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OVERVIEW OF 2013 ANNUAL REPORT

Metgasco today released its 2013 Annual Report. Key elements of the report are as follows:

- Metgasco retained cash of approximately \$21 million at 30 June, 2013;
- Metgasco has secured its three Clarence Moreton Basin exploration licences with minimal work program and expenditure requirements;
- Metgasco has reported lower CSG reserve estimates - a downward revision of 21% for 2P reserves, now 338PJ, and 23% for 3P reserves, now 2055 PJ, largely associated with the Company's assessment of the NSW Government's proposed 2 kilometre CSG drilling exclusion zone, announced in February 2013. Should the proposed exclusion zone not be adopted the reserve reductions will not be required.
- To reduce ongoing costs and long term liabilities, the Company initiated a program to decommission all wells that were not required for long term production and to decommission redundant water storage ponds. That program is essentially complete.
- Despite suspending its field operations and cutting costs in response to NSW Government regulatory uncertainty, Metgasco is confident that it can realise value for shareholders from its coal seam gas reserves and conventional/tight gas potential. New South Wales is facing gas shortages and significantly higher prices, a very difficult situation which is becoming evident at both state and federal government levels. Coal seam gas technology is not new, having being used in Australia for about 17 years. With about 4000 wells drilled in Queensland already, more than 30% of the gas currently consumed on the eastern coast of Australia produced by CSG wells and rural communities in Queensland reaping the benefit of natural gas production, Metgasco is confident that the regulatory environment in NSW will reflect the value of gas and encourage the industry. Once there is evidence of clear and sensible regulatory settings and a positive investment climate, the Company intends to resume field operations aimed at testing the tight gas potential of the Greater Mackellar structure and demonstrating commercial coal seam gas production rates with pilot wells. Given this expectation and economic modelling showing that its Clarence Moreton assets can be developed commercially Metgasco has made the decision not to impair the value of its exploration asset.

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