



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

QUARTER ENDED 31 MARCH 2015

Metgasco's highlights since the last quarterly report was lodged are:

- Metgasco won its court case against the New South Wales Government, with the New South Wales Supreme Court quashing the suspension of Metgasco's Rosella E01 conventional drilling approval;
- the proposed merger with Elk Petroleum Limited was terminated; and
- the funds lent to Elk Petroleum Limited were repaid in full, including accrued interest.

Metgasco continued to pursue business opportunities outside of NSW as a means to strengthen its business and broaden its risk profile.

Rosella Drilling Suspension: NSW Supreme Court ruling

On 24 April, 2015, Justice Button handed down his ruling, finding strongly in favour of Metgasco, quashing the Government's suspension decision and awarding costs to Metgasco.

In summary, Justice Button found that:

- the decision to suspend Metgasco's right to drill the Rosella E01 well was unlawful;
- the Office of Coal Seam Gas did not observe proper procedural fairness; and
- the Office of Coal Seam Gas had confused consultation with persuasion.

The decision is considered to be a landmark decision for the resource industry in NSW in that it upholds the exploration rights Metgasco believed it had and helps to clarify what "community consultation" is and is not.

Metgasco will now seek compensation from the NSW Government for the losses it incurred as a result of the flawed suspension decision.

Metgasco is keen to continue developing its gas business in NSW in accordance with its licence requirements and is looking to work co-operatively with the Government to achieve this outcome. Before recommencing drilling activities in the Northern Rivers region, the Company is seeking the opportunity to talk to Government.

Termination of Elk Petroleum Merger Implementation Deed and repayment of loan

During the quarter Metgasco announced that it had terminated its merger with Elk Petroleum.

The proposed merger was subject to a number of conditions precedent, including Metgasco's ability to raise funds to support the merger and a Material Adverse Condition (MAC) associated with oil prices. The oil price MAC had been triggered.

Based on discussions with numerous financial organisations, Metgasco concluded that the chance of securing acceptable finance was unacceptably low. This was due to a number of factors, one of which was oil prices, which had fallen significantly from the time at which the original merger terms were negotiated. As such, the Board decided to exercise Metgasco's rights and terminate the Merger Implementation Deed.

Consistent with the Convertible Loan Facility terms, Elk Petroleum Limited repaid the loan plus accrued interest on schedule, an amount of \$1,749,456.

Community Consultation

During the quarter, Metgasco met with NSW Government on a number of occasions to discuss its future community consultation program in detail and expects to increase its consultation activities this quarter. Metgasco has relocated its Casino office from the outskirts of the city into the business/shopping district and is now setting up displays in the shop-front window. The move is expected to facilitate ongoing communication with the broader Casino community.

PPLA 9

Metgasco continues to seek the formal award of PPLA 9 production licence from the NSW Government. The Development Approval for the Richmond Valley Power Station and Casino Gas Project was awarded in June 2010. Minister Chris Hartcher announced the licence award in September 2012. Metgasco has been offered the production licence and accepted all conditions on two occasions, the last being on 22 November 2012, and paid \$140,000 of grant and security fees for the licence in 2010 and 2011.

Metgasco notes that its initial licence submission was made in 2008. Seven years later, the government is still to issue the formal licence document.

Metgasco plans to start site works this quarter, a requirement of its Development Approval, securing the Development Approval in doing so.

Metgasco approached the Office of Coal Seam Gas to understand why the production licence has not been issued. It was told that native title issues had not been resolved, despite considerable work completed some years ago, the offer of the production licences and no communication from government to indicate concerns with native title. The OCSG would not put its concerns in writing but was prepared to meet and provide a map showing some small isolated areas in which it considered native title issues uncertain. Metgasco has written to the OCSG following the meeting, accepting that the small areas the OCSG is concerned about are excised from the production licence. Metgasco is not aware of any reason for the formal award of the production licence to be delayed further.

Exploration activities

Metgasco finalised an on-going aeromagnetic survey evaluation of PEL 16, and also cooperated in a numerical ground-water modelling study of the Clarence-Moreton Basin with CSIRO and the NSW government.

Metgasco's exploration team also evaluated various other oil and gas exploration opportunities outside the Clarence-Moreton Basin.

