

ASX / MEDIA RELEASE

ASX Code: MEL

29 April 2022

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 MARCH 2022



Vali commercial agreements executed to secure transition to production

Metgasco MD Ken Aitken: *"I am pleased to report that during the quarter Metgasco and the ATP2021 JV partners made good progress on commercial agreements and general project activities to deliver our goal of becoming a gas producer and generating cash revenue. Signing a definitive gas sales agreement with a premium gas customer AGL for up-to 16PJ was a major commercial milestone which will deliver significant cash over the 4.5yr contract duration. In April the well stimulation program commenced and the processing agreement with the SAJV capped off a period of significant progress on Vali commercialisation. Increasing our net interest in Odin to 25% was a good strategic move as it equalises permit interests across our production hub licences (ATP2021 and PRL211)"*

Key activities for the quarter ended 31 March 2021 ("**Quarter**") comprised:

Vali (ATP2021):

- Definitive gas sales agreement (GSA) signed with AGL Wholesale Gas Limited
- Total gross volume of gas sales estimated at between 9PJ to 16PJ (4PJ net MEL)
- Subsequent to the end of the quarter an upstream transportation and processing agreement was executed with SACB Joint Venture
- Processing agreement execution triggers initial two tranches of GSA prepayment totalling \$10million (Gross), \$2.5million (Net) to Metgasco in Q2 FY22
- Significant progress on project preparation for pipeline installation and planning well stimulation/ completion activity to be initiated in Q2 FY22

Odin (PRL211):

- Metgasco and ATP2021 JV partners acquire respective share of Beach Energy's 15% interest in PRL211
- Increase of Net 2C Contingent Resource of gross 3.1 Bcf

Cervantes (L14):

- Ensign 970 rig mobilised allowing Cervantes-1 well to spud on 26 March
- Subsequent to quarter end the Cervantes-1 well was drilled safely and efficiently to TD.
- LWD indicated that the Permian zones were water bearing and the well was plug and abandoned

The Quarter's activities are detailed below:

Cooper/Eromanga Basin Exploration Licence - ATP2021:

ATP 2021 (Metgasco 25%, Vintage 50% and operatorship, Bridgeport (Cooper Basin) Pty Ltd 25%)

ATP2021 is located in Queensland adjoining the Queensland- South Australia border (see figure 1 below). ATP2021 contains the Vali gas field, discovered by Vali ST1 in January 2020 and successfully appraised by Vali-2 and Vali-3 in the June and September quarters of CY2021. The field has three cased wells available for future gas production.

