

04 July 2014

## Metgasco to proceed with legal action

Natural gas explorer Metgasco Limited (ASX:MEL) will pursue a judicial review of the suspension of its licence to drill an exploration well in northern NSW, with a Supreme Court Hearing scheduled for today.

The NSW Office of Coal Seam Gas (OCSG) recently completed a review of its own 14 May decision to suspend Metgasco's approval to drill the Rosella exploration well.

Following the review, the NSW Minister for Resources and Energy, Mr Anthony Roberts, announced that the licence suspension would remain in place. The OCSG provided Metgasco with written material in support of its renewed suspension decision. That material demonstrates that there has been a seismic shift in the OCSG's interpretation of "effective consultation", which we consider does not accord with its own guidelines.

Metgasco believes the OCSG's new material provides no justifiable basis for its claim that community consultation was inadequate or that Metgasco had failed to honour its approval obligations.

Metgasco Managing Director and CEO, Mr. Peter Henderson, said "Metgasco strongly believes that it has complied with the OCSG guidelines on community consultation. The Company's proposed consultation program was specified in its drilling REF (environmental) application lodged in March 2013 and approved by the OCSG in February 2014. The OCSG did not communicate any concerns about community consultation until a few days before the drilling rig was to be mobilised.

"We are also concerned that the justification for the suspension keeps changing. The most recent decision by the OCSG cites new and different reasons to the original 14 May letter. The prime reasons for the suspension decision appear to have little to do with Metgasco's efforts to consult in good faith with the local community, but rather a concern about protests by activists who demonstrably have no interest in consultation.

"Metgasco would like to work constructively with the Government on community consultation as soon as possible but with the Government continuing to alter the definition of "effective consultation" Metgasco has no alternative than to seek court action to protect shareholder interests and have the suspension lifted.

Mr Henderson also noted that the Rosella exploration well drilling approval previously provided by the OCSG confirmed that the exploration well represents a very low and acceptable risk to the environment or public health.

Mr Henderson also expressed concern about the Government's response to Metgasco's Notice to Produce issued by the Court, which had a deadline of 20 June. To date only a handful of documents have been produced by the Government, all of which were basic licence documents and Metgasco's own documents. This lack of transparency from the Government seems to be inconsistent with Minister Robert's public statements on the need for transparency in government decision making. This matter will also be raised at the 4 July Supreme Court hearing.

Mr Henderson said Metgasco had invested about \$120 million over the past 10 years exploring for natural gas in NSW and had identified the second largest gas resource in the state. Metgasco wishes to work cooperatively with the Government to resolve the current dispute as quickly as possible.

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