



ASX / MEDIA RELEASE

ASX Code: MEL

30 October 2015

QUARTERLY ACTIVITIES REPORT

QUARTER ENDED 30 SEPTEMBER 2015

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

- Metgasco commenced discussions with the NSW Government over its damages claim associated with the NSW's Government's unlawful 2014 suspension of its drilling program and the future of its gas operations in the Northern Rivers. During July and August Metgasco's court action and field activities were, accordingly, put on hold.
- In early September, in the absence of an agreement with Government, Metgasco withdrew its "hold" on activities and: 1) lodged its claim for damages in the NSW Supreme Court; and 2) commenced preparation for the seismic and drilling field activities.
- Discussions with Government continued beyond the end of August, but no result has been reached. As such, Metgasco is continuing with its Northern Rivers business activities and in particular, preparation for the acquisition of seismic in late November / early December, the drilling of the Rosella well, planned for the first half of 2016, court action to recover damages associated with the unlawful suspension of its 2014 drilling program and, if necessary, court action to have a production lease approved in relation to its application, PPLA 9.
- Metgasco continued to pursue business opportunities outside of NSW as a means to strengthen its business and broaden its risk profile.

Damages associated with Rosella drilling suspension and the future of gas in the Northern Rivers

As above, Metgasco lodged its statement of claim in the NSW Supreme Court on 4 September for damages associated with the unlawful suspension of its 2014 Rosella drilling program. The first court hearing, purely a procedural event, had been scheduled for 10 December.

During the quarter, the NSW Government reimbursed Metgasco \$250,000 for legal costs incurred by Metgasco in its successful court action related to the drilling suspension.

Preparation for Clarence Moreton Basin field activities

On 29 September, Metgasco announced a contract with Terrex Pty. Ltd. to acquire 16 km of seismic data in PEL 16, southwest of Lismore. The program was expected to commence in late November or early December, depending on availability of the acquisition spread.

Lismore Council has expressed opposition to the program. Metgasco is confident on a number of grounds that it has the approval to proceed and will work with the Council as best it can to respect its needs and gain its cooperation. Metgasco also notes that legislation passed through

NSW parliament in October this year means that when acquiring seismic along roads it is no longer necessary to get approval from people who have a dwelling within 200m of the road. This is a sensible change given the very low impact seismic acquisition will have and facilitates the program.

An advertisement has been placed in the local newspaper to inform the general community and a consultation program focussed on the people living on the relevant roads and the local councils will be conducted.

Discussions with the drilling contractor selected for Rosella have commenced and a reasonably complete draft contract is in place.

PPLA 9

No progress with the PPLA 9 production lease was made. The situation remains as per the last quarterly report, with the exception that Metgasco has written to the NSW Government, reiterating its lawful right to have the lease granted, requesting immediate granting of the new production lease and advising that, if not granted promptly, Metgasco was considering all options, including a judicial review to have the licence awarded. An excerpt from the last quarterly report to provide the background:

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 (“OCSG”) 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

During the quarter, Clarence Moreton Basin exploration activities were confined largely to acreage management and regulatory compliance requirements.

The main focus of exploration during the quarter was on the evaluation of oil and gas exploration opportunities outside NSW. Metgasco has developed a number of geological models for key prospective regions and will continue to do so.