Certified Reserves / Resources

The Company recognises the following gas resources in its tenement areas:

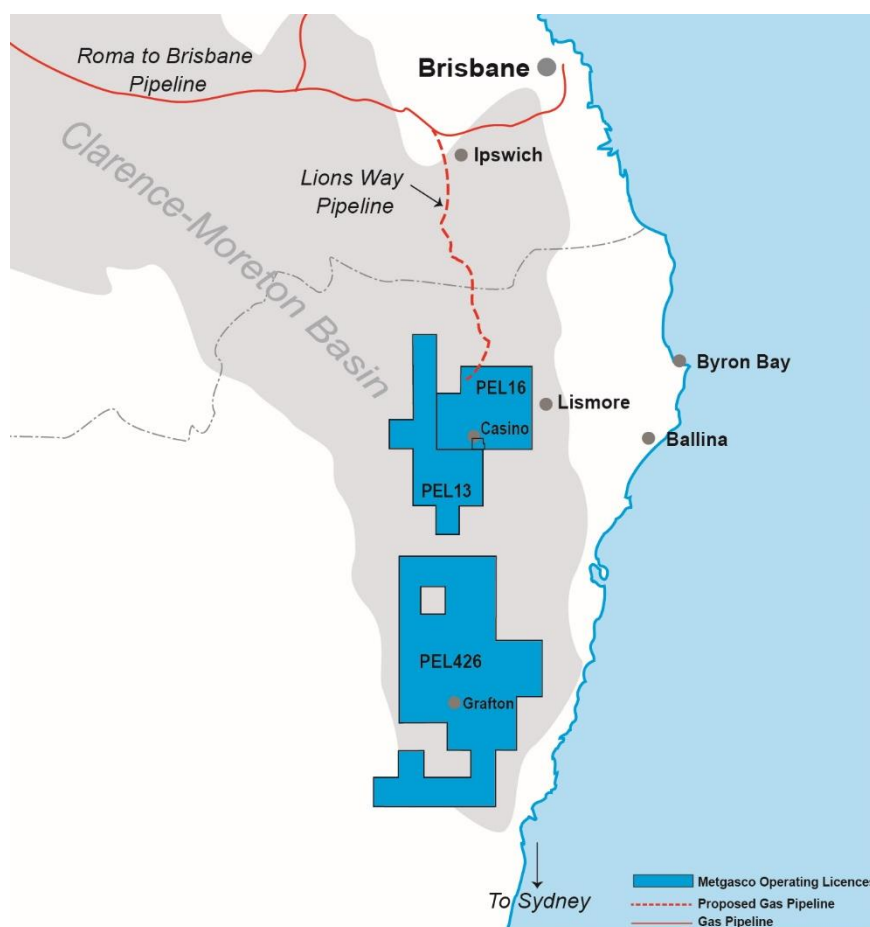
Independently certified gas reserves and resources – Petajoules (PJ) All reserves and resources are 100% owned by Metgasco			
Reserve Category	PEL 13	PEL 16	Total
1P (Proven)	-	-	-
2P (Proven + Probable)	-	-	-
3P (Proven + Probable + Possible)	-	-	-
2C Contingent Resource	1,636	2,792	4,428

The estimates of gas reserves have been prepared by Mr Tim Hower, and staff under his supervision, of MHA Petroleum Consultants (Denver). Mr Hower is chairman of MHA and has over 25 years of petroleum engineering experience and is a qualified person as defined under the ASX listing rule 5.11. Reserves have been developed within the guidelines of the SPE. MHA has consented to the use of this information.

Permits Listing

Metgasco advises that as at 31 March 2015 it had a 100% interest in the following permits: PEL 13, PEL 16, and PEL 426

The permits are located in the Clarence Moreton Basin of NSW as shown below.



There have been no changes in the beneficial interest since the last quarterly activities report.

No tenements were acquired or disposed of during the quarter.

The Company has neither farmed into any new permits nor farmed-out any of its permits during the quarter.

Metgasco continues to wait for renewal of PEL 426, something that was expected in February 2014. Metgasco has accepted all conditions and paid its renewal fee. Metgasco notes that the OCSG demands annual reporting and the payment of annual fees, despite not being able to confirm the renewal for more than 12 months.

Cash position

The Company ended the quarter with a cash balance of \$6.6 million and no debt. The Elk Petroleum repayment of \$1.75m is not included in this balance.

Shareholder base

At 31 March 2015 Metgasco had 444 million shares on issue and no options outstanding.

Outlook – work program for next quarter

Following the lifting of the suspension of its right to drill the Company wishes to restart exploration activities, including drilling the Rosella conventional gas exploration well. The Company will also be seeking compensation for the year-long suspension of the drilling licence and all associated losses of the suspension.

Metgasco will continue to evaluate oil & gas opportunities outside the Clarence Moreton Basin.

ENDS

Background on Metgasco

www.metgasco.com.au

Metgasco has a 100% interest in PEL 16, 13 and 426 in the Clarence Moreton Basin in NSW where it operates the largest acreage position in the basin. Metgasco currently has 2C gas resources of 4,428 Petajoules (based on Metgasco's current understanding of the impact of the NSW Government's exclusion zones). The Company is exploring for conventional and unconventional gas. Metgasco has identified natural gas commercialisation opportunities that include local sales in the Northern Rivers Region, domestic sales to eastern coast domestic markets and LNG exports.

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