



## Large Uncontracted Gas Reserves – Excellent Market

International Road Show:  
Hong Kong, New York, London

March 2012

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## **ASX Listing Rule 5.11 Disclosure**

Reserves have been certified by Mr Tim Hower of MHA Petroleum Consultants (Denver) who is a qualified person as defined under the ASX Listing Rule 5.11. Reserves have been developed within the guidelines of the SPE. Mr Hower has consented to the use of the reserve figures in this presentation. Conversion of reserves from PJ to Bcf at 1.04 PJ/1.00 Bcf.

# Overview

- Metgasco is an ASX Listed, onshore conventional and unconventional gas company, with significant 100% owned acreage in Clarence Moreton Basin (NSW)
- Large uncommitted coal seam gas reserves – established in 10% of the Company's acreage
  - 1P Gas reserves of 2.6 Bcf
  - 2P Gas reserves of 412 Bcf
  - 3P Gas reserves of 2,444 Bcf
- Significant potential to grow current reserves
- Located close to end markets and infrastructure on east coast of Australia
- Defined path to cashflow generation and value creation
- Increasing demand for gas – domestic and international



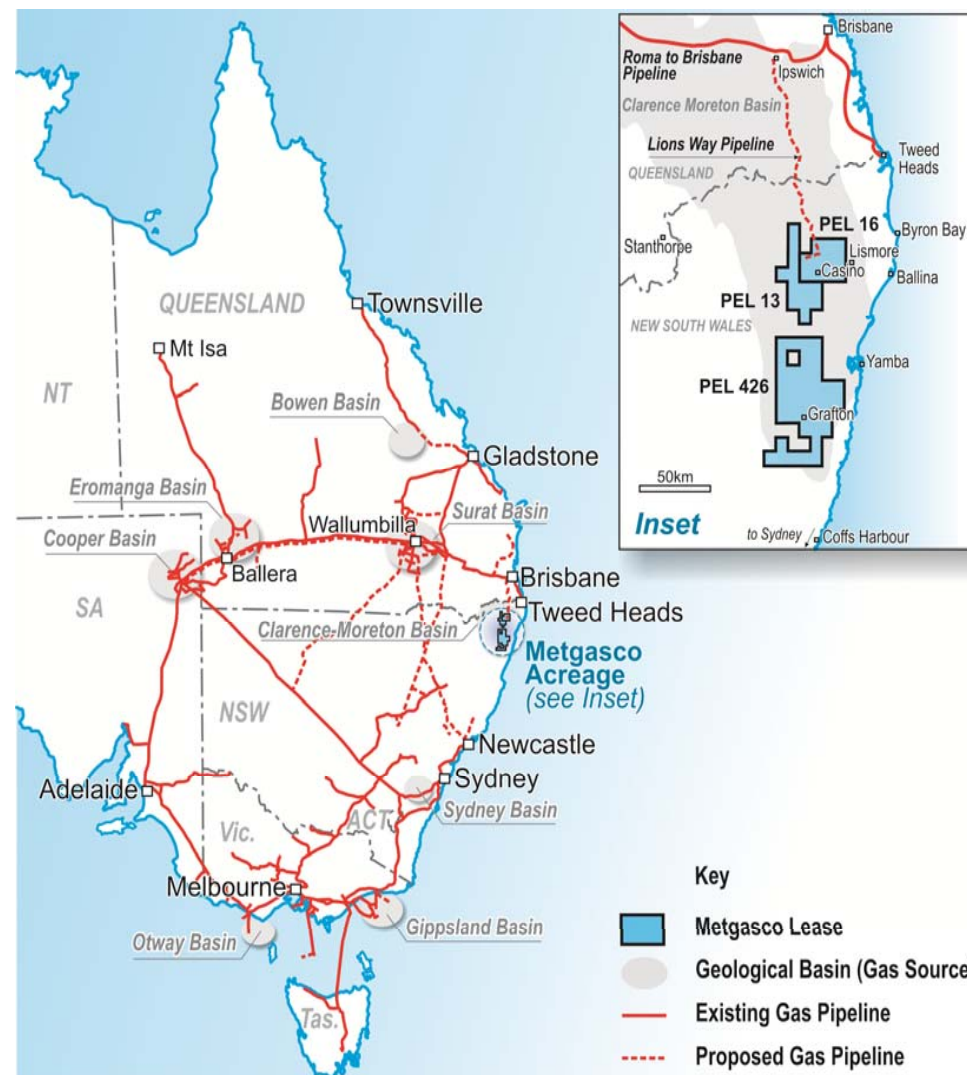
# Corporate overview

## Capital structure

ASX code	MEL
Share price (at 29 February 2012)	\$0.36
Market Capitalisation (million)	\$122
Shares on Issue (million)	338.6
Options on Issue (million)	7.0
Cash (at 31 December 2011)	\$17M
Debt	Nil

