gulf of Mexico. The SM-74 prospect addresses gross (unrisked) Prospective Resources of 5.2 Mmbol and 13 Bcf of gas.

Metgasco is participating in SM-74 to a WI of 30% via funding 40% of the cost of the ITW to casing point and certain leasehold acquisition costs. The well will be drilled in November 2018, subject to rig availability. ITW drilling costs are estimated at US\$11 million, of which Metgasco's expenditure is budgeted at US\$4.4 million.

Change of share registry

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

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 advance its technical work on Cooper Basin ATP 2020 and ATP 2021.

Appointment of a Chief Executive Officer

Subsequent to the end of the Quarter, the Company commenced a formal search for a Chief Executive Officer, in recognition of the material levels of activity Metgasco anticipates in the balance of 2018 and beyond. Several very high quality candidates were identified and negotiations in relation to this process are advancing well.

ENDS

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