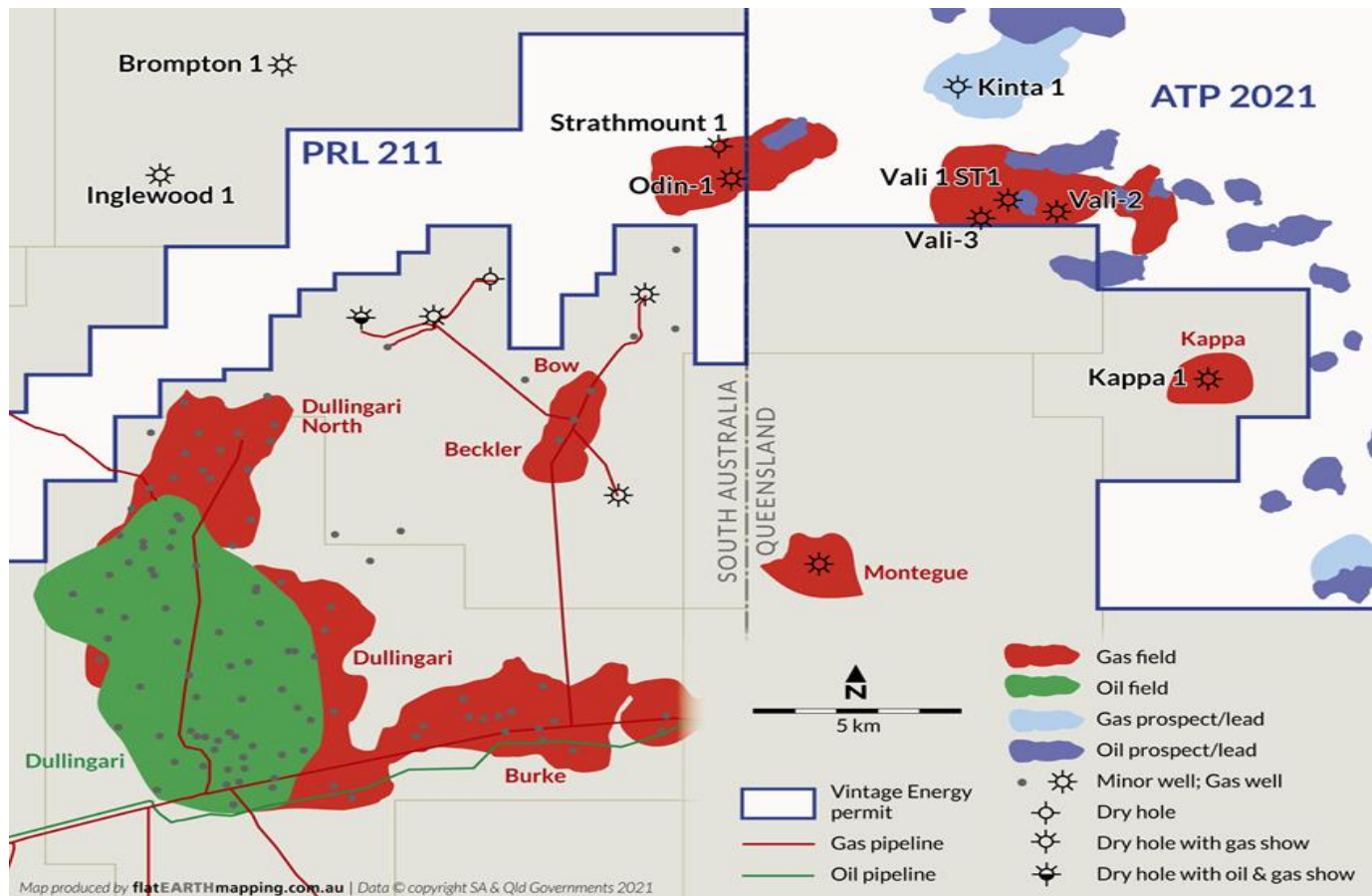


Figure 1: Cooper Basin permits PRL 211 and ATP 2021 including well locations Odin-1, Vali-1 ST1, Vali-2 and Vali-3 Source: Vintage

The 2P reserve of the Vali field is 101.0 PJ (25.2PJ net to MEL) independently certified and booked (previously Gross 2P of 33.2PJ (8.3PJ net to MEL) The following tables detail the combined revised reserves estimates

Table 1&2 – Vali Field Gross and Net Reserves:

Gross ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bscf)	43.3	92.0	191.2
Sales Gas (PJ)	47.5	101.0	209.8

Net Entitlement ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bscf)	10.8	23.0	47.8
Sales Gas (PJ)	11.9	25.2	52.4

Notes:

1. Reserves estimates reported here are ERCE estimates, effective 31 October 2021, first announced to the ASX 1 November 2021
2. Metgasco is not aware of any new data or information that materially affects the Reserves above and considers that all material assumptions and technical parameters continue to apply and have not materially changed.
3. Reserves estimates have been made and classified in accordance with the Society of Petroleum Engineers (“SPE”) Petroleum Resources Management System (“PRMS”) 2018.
4. Company Net Entitlement Reserves are based on the Metgasco working interest share of 25% of the field gross Reserves and are prior to the deduction of royalties
5. Sales Gas volumes are net of fuel and flare volumes.
6. All quantities subject to rounding to one decimal place for clarity purpose.

Activity during the quarter was focussed on the commercial agreements and progressing pipeline and well delivery project works to enable commencement of gas supply from Vali as detailed below.

Gas Sales Agreement with AGL for supply of gas from Vali

During the quarter Metgasco and the ATP 2021 Joint Venture parties announced signing of a gas sales agreement (“GSA”) with AGL Wholesale Gas Limited (“AGL”) for the sale of between 9 petajoules (PJ) and 16 PJ of gas produced from the Vali Gas Field over approximately 4.5 years from field start up to end calendar 2026. The supply of gas under the GSA will constitute approximately 9% to 16% of the Vali field’s 2P reserves. Metgasco has a 25% interest in ATP 2021. The terms of the GSA reflect the Heads of Agreement between the joint venture and AGL announced 6 December 2021, following a competitive process.

The GSA, which was subject to conditions precedent, became unconditional subsequent to the end of the quarter following execution of an upstream transportation and processing agreement with the South Australian Cooper Basin Joint Venture. Consistent with the GSA, Vintage then issued invoices to AGL for the first two of three, \$5 million pre-payments payable to the ATP2021 joint venture. The prepayments are to be applied specifically to capital expenditure to take Vali to first gas.

Pipeline and well delivery project update

In respect the Vali project capital works, activity was focussed on preparatory prerequisites for the well completion and pipeline connection phase including:

- Pipeline detailed engineering, which was taken to near completion;
- Survey of pipeline routes;
- Securing regulatory approvals;
- Procurement;
- Planning of the construction phase;
- Engagement with fracture stimulation, rig and construction contractors; and
- Technical preparation and planning for the fracture stimulation of Vali-2 and Vali-3.