Certified Reserves / Resources

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

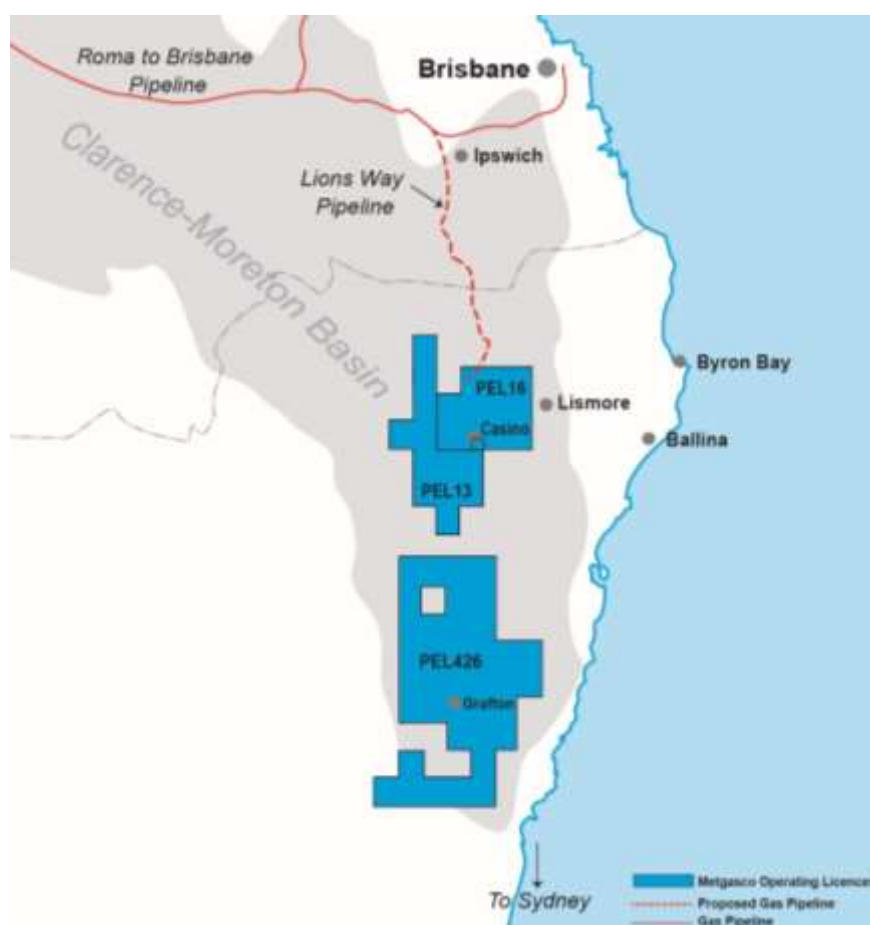
Independently certified gas reserves and resources – Petajoules (PJ) All reserves and resources are 100% owned by Metgasco			
Reserve Category	PEL 13	PEL 16	Total
1P (Proven)	-	-	-
2P (Proven + Probable)	-	-	-
3P (Proven + Probable + Possible)	-	-	-
2C Contingent Resource	1,636	2,792	4,428

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 30 September 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 20 months. Metgasco re-submitted its renewal application in July 2015 in the Government's new format requirement. Government responded in August with some questions. Uncertainties continued beyond then about the Government's new requirements, with the result that Metgasco, with Government approval, held its response until 8 October. The licence renewal application is now being reconsidered by Government.

Cash position

The Company ended the quarter with a cash balance of \$7.1 million and no debt.

Shareholder base

At 30 September 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:

- pursue its Northern Rivers seismic acquisition and drilling operations;
- pursue its drilling suspension damages claim in the NSW Supreme Court;
- pursue court action to have production lease granted related to PPLA 9 if NSW Government does not act promptly to grant it; and
- pursue new business opportunities outside the Clarence Moreton Basin.

The Company is also prepared to continue discussions with the NSW Government to seek an out-of-court settlement for the unlawful drilling suspension and about the future of the gas industry in NSW, but not at the expense of suspending its business activities.

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.

For further information contact:

Peter J Henderson Sean Hooper
Managing Director & CEO Chief Financial Officer

Metgasco Limited ACN 088 196 383

Level 11, 2 Elizabeth Plaza, North Sydney NSW 2060

[Tel:+61 2 9923 9100](tel:+61299239100) Fax: +61 2 9923 9199

Web: www.metgasco.com.au

For media inquiries contact:

Helen McCombie, Citadel: 9290 3033 or 0411 756 248
