



Managing Director's Address

Metgasco AGM
28 November 2014

Rehabilitation and PPLA 9

- Rehabilitation

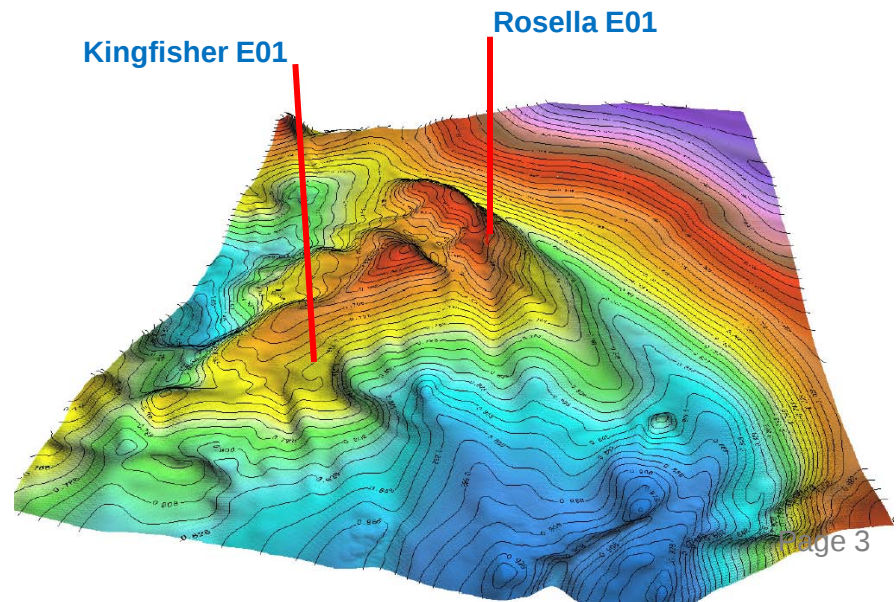
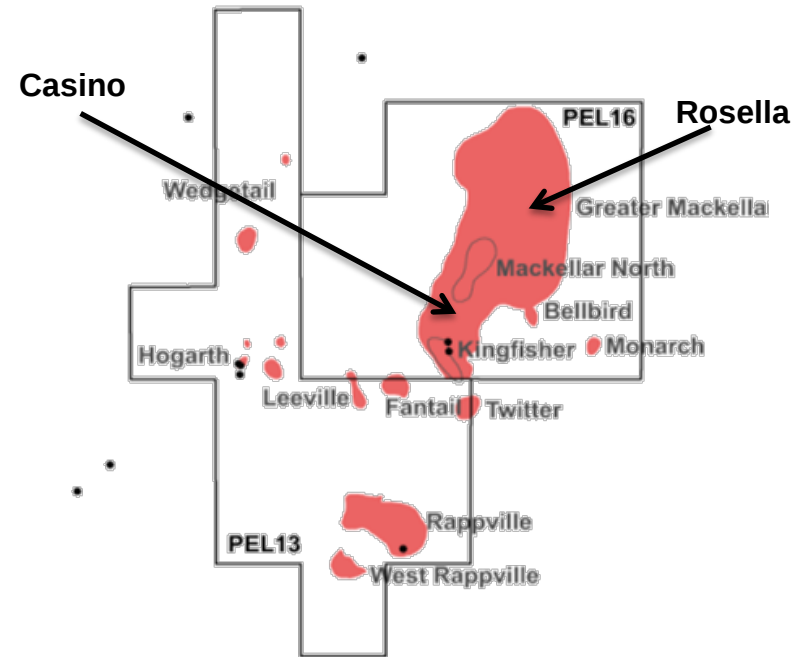
- All wells other than two CSG producers decommissioned and sites rehabilitated
- Three water ponds decommissioned and sites rehabilitated
- Three CSG water ponds handed back to landholders, CSG water to be used for stock watering
- Some bonds returned from NSW Government, more refunds expected in next few months

