



ASX/MEDIA RELEASE

13 March 2013

Suspension of Metgasco's Clarence Moreton program

Metgasco Limited (ASX: MEL) today announced the suspension of the company's Clarence Moreton exploration and development program. This is a carefully considered decision by the Metgasco Board in light of the uncertain operating environment created by the New South Wales Government's announcement on 19 February that it intends to change the regulations for Coal Seam Gas (CSG) operations in the State.

Long term tenure over Metgasco's exploration licences with a minimal work program has been sought and granted to ensure the value inherent in the company's extensive gas reserves is retained. Given this decision, the company will also be reducing its organisational structure in line with its reduced operating activities. Once CSG investment regulations are firmly established and it once again becomes prudent to invest shareholder capital exploring and developing CSG reserves in New South Wales (NSW), Metgasco will resume its operations.

In the meantime, Metgasco plans to use its capital to pursue opportunities outside the Clarence Moreton Basin to better broaden its spread of technical, operations and geographical risks.

The NSW Government's new regulations, which are still not finalised, have created an environment of substantial uncertainty for energy companies in the State. As the regulations currently stand, it is not clear exactly how they will affect the approval timing and conditions for new wells and developments. With the NSW Chief Scientist report not due until mid-year, Metgasco like all other energy companies looking to undertake CSG developments in New South Wales, is potentially faced with another six months or more of regulatory uncertainty and delays.

Commenting on the suspension of the company's Clarence Moreton exploration and development program, Metgasco Managing Director Peter Henderson said that the suspension decision, while very disappointing in light of the benefits to the Northern Rivers region in terms of new jobs and support for local industry, was necessary to preserve shareholder value.

"The CSG industry in New South Wales endured an 18 month shutdown while the State Government reviewed the industry and put in place regulations it lauded as the toughest in Australia, if not the world. Only five months after introducing these new regulations and confirming its support for the industry, the NSW Government has yet again announced new regulations, this time without any consultation with the energy industry.

"Until the New South Wales CSG regulations are firmly established and tested, Metgasco plans to scale back its organisation while maintaining a small presence in the Northern Rivers region to manage community consultation and maintain key relationships. The company will rehabilitate most, if not all, wells and facilities located on its permits. This was not an easy decision to make, but a necessary one given the regulatory uncertainty," said Mr Henderson.

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Metgasco has been exploring for natural gas in Northern NSW for almost 10 years and was about to begin its development program alongside further exploration activities, aiming to confirm well productivity and start gas sales to the local community. The company has spent nearly \$100 million in acquiring its licences and undertaking exploration activities over that time.

The work program Metgasco has executed to date has confirmed a very large scale CSG resource with an estimated 2,500 petajoules of natural gas reserves in place. To put this in context, NSW and the Australian Capital Territory currently consume approximately 130 petajoules of natural gas per annum. Metgasco currently has the largest uncontracted gas reserves on the East Coast of Australia.

Consistent with industry research by external parties, Metgasco expects NSW gas supplies to tighten severely over the next few years and for industries to face gas shortages and greatly increased gas prices. This market pressure, combined with a continuing record of sound environmental performance, lack of health concerns and strong economic benefits being demonstrated by the CSG industry in Queensland and overseas, has the potential to increase the value of the resource that Metgasco has identified and to encourage a more supportive and stable political and regulatory environment in NSW. Mr Henderson said "This should result in better market appreciation of Metgasco's reserve/resource value, helping to attract the capital and partners required to commercialise the significant reserves in the Clarence Moreton Basin".

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