The fracture stimulation campaign, which is being conducted by Schlumberger and supervised by Griffin Energy Solutions, commenced on 3 April.

ATP 2021 has significant further oil and gas prospectivity. Seismic acquisition and interpretation are required to identify optimal locations. Planning for seismic acquisition was conducted during the quarter and will continue in the June quarter.

Cooper/Eromanga Basin Exploration Licence - PRL211:

PRL 211 (Metgasco 25%*, Vintage 50%* and operatorship, Bridgeport (Cooper Basin) Pty Ltd 25%*)

PRL 211 lies in the South Australian Cooper Basin, with the licence's eastern boundary adjacent to the ATP 2021 western boundary (see Figure 1). The licence is in close proximity to the South Australian Cooper Basin's Joint Venture's gas production infrastructure at the Beckler, Bow and Dullingari fields. The Odin Gas Field, discovered by the PRL 211 Joint Venture in 2021, is located in both PRL 211 and ATP 2021 on the southern flank of the Nappamerri Trough in the Cooper Basin.

During the March quarter Metgasco and the ATP2021 partners announced an agreement, subject to ministerial approval, to acquire their respective share of Beach Energy Ltd's 15% interest in PRL 211. The acquisition will result in common interest holders and respective interests in the PRL 211 and ATP 2021 joint ventures, an outcome which will facilitate decision-making and the optimisation of activities and investment within the two permits.

Consideration for the transaction is structured to align with the commercial success of Odin, as an initial payment of \$1 million by the PRL 211 Joint Venture will be supplemented by two further payments totalling \$1.25 million payable on achievement of production milestones.

The the Toolachee and Epsilon Formations were successfully flow-tested at Odin-1 in the final quarter of CY 2021, with a stable rate of 6.5 million standard cubic feet per day recorded at a flowing wellhead pressure of 1,823 psi through a 28/64" fixed choke. At the end of the flow period, a multi-rate memory production log was acquired, which confirmed gas was being contributed from each of the perforated Epsilon and Toolachee formations.

Independent Certification of resources at Odin by ERC Equipoise Pte Ltd ("ERCE") were announced to the ASX on 16 September 2021 and shown in Table 3& 4 below; (Refer to 16 Sept 2021 announcement for resource notes)

Table 3&4 - Odin gross and net Contingent Resources:

Gross Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
Total	18.5	36.4	71.7

Net Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
PRL 211	2.20	4.35	8.55
ATP 2021	1.85	3.65	7.15
Total	4.05	8.00	15.70

The effect of this transaction is to redistribute approximately gross 3.1 Bcf of the 2C Contingent Resource previously attributable to Beach Energy in PRL211 to the joint venture parties.

Metgasco's net share of 2C Contingent Resource at Odin will increase by 0.77 to 8.77 Bcf as a result.

Odin-1 is currently shut-in, awaiting completion, which has been scheduled to occur immediately after the forthcoming well completion campaign at Vali.

The PRL211 JV has received multiple inquiries from parties interested in securing long term gas supply from Odin. This market intelligence acquired, together with data collected from the well, is to be assessed and incorporated into a commercialisation plan for the asset.

Odin field is expected to become the 2nd field in Metgasco's PRL211/ATP2021 gas production hub and supply gas to the Australian domestic market through tie-in to the Moomba gas gathering network.

**Subject to ministerial approval, pursuant to the transaction discussed in the commentary above*

Cooper/Eromanga Basin Exploration Licence – ATP 2020 (Metgasco 100%):

The ATP2020 licence is 535km² in area and was granted 100% to Metgasco in 2018. A geological and engineering review of all wells previously drilled in the permit has been carried out. A review of publicly available exploration and production data from neighbouring blocks has also occurred.

The licence is in close proximity to areas of hydrocarbon sources and consider that a relatively low-cost shallow well can drill both the oil and gas geological targets identified in the Loki prospect. A Native Title Agreement is in place. The area is underexplored with limited activity over the last 30 years. A gas pipeline traverses the permit, and an oil pipeline is close to the Licence. The primary gas target is the Toolachee sands, and the primary oil target is the Jurassic Cretaceous sands. Both of these sands have commercially produced hydrocarbons in the vicinity of ATP2020 at the Wareena gas field and the Toby oil and gas field. Metgasco's sub-surface work indicates that the Loki prospect extends into a neighbouring un-licensed area and has commenced an application with the regulator in CY2021 to secure tenure. During the quarter the regulator informed Metgasco that the unlicensed area will not be gazetted in CY2022. In March CY 2021 Prospective oil and gas resources were estimated for the Loki prospect of P50 13.1 Bcf recoverable gas and P50 6.4MMbbl recoverable oil (see 23 March 2021 ASX release)

Metgasco are undertaking a farm-out process of the ATP2020 Licence.