- PPLA 9

- Development Approval (DA) for Casino Gas Project and Richmond Valley Power Station Project received June 2010
- Still waiting on formalisation of production licence award for PPLA 9
 - Offer of production licence made to Metgasco in 2012
 - Metgasco accepted offer and associated conditions
 - Metgasco paid \$100k fee
 - Minister Hartcher announced award in September 2012
- Planning to commence limited activity in 1H 2015 to satisfy DA requirements

Rosella exploration drilling frustrated by NSW Government

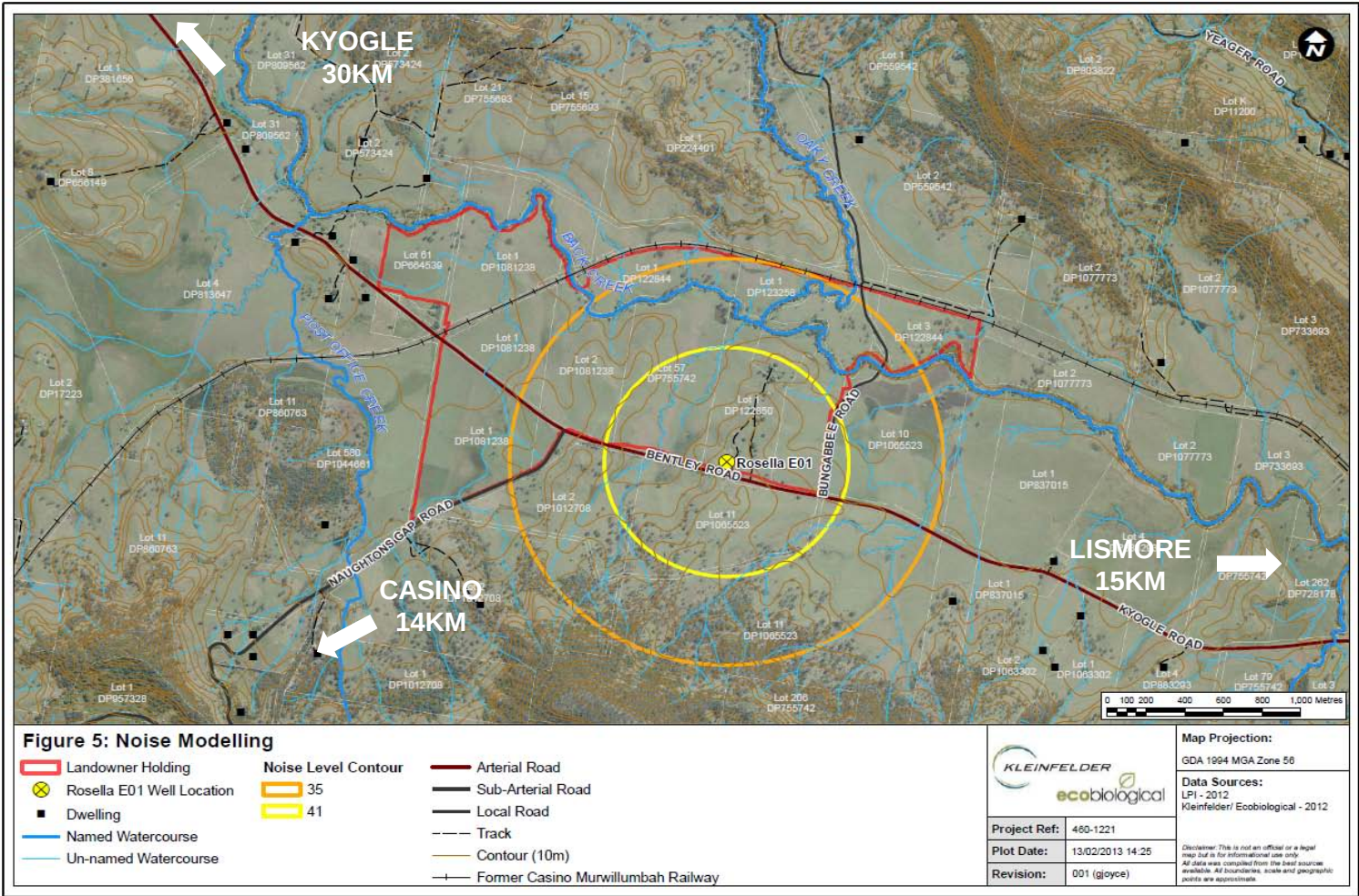
- Plans to drill announced in September 2013
 - Conventional and tight gas – not CSG
 - Test structure identified by the Kingfisher well (2009)
 - 2Q 2014 drilling, subject to rig availability
 - Simple, vertical exploration well – 40 days duration
 - No fracking
- Site: an unused gravel quarry
- Review of Environmental Factors (REF) – included community consultation program:
 - Submitted in March 2013
 - Approved in February 2014
- Landholder agreement with a very enthusiastic local farmer
- All drilling and service contracts in place and preparations made for drilling



