

Metgasco plans to recommence gas exploration in Northern Rivers NSW

Metgasco (ASX:MEL) today advises the following:

Metgasco Limited (ASX: MEL) is pleased to announce today that it is initiating plans to recommence gas exploration. The company plans to drill the Rosella-1 conventional gas well in its exploration permit PEL 16 located in the Northern Rivers region of NSW.

Commenting on developments, Metgasco's Managing Director, Peter Henderson, said that today's announcement reflects positive regulatory and political developments.

"Six months ago, Metgasco suspended field operations when the NSW government announced major changes to regulatory and administrative procedures. Like Metgasco, major industry players also chose to suspend activity in NSW at that time. However, recent regulatory and political developments, particularly since the September Federal election, have encouraged Metgasco to initiate the activities necessary to enable field operations to recommence", added Mr Henderson.

Metgasco participated in the successful NSW Energy Security Summit on 26 September 2013, at which the serious gas shortages facing NSW consumers over the coming years were given extensive media coverage. Major energy users, farming community representatives and other stakeholders joined gas explorers and producers in reviewing the very disturbing forecasts of steep gas price increases in all eastern states.

There was strong acknowledgement at the summit by key stakeholders that price increases and potential gas shortages could only be mitigated by additional supplies of gas. In particular, the NSW Resources and Energy Minister, the Hon Chris Hartcher MP, expressed support for NSW gas explorers to pursue new gas supply sources to help moderate the inevitable gas price increases faced by NSW gas consumers. He also made clear to stakeholders that the NSW government's tight environmental requirements were to remain.

In order to successfully complete exploration drilling, Metgasco will be working with the regulators and conducting a community consultation program to ensure that environmental concerns are addressed and the environmental objectives of the NSW government's regulatory regime are satisfied, and the community is aware of the Company's operations.

Following the recent Federal election, the new Federal Industry Minister, the Hon Ian Macfarlane MP, has initiated processes to facilitate dialogue between gas explorers and farming groups in order to bring about a resumption of gas exploration and development in NSW. This work is greatly valued. Mr Macfarlane is supportive of the gas industry and is working to

harmonise and simplify regulations across state and federal boundaries. Metgasco strongly supports the need for smart regulation based on sound science.

For over 10 years Metgasco has operated successfully in the Northern Rivers region and has enjoyed the strong support of the majority of landholders and community members with whom the Company works. Over this period, 300 landholder agreements have been put in place, and over 50 wells drilled. Polls conducted by the Richmond Valley Council also show community support for the natural gas industry.

The Rosella-1 exploration well is to be drilled to a proposed total depth of 2,100m on a site 12 km to the northeast of Casino. The well is a commercially high risk well that will test the non-CSG, conventional gas potential of the Greater Mackellar structure. The prospect is interpreted to cover an area of 260 km² and hold a potential mean volume of 1,304 BCF of gas in place, comprising an estimated 456 BCF in the Ripley Road sandstone and 848 BCF in the Gatton sandstone. The primary objective is the Ripley Road sandstone which was tested in Kingfisher-1 at an initial rate of 3MMcf/d. The well will also test the thick sequence of gas bearing strata in the Gatton sandstone which had low permeability in Kingfisher-1, together with the deeper Basal Bundamba Sandstone (a lateral equivalent to the Laytons Range Conglomerate), Ipswich and Nymboida Coal Measures which were below the total depth reached in Kingfisher-1.

If successful in encountering gas, it is likely the well will be tested to assess gas production potential. Metgasco does not currently plan to conduct hydraulic fracturing of the well. However, in the event that it is later determined that hydraulic fracturing has the potential to increase the economic potential of the well, provision will be made for later well re-entry and fracture stimulation. This would be similar to the Kingfisher-1 discovery well where a limited 3m interval was fractured to stimulate gas flow in 2010.

The Company is committing to carry out the preparatory work over the coming months. A final commitment to drill the well is to be made when a suitable drilling rig has been identified, regulatory permits are in hand, and discussions with key stakeholders have taken place. There must also be a continuing expectation that the regulatory and political environment will continue to improve, providing stability and support. With confidence restored, the support of key stakeholders and the timely receipt of approvals, it is anticipated that the well will be drilled in the first half of 2014, depending on rig availability.

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