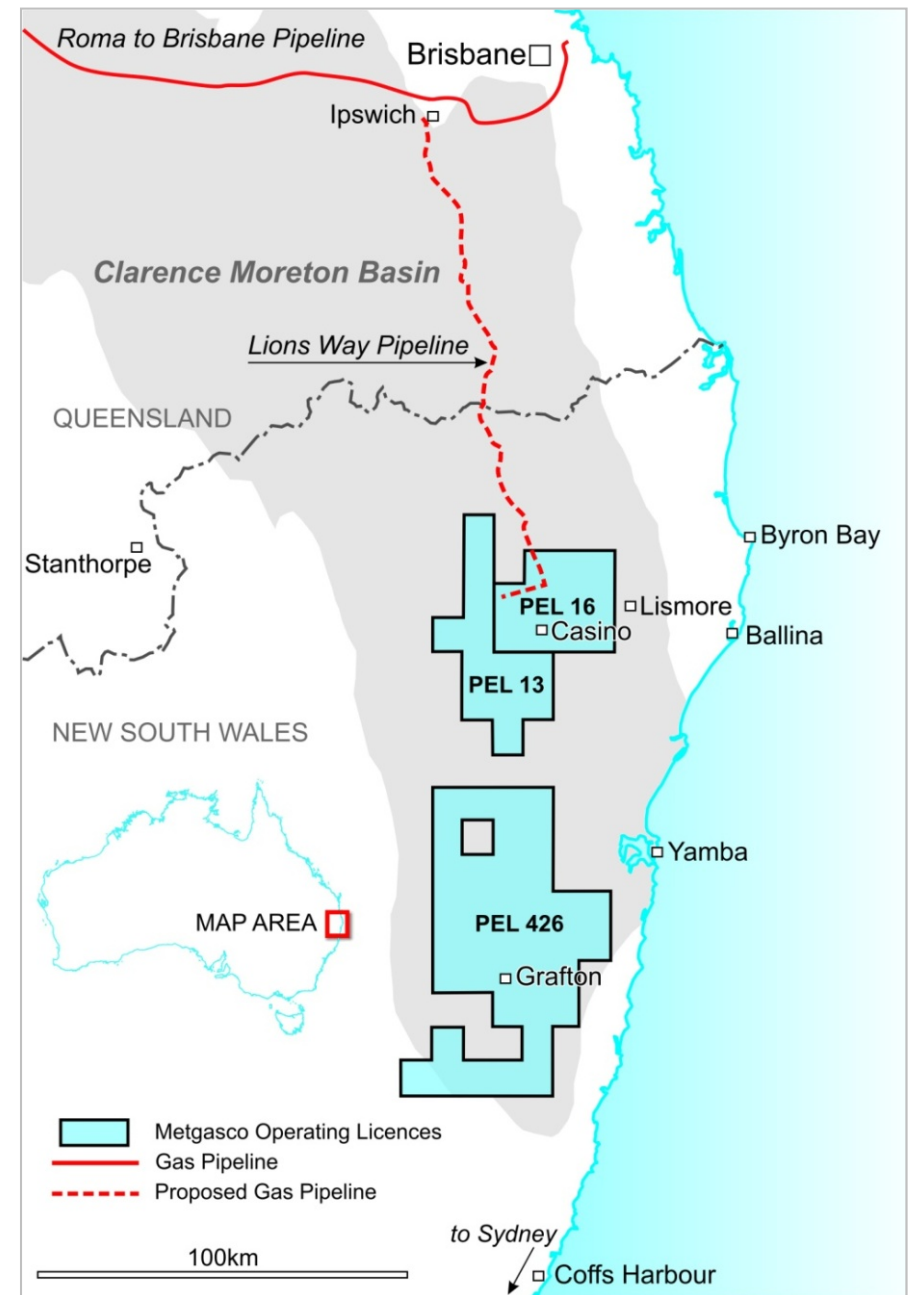
## Board and management team

Nicholas Heath	Chairman, Non-Executive Director
Peter Henderson	Managing Director
Steven Koroknay	Non-Executive Director
Leonard Gill	Non-Executive Director
Sean Hooper	Chief Financial Officer & Company Secretary



# Asset location and features

- World scale acreage position in the Clarence Moreton Basin
  - 3 tenements (PEL 16, 13 & 426)
  - 1,126,059 acres
  - 100% owned
- Large gas resource potential
  - CSG OGIP – 24 TCF
  - Conventional – 2 TCF
  - enough to supply the state of NSW for many years and to support an export LNG business.
- Drilling program has demonstrated the Clarence Moreton Basin is gas charged over distance of 100km
- Located close to markets and infrastructure
- Development of Lions Way pipeline will connect Metgasco projects to wholesale gas markets