Rosella site carefully considered

Closest home 1.4 km from drill site

No noise affected residents



Careful planning and consultation with local council to ensure minimal impact on the community

General Community Consultation Program

Three year general program:

- Presentations at public meetings
- Regular dinner meetings with community leaders
- Open days
- Letters to landholders and general community
- Videos – Switch and Fracknation – available at libraries
- Website
- Regular weekly advertisements
- Community Consultation Group
- Availability – local media

Large community meetings unattractive due to anti-gas hecklers and intimidation.

Government informed of our annual activities

- No feedback or criticism received.

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Produced water is salty, not toxic

- To extract gas, water is removed from the coal seam. It is not toxic and its use is closely regulated
- Produced water analysis shows that waste water is 1/10th salt content of sea water and close to drinking water standard
- Metgasco publicly released water data on 18 July 2012



Our wells produce low volumes of water in comparison to other operations

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A large table with multiple columns and rows, containing detailed water analysis data. The METGASCO logo is visible at the top left of the table.

Community Consultation Program- Rosella

Rosella exploration well location

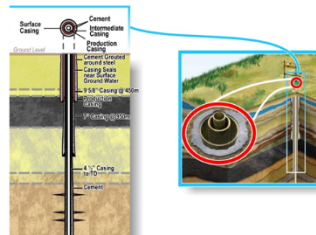
Environment protection

What happens after Rosella?

Rig selection and timing

Rosella water protection

- ✓ Well casing / design to ensure no interference with aquifers
- ✓ No water production planned from this well (not a CSG well)
- ✓ Safe and tested drilling fluids will be used and fully reported. All chemicals and practices environmentally sound.



Insignificant noise impacts



Closest home 1.4 km from drill site
No noise affected residents

Dual focus:

- People living within 2 km of well:
 - Information provided directly
 - Opportunity to meet as a group or one-on-one with Metgasco
- General community
 - Information handout
 - Briefings for local governments
 - Media interviews
 - Advertising –local newspapers
 - Website
 - Direct briefings on request
- Consultation program expanded from programs for earlier wells

