



ASX / MEDIA RELEASE

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UPDATE: BYRON ENERGY INVESTMENT AND GULF OF MEXICO BLOCK BID OUTCOMES

BYRON ANNOUNCES FIRST OIL PRODUCTION FROM SM 71 PROJECT

BYRON HIGH BIDDER ON SEVERAL GOM LEASE SALE 250 BLOCKS

METGASCO EVALUATING FARM-IN RIGHTS IN GULF OF MEXICO ALONGSIDE OTHER OPPORTUNITIES

The Board of Metgasco Ltd (**Metgasco** or the **Company**) is pleased to note Byron Energy Limited's (ASX:BYE) (**Byron Energy** or **BYE**) announcement yesterday of first oil production from its South Marsh Island 71 (**SM71**) project (see Byron Energy's ASX announcement dated 26 March 2018: *First Oil Production at SM71*). As a secured lender to this project and a substantial shareholder and farm-in partner in and with Byron Energy, Metgasco congratulates the Byron Energy team on this important milestone.

Strategic investment in Byron Energy:

Metgasco's 5.77% substantial shareholding in Byron Energy has a present market value (at BYE's closing price of \$0.45 as at 26 March 2018) of **\$17,053,000** (an unrealised gain of \$14,400,000) and Metgasco's 10.0 million options (exercisable at \$0.25 per share and expiring 24 June 2019) have an intrinsic value of **\$2.0 million**.

The Board is regularly reviewing these positions and continues to view them as strategic in nature. Metgasco's \$8.0 million secured convertible note to Byron Energy has a current outstanding balance of \$6.0 million with repayments occurring quarterly on schedule.

Metgasco Farm-In Rights over Gulf of Mexico Bid Blocks:

As announced to shareholders in August last year (see Metgasco announcement dated 14 August 2017 *Metgasco elects to participate in Byron Energy equity issuance*, the Company secured certain **additional farm-in rights** over Gulf of Mexico assets secured by Byron Energy.

These rights are **in addition to** both (i) the agreed farm-in to the Bivouac Peak prospect, and (ii) the existing "Preferred and Priority Partner" farm-in rights in relation to projects beyond the scope of Byron Energy's existing obligations to Otto Energy Limited (ASX:OEL) (**Otto Energy**) under the Participation Agreement between Byron Energy and Otto Energy.

Metgasco takes this opportunity to advise shareholders of the particulars of its additional farm-in rights as noted above:

- a) in the event Metgasco elects to farm-in to a project the subject of participation by Otto Energy, its participation right (on the same terms as those of Otto Energy) will be for not less than 10% of the relevant project; and
- b) in the event Metgasco elects to farm-in to a different project with Byron Energy, that is, one not subject to participation by Otto Energy, its participation right will be for not less than 15% of the relevant project.

Metgasco values its project participation opportunities and relationship with Byron Energy and will keep shareholders informed of developments.

Evaluation of Gulf of Mexico and Other Opportunities:

In addition to the Gulf of Mexico farm-in opportunities noted above, Metgasco continues to evaluate New Business opportunities consistent with its strategic objectives.

With the substantial investment return on its strategic investment into Byron Energy, along with strong financial earnings from both its secured SM71 development loan and other interest-bearing assets, Metgasco presently enjoys a healthy balance sheet, materially larger than that which it inherited at the time of the Company's disposal of its Northern Rivers assets to the NSW government in late 2015.

The Board is pleased that this position has been achieved for shareholders while also having returned \$9.61 million to shareholders through the Company's shareholder-approved capital return in late 2016.

Contact and further information:

Metgasco welcomes questions from shareholders and invites all interested shareholders to make contact at any time.

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About 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, 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 Energy'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 Energy'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 Byron Energy holding 5.77% of their issued capital and 10 million options over ordinary shares.

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