- Potential to supply gas to Gladstone LNG markets and to SE Qld gas markets



# Metgasco's coal seam and conventional gas targets

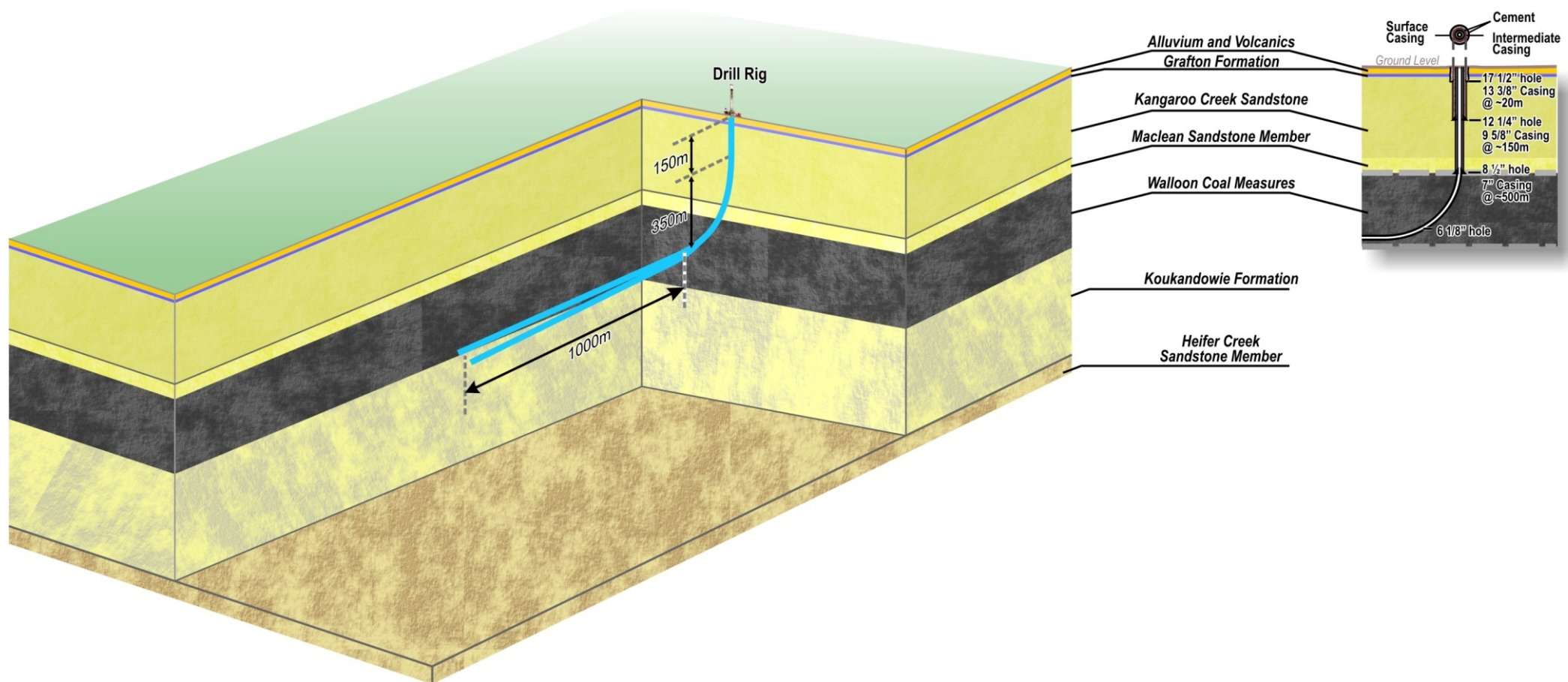
Age	Stratigraphic Unit		
Tertiary to Recent	Alluvium & Volcanics		
?Cretaceous	Late	Grafton Formation	
		Kangaroo Creek Sandstone	
		Maclean Sandstone Member	
	Middle	Walloon Coal Measures	
		Koukandowie Formation	
Jurassic	Early	Bundamba Group	Heifer Creek Sandstone Member
			Ma Ma Creek Member
			Towallum Basalt
			Gatton Sandstone
			Koreelah Conglomerate
			Calamia Member
Triassic	Late	Woogaroo Subgroup	Ripley Road Sandstone
			Raceview Formation
			Laytons Range Conglomerates
	Early/Late	Ipswich Coal Measures	Redcliff Coal Measures
			Evans Head Coal Measures
	Middle	Nymboida Coal Measures	