Perth Basin L14: Cervantes Exploration Well:

L14, comprising 39.8 km² over the Jingemias Oil Field and surrounds, is located onshore within the Perth Basin. The permit contains the Cervantes-1 oil prospect, which is on trend with Cliff Head, Jingemias and Hovea oil fields. Metgasco was to earn a 30% stake in any discovery in the Permian reservoirs by funding 50% of the cost of Cervantes-1

Following receipt of the regulatory environmental approvals in February the Ensign 970 rig contract was executed. Access track and well pad civils construction work commenced in February and were completed in the 2nd half of March allowing the rig to be mobilised. Cervantes-1 was spudded on the 26 March and reached TD in 8.5" hole at midnight on Wednesday 6 April.

Figure 2: Ensign 970 drilling at Cervantes-1 location



Subsequent to the quarterly reporting period on 7 April Metgasco announced that the well was to be plugged and abandoned after failing to encounter hydrocarbons. The well results confirmed the presence of a robust structure and reasonable reservoir development in the targeted sands Permian sandstone objectives however Logging While Drilling (“LWD tools”) disappointingly identified that the reservoir sands were found to be water-wet.

The Cervantes -1 was drilled safely and efficiently in approximately seventeen days under the planned budget.

Metgasco’s farm-in agreement was specific to the Cervantes prospect and the company has no further obligations in respect of the permit following the plugging of the well and rehabilitation of the site.

Corporate Activities:

Capital Raising:

As announced on 22 February 2022, the Company undertook a share placement of 192 million new shares to institutional and wholesale/professional investors raising approximately \$5 million (excluding costs).

Options are to be issued to placement participants on a 1 for 3 basis, with a strike price of 4.5c, expiring 10 December 2024, with issuance of options subject to shareholder approval. Approval was received subsequent to the end of the quarter at a general meeting of shareholders.

Business Development Opportunities:

During the quarter Metgasco continued to review new business development opportunities, as well as potential new areas of business consistent with the Company’s strategic objectives and the evolving energy sector backdrop.

Cash position:

The Company ended the Quarter with a cash balance of A\$3,380,276 and with no debt.

The following is a reconciliation of the Company’s cash position from 1 January to 31 March 2022:

	\$A’000
Cash at 31 December 2021	3,051
Overhead and administrative	(261)
Exploration and evaluation expenditure	(3,804)
Transaction costs related to issues of equity securities	<u>4,394</u>
Cash at 31 March 2022	3,380

Notes Pertaining to Quarterly Cashflow Report (Appendix 5B):

Item 6.1: The aggregate amount of payments to related parties and their associates of \$134,913 relates to remuneration payments made to Directors.

Shareholder base:

At 31 March 2022, Metgasco had 907,060,506 shares on issue and 2,445 shareholders. Its top 20 holders held 402,947,053 shares, or 44.42% of the Company’s issued capital.

Certified Resources and Reserves:

On 1 November 2021, the ATP2021 JV announced the reserves upgrade following the drilling of Vali-2&3. Contingent gas resources related to PRL211 were announced on 16 September 2021. On ATP 2020 Cooper / Eromanga Prospective Resources were announced on 31 March 2021.

Glossary:

MMscfd = Million standard cubic feet per day.

FWHP = Flowing wellhead pressure.

Bcf= Billion Standard Cubic feet

PJ= Peta Joules

ENDS

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Tenement Listing				
Tenement Reference	Location	Nature of Interest	Interest at 31st March 2022	Interest at 31st December 2021
Cooper/Eromanga				
ATP2020	QLD	100% owner & Operator of Licence	100%	100%
ATP2021	QLD	25% working interest in Licence	25%	25%
PRL211	SA	21.25% working interest in Licence	21.25%	21.25%
PRL237	SA	20% Working Interest in Licence	20%	20%
Perth Basin				
Cervantes Prospect in Western Flank area in L14 Production Licence	WA	Pay 50% of well cost for 30% interest in Hydrocarbons discovered in Permian sands	30%	30%

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 startups.

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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Metgasco Ltd

ABN

24 088 196 383

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(114)	(527)
(e) administration and corporate costs	(145)	(464)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(261)	(996)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(3,804)	(4,950)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	181
	(e) 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	(3,804)	(4,769)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,394	8,657
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(66)
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	(4,394)	8,591

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,051	554
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(261)	(996)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,804)	(4,769)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,394	8,591

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,380	3,380

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	3,380	3,051
5.2	Call deposits	-	-
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)	3,380	3,051

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	135
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Amounts included in 6.1 are remuneration payments made to Directors

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(261)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(3,804)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(4,065)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,380
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,380
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.83
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, the Company will receive funding in the form of a \$3.75M pre-payment from the Gas Sales Agreement for its Vali gas filed as announced on 23 March 2022	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes, as per answer 2	

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.

Date: **29 April 2022**

Authorised by: **The Board**

Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.