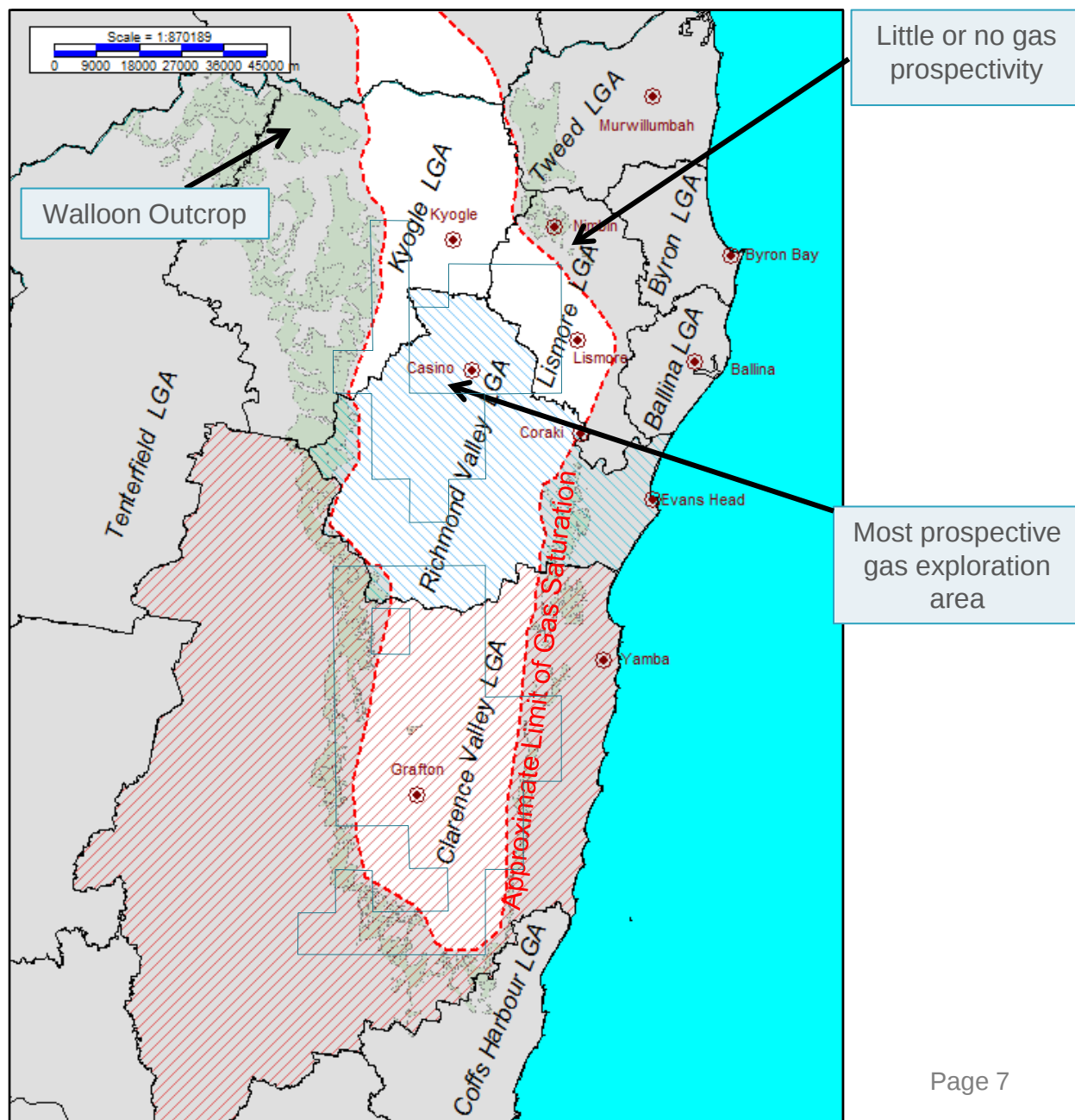
Program specified in approved REF.
Advised to Minister in January 2014
No feedback/comment pre suspension

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Rosella Exploration Well
Community Consultation
Page 15 of 17

Exploration licences and local communities

- Metgasco - the only active explorer in the region over the last three years – most of our activity has been between Casino and Kyogle
- 270,000 people live in broader Northern Rivers Region, 23,000 in Richmond Valley Council LGA
- Characteristics of the various local government areas are quite different
- Metgasco has enjoyed solid community support where we operate, around Casino
- Strongest opposition comes from Nimbin area and coastal towns (which are outside the Clarence Moreton Basin and have very limited or no gas potential).



Rosella well – protest action

- Protests experienced with early 2013 drilling
 - Police supported operation
- Protestors started assembling outside Rosella well site from January 2014
- Repeated acts of intimidation, property damage and trespass through May:
 - Gates padlocked and welded shut on 5 occasions, preventing landowner access
 - Structures and barricades built on entrances
 - Roads vandalised
- Protest camp approved – numbers increased to 300 level, with peak daily protest numbers in the order of a 1000, with claims of potential for larger numbers
- Protestors drawn from areas well beyond Bentley and Northern Rivers – a national program, not just a local Bentley program
- Reports of the need for 700 police

Repeated assurances from senior government officials and police that they would support drilling