Metgasco is exploring for gas which can be developed commercially in the:

- The Walloon Coal Measures – proven to be productive in Qld
- Sandstone reservoirs below the coals



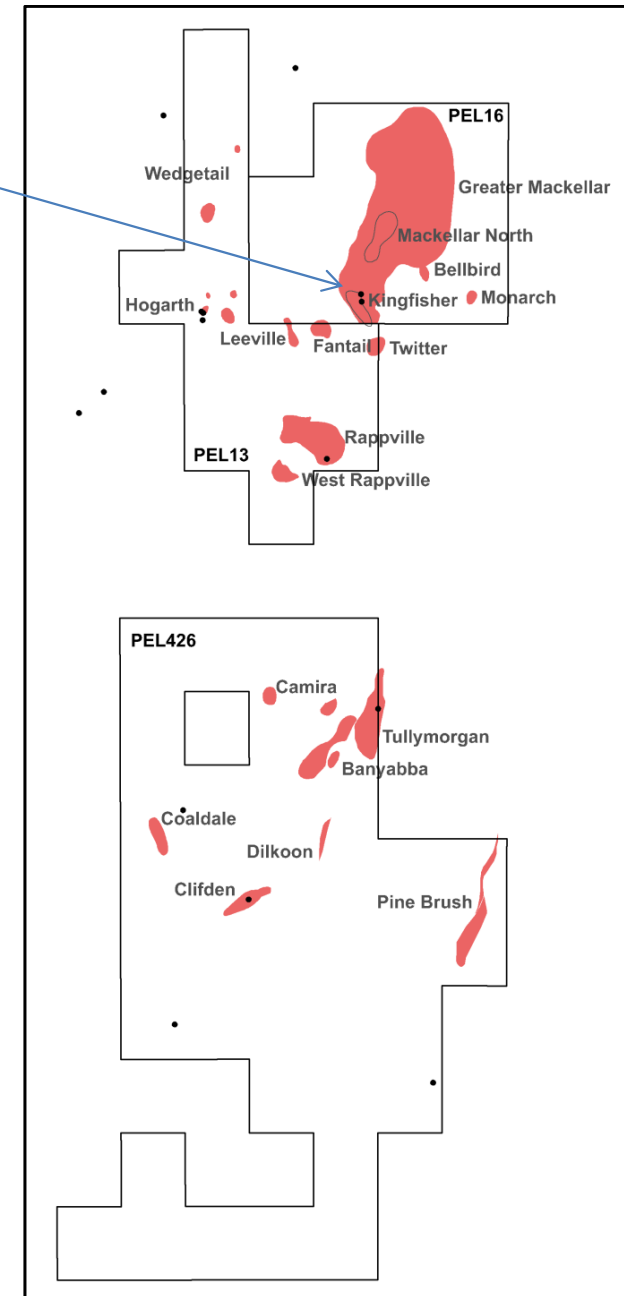
# CSG trial production - Richmond seam



- Corella P11 – single lateral on production test for over three years – 200 mcf/d production rate
- Corella P18 – sidetrack single lateral (improved drilling and completion techniques) encouraging test results
- Harrier P01 – dual lateral - encouraging test results

