



ASX / MEDIA RELEASE

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19 September 2018

SOUTH MARSH ISLAND 74 - UPDATE

- **Final Agreements have been executed for drilling and (on success) production access to the adjacent SM73 platform**
- **SM74 spud now expected in February - April 2019, subject only to permitting and rig availability**
- **Metgasco has farmed in for 30% of the SM74 prospect, which has Gross Prospective Resources of 5.2 million barrels of oil and 13 Bcf of gas**

The Board of Metgasco Ltd (**ASX:MEL**) (**Metgasco**, or, the **Company**) is pleased to provide shareholders with the following update on the company's interest in Byron Energy Limited's (ASX:BYE) (**Byron**) South Marsh Island 74 block (**SM74**) (Metgasco: 30% working interest (**WI**), Byron: 70% WI and operator).

Byron has advised that they have now executed definitive final agreement with the nearby operator at South Marsh Island block 73 (**SM73**), from which it is proposed the SM74 initial exploration well, **SM74 D-14**, will be drilled as a deviated well.

The SM74 D-14 well is designed to test three target sands in the north-west of the lease, interpreted to comprise a Reverse-Time-Migration amplitude supported fault closure with mapped gross prospective resource potential of 5.2 million barrels of oil and 13 billion cubic feet (**Bcf**) of gas.

The operator has also advised that they are in an advanced stage of securing a drilling contractor for SM74 D-14, and that with limited availability of rigs suitable for the planned drilling from the SM73 platform, the available drilling window will depend on a mid-December 2018 election by the operator to which the rig is currently contracted. Accessing the SM73 platform in the manner proposed, provides very significant economic benefits to the project.

Metgasco's interest in the SM74 prospect is for a 30% WI and a 24.37% net revenue interest (**NRI**). Metgasco will pay 40% of the approx. US\$11 million dry hole cost of SM74 D-14 to total depth (**TD**), thereafter assuming its WI share of further drilling and development costs. Metgasco's costs to TD are expected to be approx. US\$4.4m (or approx. A\$6m on current exchange rates).

For further information and maps relating to the SM74 prospect, please see Metgasco's 19 July 2018 announcement "Metgasco Farms-In to South Marsh Island 74".

Metgasco Executive Director Ken Aitken commented: *"Metgasco congratulates Byron on securing this important access agreement, which will help underwrite robust project economics, via a rapid tie-in and early production, in the event of a successful exploration well. The few months delay in spudding the SM74 well in no way diminishes our excitement at addressing this significant prospect. Meanwhile, we are actively advancing our projects in the Cooper Basin, as well as participating in the Weiss-Adler et al No. 1 well, from which results are expected in Q4 2018. Other opportunities are also under evaluation by the Company."*

Contact and further information:

Metgasco welcomes shareholder communication and invites all interested shareholders to make contact at any time.

Metgasco recently presented at the RIU Good Oil Conference in Perth, Western Australia, on Thursday, 13 September 2018. A video of Metgasco Executive Director Ken Aitken's presentation and the presentation itself are available at <http://metgasco.com.au/presentations/riu-good-oil-conference-presentation>

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Forward Looking Statements:

This document may contain forward-looking information.

Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording.

Forward-looking information in this document includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of potentially recoverable resources, and information on future production and project start-ups.

By their very nature, the forward-looking statements contained in this document require Metgasco and its management to make assumptions that may not materialise or that may not be accurate. Although Metgasco believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

Prospective Resources – Information in respect of ASX LR 5.25:

Prospective resource estimates in this report for South Marsh Island 74 were first reported in aggregate in the Byron Energy Limited ASX release, *Byron Energy Independent Reserves and Resources*, dated 28 September 2017 and are detailed in Byron's Collarini Reserves and Resources Report (2018).

The prospective resource information in this document:-

- is effective as at 30 June, 2017 (Listing Rule (LR) 5.25.1)
- has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
- is reported according to the Company's economic interest in the prospective resource net of royalties (LR 5.25.5)
- has been estimated and prepared using the deterministic method (LR 5.25.6)
- has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)
- is reported on a best estimate basis (LR 5.28.1).

Cautionary Statement Prospective Resources - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2).