



## **ASX / MEDIA RELEASE**

**ASX Code: MEL**

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# **QUARTERLY ACTIVITIES REPORT**

## **QUARTER ENDED 30 JUNE 2015**

Metgasco's highlights during the quarter ending 30 June, 2015, were:

- 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 NSW Government decided not to appeal the Supreme Court's decision;
- Metgasco and NSW Government are in confidential discussions over damages associated with the 2014 suspension of the Rosella drilling program and the future of its gas operations in the Northern Rivers; and
- initiation of court action to recover damages from the Rosella suspension and field activity such as seismic acquisition and the drilling of Rosella are on hold while discussions with the NSW Government proceed.

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.

The NSW Government had four weeks from the time of the Supreme Court decision and decided not to appeal.

The Supreme Court awarded costs against the NSW Government. Metgasco is currently seeking recovery from the Government in the order of \$250k.

## Damages associated with Rosella Drilling Suspension and the future of gas in the Northern Rivers

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.

In early July Metgasco started confidential discussions with the NSW Government over damages associated with the 2014 suspension of the Rosella drilling program and the future of its gas operations in the Northern Rivers. These discussions are expected to be completed before end August.

Metgasco is ready to:

- initiate field activities such as seismic acquisition and the drilling of Rosella as soon as Government discussions conclude; and
- initiate court action for recovery of Rosella suspension damages, depending on the outcome of Government discussions.

## Kingfisher E01 Safety Incident.

In July 2013 an incident occurred on the Kingfisher E01 well during operations to decommission the well and rehabilitate the site. Drill pipe was ejected from the well during the incident. The incident was initially investigated by Office of Coal Seam Gas officials and Metgasco completed a detailed investigation report. A safety alert was issued to industry shortly after the incident. Subsequently, the Department of Industry, Resources and Energy safety inspection unit decided to conduct its own independent detailed investigation. After a thorough investigation the Regulatory Audit and Investigation Unit has advised that no action will be taken against Metgasco. The investigation unit's communication with Metgasco emphasised the need for a strong safety focus, a position that Metgasco's board and management supports.

## Community Consultation

During the quarter, Metgasco relocated its Casino office from the outskirts of the city into the shopping centre and set up informative displays in the shop-front window. The move is expected to facilitate ongoing communication with the broader Casino community.

A revised community consultation plan was also reviewed and lodged with NSW Government.

## PPLA 9

No progress with the PPLA 9 production licence was made. The situation remains as per the last quarterly report:

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 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.

Metgasco started site works during the quarter, a requirement of its Development Approval, securing the Development Approval in doing so.

## Exploration activities

Metgasco finalised an on-going aeromagnetic survey evaluation of PEL 16, and also provided input to 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:

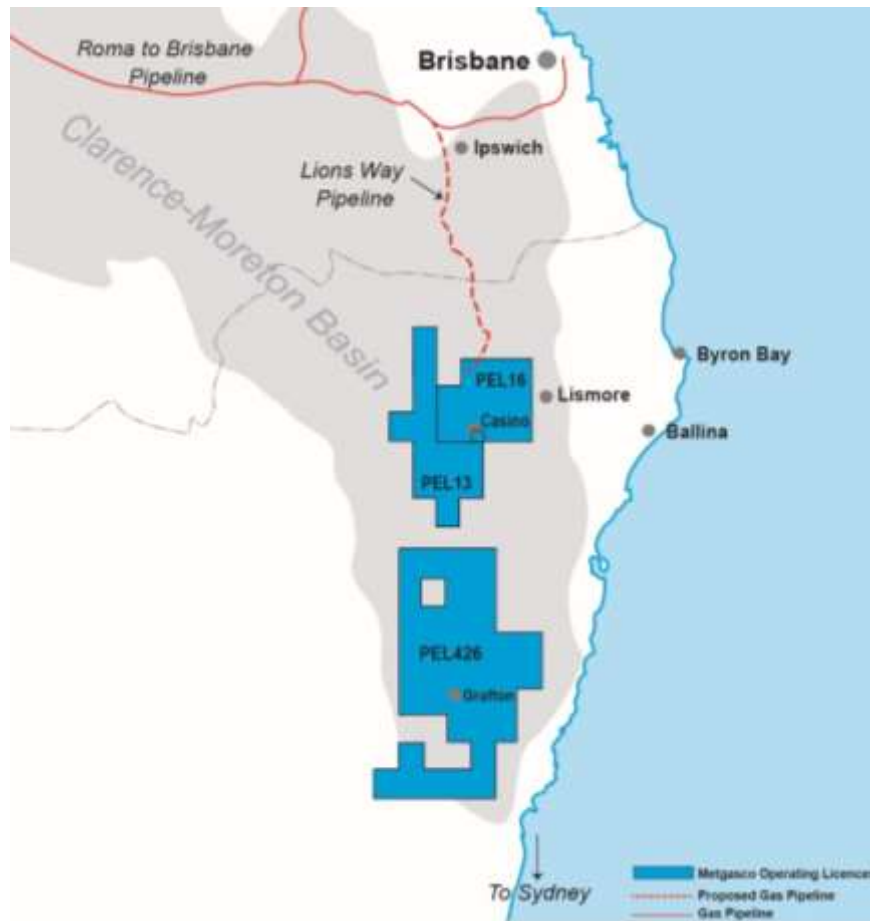
<b>Independently certified gas reserves and resources – Petajoules (PJ)</b>			
<b>All reserves and resources are 100% owned by Metgasco</b>			
<b>Reserve Category</b>	<b>PEL 13</b>	<b>PEL 16</b>	<b>Total</b>
1P (Proven)	-	-	-
2P (Proven + Probable)	-	-	-
3P (Proven + Probable + Possible)	-	-	-
2C Contingent 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 18 months. Metgasco re-submitted its renewal application in July 2015 in the Government's new format requirement.

### Cash position

The Company ended the quarter with a cash balance of \$7.6 million and no debt.

### Shareholder base

At 30 June 2015 Metgasco had 444 million shares on issue and no options outstanding.

### Outlook – work program for next quarter

The prime focus for the Company in the next quarter is to conclude discussions with Government and initiate appropriate actions, depending on the outcome of these discussions.

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

ENDS

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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