# Kingfisher gas field and Greater Mackellar structure

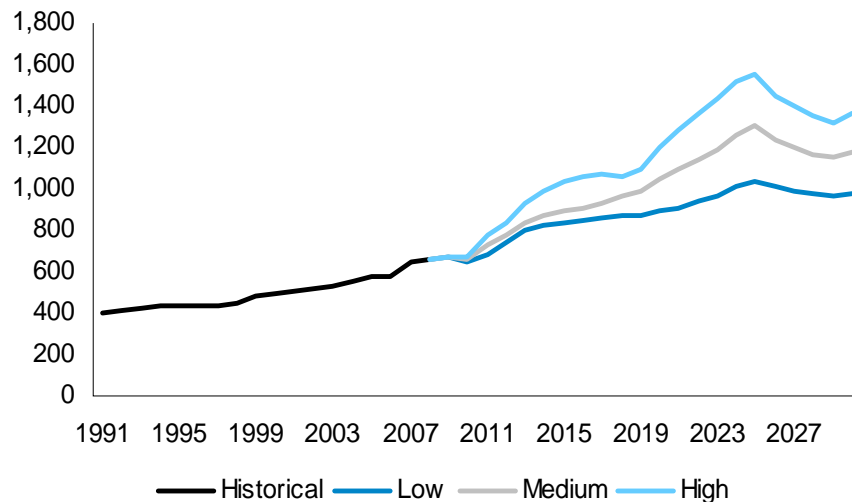
- Kingfisher E01
  - First major conventional gas discovery in NSW (November 2009)
- Large section of gas charged sands identified:
  - 138 metres of gas charged sands in Ripley Road and Gatton formations
  - Up to 500 meters of additional section below TD of Kingfisher E01
- Extensive testing and appraisal program conducted
  - Good quality +95% CH<sub>4</sub> gas
  - Production test (2,050-2,043.7m) – 3 mmscfd
  - Extended production test of Gatton formation (1450-1453m) following limited stimulation of a 3 meter zone
- Greater Mackellar Structure
  - P<sub>mean</sub> OGIP 1,312 Bcf
  - Plan to drill in 2H 2012



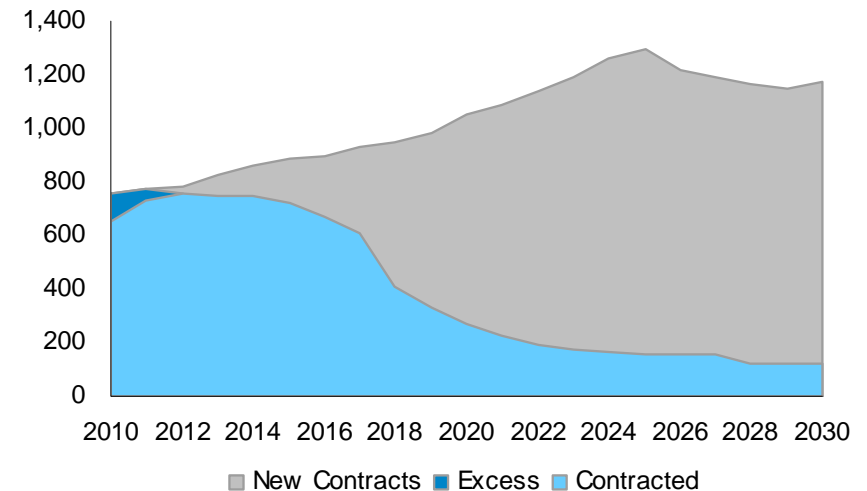
# Strong east coast domestic demand

- The market is undergoing significant structural change driven by
  - LNG developments in QLD which will result in gas being directed towards the larger and higher priced Asian LNG markets
  - Limited ability for east coast conventional gas reserves to meet the developing domestic markets
  - Focus on reducing carbon emissions which will support new investment in gas-fired generation projects

