



ASX / MEDIA RELEASE

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QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 31 DECEMBER 2016

SUMMARY

- ✓ 2.5 cents per share Return of Capital to shareholders.
- ✓ Acceptance of offer of preferred tenderer by Queensland Government for exclusive petroleum and gas exploration rights in Cooper and Eromanga basins.
- ✓ Full drawdown by Byron Energy Limited (ASX:BYE) of the Metgasco Funding Facility and A\$8.0m Convertible Note issued to Metgasco in January 2017.

The highlights of the quarter's activities are outlined below.

Return of capital

On 12 September 2016, shareholders approved a Return of Capital in the amount of \$0.025 per share totalling approx. \$9,961,620. Following the receipt of a draft Class Ruling from the Australian Taxation Office (**ATO**) as advised to the market on 7 November 2016, the Company proceeded with its payment to shareholders on 16 November 2016. The ATO published the final Class Ruling on 21 December 2016 confirming that the Return of Capital would not be deemed to be a dividend.

Queensland exploration blocks awarded

As announced on 22 December 2016, the Company was successful in its bid for tender areas PLR 2015-5-16 and PLR 2015-5-19, which were offered under a competitive tender by the Queensland Government in the Cooper/Eromanga Basins. Metgasco's move into the Cooper Basin secures high quality exploration opportunities proximal to delivery infrastructure in mature producing basins. An Authority to Prospect will be granted after Native Title agreements and other environmental approvals are satisfactorily completed. Metgasco has engaged expert consultants to assist in timely and effective engagement with the Wongkumara community as well as with the application for an Environmental Authority.

Byron A\$8.0M Convertible Note

Byron Energy Limited (ASX:BYE) fully drew down on the Metgasco Funding Facility on 20 January 2017 and issued Metgasco with an A\$8.0m Convertible Note. The Convertible Note is secured by a General Deed of Security and Priority (over Byron's assets), a Negative Pledge from Byron and a registered interest over Byron's share of SM 70 and 71 leases. For further details of the terms of the Deed, please refer to Metgasco's ASX release dated 22 July 2016. For an update on the development of the SM 71 project, please refer to Byron's announcement dated 23 January 2017.

Cash position

The Company ended the quarter with a cash balance of \$18.134 million and with no debt.

The following is a reconciliation of the Company's cash position from 30 September to 31 December 2016:

	\$A'000
Cash at 30 September 2016	<u>17,517</u>
Net interest and investment income	336
Realisation of Investments	10,907
Exploration and evaluation expenditure	(45)
Return of capital	(9,962)
Overhead and administrative	<u>(619)</u>
Cash at 31 December 2016	<u>18,134</u>

Following the November 2016 Return of Capital to shareholders, the Company's cash backing as at 31 December 2016 was \$0.0455 per share. This compares with the equivalent cash backing reported as at 30 September 2016 of \$0.0715 per share.

AGM

At the Annual General Meeting held on 24 November 2016, all resolutions were passed resulting in all Directors being re-elected and the remuneration report being adopted. Details on the resolutions passed are available on the on the Company's website at <http://www.metgasco.com.au/announcements>.

Cost and capital management.

Consistent with the disclosure in the Company's Quarterly Activities Report for the period ended 30 September 2016, the Company continues to pay particular attention to costs and capital management whilst retaining its ability to seek new business opportunities.

The Company's cash balances are held as cash at bank and term deposits.

New business

During the quarter, Metgasco continued with its strategy of reviewing a number of opportunities in the Oil & Gas sector and each opportunity has been reviewed for its potential to deliver short term reliable returns, long term growth opportunities and an appropriate risk / reward balance.

New Board policies

The Board adopted a new Securities Trading Policy and Continuous Disclosure Policy, both available on the Company's website at <http://www.metgasco.com.au/corporate-governance/policies>.

Shareholder base

At 31 December 2016, Metgasco had 398,464,823 shares on issue and 2,673 shareholders. Its top 20 holders held 185,886,976 shares or 46.65% of the Company's issued capital.

Certified Reserves / Resources

The company has no certified reserves or resources at present.

Tenements / Farm-in Opportunities

As notified to the ASX in July 2016, the Company elected to exercise its option to farm-in to Byron Energy Limited's (**Byron**) (ASX:BYE) Bivouac Peak Littoral Louisiana oil & gas project. In September 2016, the Company announced that it had executed the Bivouac Peak Participation Agreement, which formalised the Company's holding the project. As at 31 December 2016, the Company holds a 10% working interest (7.45% Net Revenue Interest) in the Bivouac Peak project which is expected to cost approx. US\$1.3m (A\$1.8m on current exchange rates). Drilling is anticipated to commence during 1H 2017.

Outlook - work program for next quarter

The prime focus for the Company in the next quarter is to continue to identify and secure further new business opportunities in the oil and gas sector as well as to continue and complete the review of those opportunities already identified.

ENDS

Background on 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, 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's Bivouac Peak Littoral Louisiana hydrocarbon project with an initial H1 2017 well testing a Gross prospective resource of 32,270 Mboe. Metgasco also holds cash of approx. A\$18m (net of a Capital Return of 2.5c/share paid to shareholders in November 2016).

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