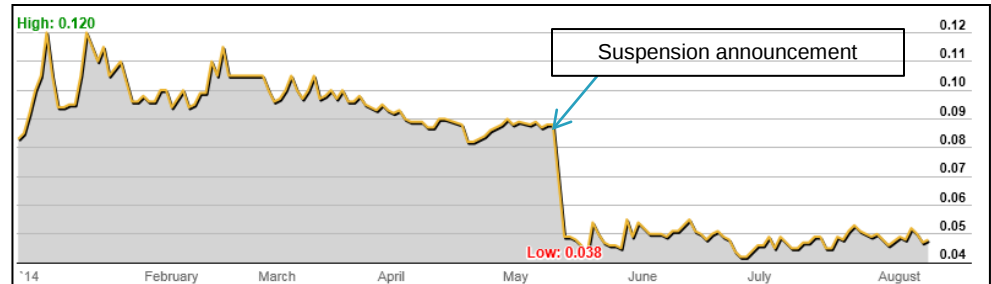


Suspension of Rosella drilling approval

- 14 May; Rosella drilling approval suspended, only days before drilling rig due to arrive
- Justification: failure to comply with community consultation guideline – “genuine and effective”.
- No warning whatsoever – a complete surprise

Impact on Metgasco:

- Losses associated with the need to terminate drilling and related contracts
- Share price fell 40% on the day the suspension was announced



- Metgasco challenged position (15 May and 6 June):
 - Government did not have lawful right under Petroleum Onshore Act to suspend our activity.
 - Government did not follow correct suspension process, even if it had the right to do so;
 - Suspension decision fundamentally flawed.
- 26 June: OCSG rejected Metgasco's submission and maintained suspension.
- Metgasco had no choice other than to commence court action to have the suspension removed and is considering a damages claim. Supreme Court hearing held on 20 and 21 October.
- Metgasco would prefer to settle out of court.

Comparison with consultation guidelines - summary

Guideline element	
Opening line: <i>"Keeping the community informed is an important part of any exploration program."</i>	✓
<i>"The level and type of community consultation to be undertaken will depend on the specific exploration program, the resources available and the scale of the project."</i>	✓
<i>"the purpose of the consultation being made clear – this includes what is being consulted on and what is non-negotiable".</i>	✓
<i>"Interaction with stakeholders will vary depending on the level of interest and/or impact associated with the activity".</i>	✓
Communication – factsheets, newsletters, direct contact, consultation committees, websites, email, etc	✓
OCSG selective criteria (sentences embedded in guidelines, not presented as bullet points): <i>• is about involving people in making decisions that affect them;</i> <i>• aims to understand and address issues in the early stages of a project to ensure that the interests of the community are considered during the planning process;</i> <i>• Is important to identify potential issues, minimise the risk of conflict and provide additional information in relation to proposed exploration activities</i>	✓

- Rosella is a single simple conventional gas exploration well.
- The 40 day well will have essentially no impact on any of the "stakeholders"
- If successful and more exploration or development activity follows, the consultation program will need to increase accordingly

Major messages from Rosella suspension

- Consultation
 - Consultation should not mean persuasion
 - Scope of consultation must match activity
 - Stakeholders must be only those directly affected
 - Protests and need for law enforcement should not be considered an indication of failed consultation
 - Government's must play a lead role and show support for an industry
- Law enforcement – act immediately on small acts of lawlessness – don't wait

There are some positive signs in NSW, but - -

- NSW Government / Santos –Pilliga development MOU
- AGL fracking plans (Gloucester) finally approved and program carried out
- Strong statements by Resources Minister, Anthony Roberts:
 - He [Minister Anthony Roberts] urged a more open-minded, fact-based approach to coal seam gas business and the technology that supports it.
 - “Is the industry safe? Yes”
 - “The science is there and the protection is there. The highest levels of well integrity are required. I would have no issue with having a well on my property,”.
- Government water monitoring program
- CSIRO – GISERA
- Growing awareness of imminent supply challenge and higher prices
- Recent comments from Premier Baird that resource project approval time are unacceptably long and that PAC decision making processes are flawed – but action must wait until his next term

- NSW gas industry has been subject to a series of delays and changes to regulations – we still do not have certainty or a stable investment climate
- The NSW Government needs to demonstrate that it supports the industry

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