**Eastern Australia Domestic Gas Demand Scenarios (PJ) <sup>(1)</sup>**












**Eastern Australia Domestic Demand and Supply (PJ) <sup>(1)</sup>**



(1) Source: Annual Gas Market Review, Report to DEEDI prepared by McLennan Magasanik Associates, 23 June 2010

# East coast LNG – More than \$52 billion to be spent

- Major domestic and international players with committed buyers developing large scale LNG projects.
- Additional reserves required for LNG expansion plans.
- The east coast gas market will become increasingly integrated with the global market by way of LNG.
- Gas prices are expected to rise to be more in line with international oil-linked LNG prices.

Project	Partners	Base Capacity/ Contracts	Required Reserves for Base (PJ) <sup>(1)</sup>	Estimated Current Reserves (PJ)	Status
QCLNG	 BG GROUP  TOKYO GAS	8.5 Mtpa	11,050	8,500	<ul style="list-style-type: none"> <li>FID reached November 2010</li> </ul>
GLNG	   	7.2 Mtpa	9,360	5,600	<ul style="list-style-type: none"> <li>FID reached January 2011</li> <li>Offtake with PETRONAS and Kogas</li> </ul>
APLNG	 ConocoPhillips 	9.0 Mtpa	11,700	11,300	<ul style="list-style-type: none"> <li>FID on Train 1 reached July 2011</li> <li>Sinopec has contracted offtake for up to 4.3 mtpa of LNG for 20 years</li> <li>Marketing of Train 2 underway</li> </ul>
Shell Australia LNG	 	8.0 Mtpa	10,400	6,100	<ul style="list-style-type: none"> <li>Development timing now expected to be FID in 2013</li> </ul>

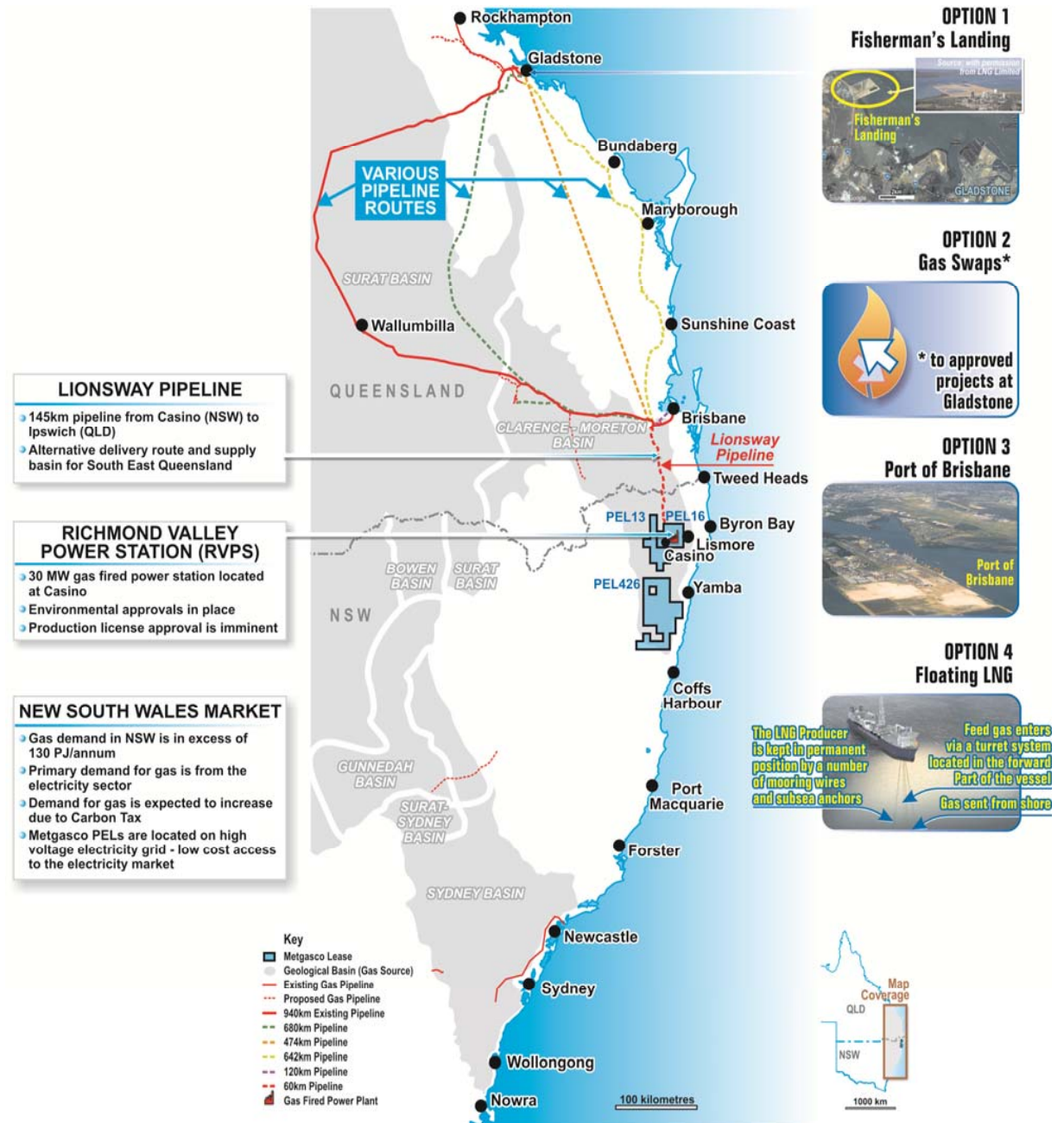
Source: Company announcements, broker research

Notes: (1) Estimates based on 20 year LNG plateau and 65PJ of CSG per 1 Mtpa LNG production; excludes ramp gas and tail gas requirements which could be significantly more

East Australian Gas Market Outlook

# Numerous commercialisation options available

- Local domestic gas
- Domestic gas fired electricity
- Micro LNG / CNG
- Gas to LNG export (WorleyParsons study)
- Other industrial gas uses



# Growing coal seam gas reserves

- 100% ownership of gas reserves
- Large uncontracted reserve position in the CSG sector
- Reserves:
  - Cover PEL 13 and 16
  - Over 10% of area
  - Excludes conventional gas
- Scope to significantly increase CSG reserves

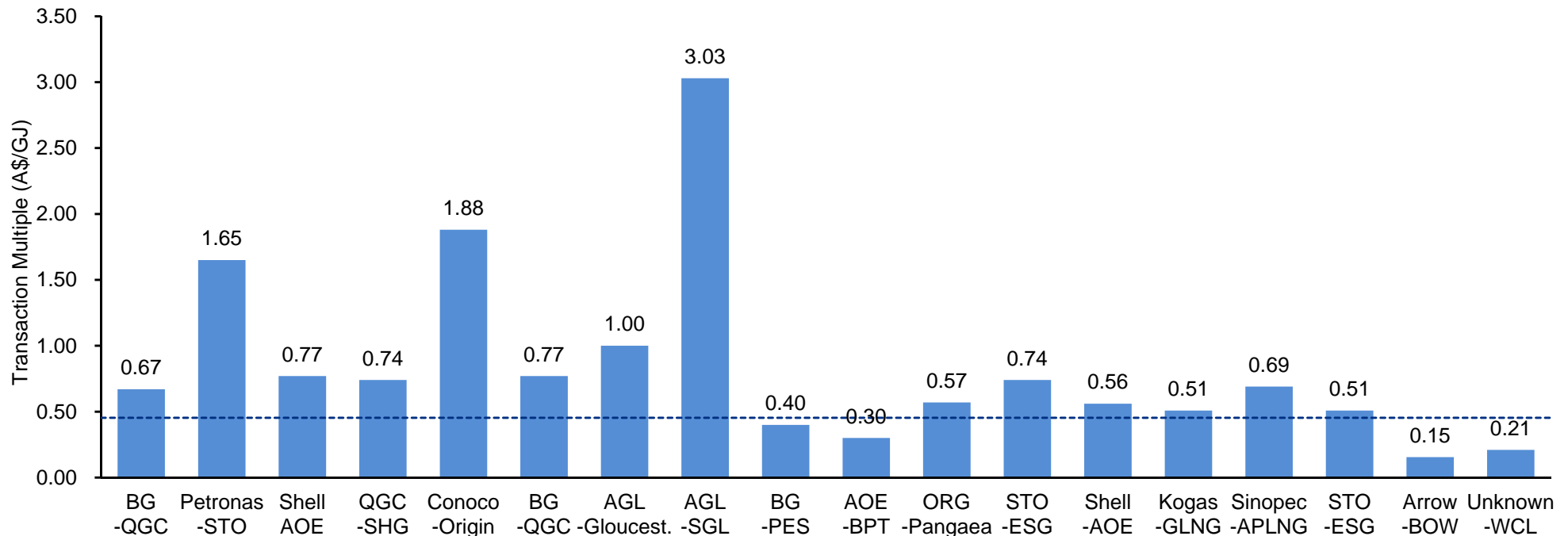
Australian Coal Seam Gas Reserves (Petajoules)		
Company	3P	2P
QGC (BG)	14261	7245
Origin	7268	5122
ConocoPhillips	6265	5004
Santos	7409	4564
Shell	6879	2874
PetroChina	4129	2636
AGL	3506	2029
<b>Metgasco</b>	<b>2542</b>	<b>428</b>
Sinopec	2211	1766
Petronas	2112	1377
TOTAL	2112	1377
Kogas	1152	751
Molopo	817	345
Westside	725	258
Senex	249	79
Mitsui	212	110
CS Energy	189	70
Dart	102	45
<b>Total</b>	<b>62,140</b>	<b>36,080</b>

■ LNG participant company

■ Independent

Source: Company Research and Internal estimates  
Conversion of reserves: 1.04 PJ/1.00 Bcf

# Metgasco's current enterprise value by 3P is \$0.04



- Energy majors are hungry for positions in large scale unconventional gas resource plays

- Shell/ Petrochina – Acquisition of Arrow Energy A\$3.5 Billion
- BG – Acquisition of QGC A\$5.2 Billion
- ConocoPhillips – Acquisition of Origin assets A\$7.1 Billion
- STO – Acquisition of ESG A\$924 Million
- Arrow (Shell Petrochina) – Acquisition of BOW A\$535 Million
- Westside – Takeover bid A\$165 Million

# Strong government support for gas industry growth

- “We see a strong future for the gas industry here in Australia. We'll use some of that gas; we'll export a lot of that gas. It's got a very bright future.”

*The Hon Julia Gillard MP, Prime Minister, The Australian 20 August 2011*

- "The coal seam gas industry is one of the cleaner fuel options for an energy-hungry world, and we have the capacity to supply it in spades as well as the LNG (liquefied natural gas) industry - Australia will become the Saudi Arabia of gas.”

*The Hon Simon Crean MP, Minister for Trade and Regional Australia, [www.ninemsn.com.au](http://www.ninemsn.com.au) 19 August 2011*

- “The NSW Government believes that balanced co-existence of mining (including CSG) and agriculture is not only possible, it is essential....Increased use of natural gas, including CSG, to meet an increasing proportion of future energy needs is a key component of the strategy to restart economic growth in NSW, minimise rising energy costs and the effects of climate change and facilitate the transition to a lower carbon economy.”

*NSW Government submission to the NSW Parliamentary Inquiry into CSG September 2011*

# Looking forward

- Heightened demand for gas
  - Local NSW demand for gas to displace high priced LPG and diesel
  - Existing domestic gas customers currently seeking to lock in large gas volumes
  - Gladstone LNG projects require additional gas to meet export commitments
  - Potential for stand-alone LNG project
- Metgasco is the last remaining independent company on the east coast with large, uncommitted 2P gas reserves
  - Also the only company on the east coast with onshore conventional gas supply potential
- Metgasco plans for 2012
  - First gas sales and production
    - Gas sales to local customers (Richmond Dairies)
  - Drill high impact conventional gas lead – Greater Mackellar,  $P_{\text{mean}}$  1,312 Bcf
  - Continue to refine CSG production technology and improve reserve position
  - Evaluation of gas sales and strategic opportunities
  - Considering partners to pursue the upscale commercial potential that exists