



ASX / MEDIA RELEASE

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METGASCO FARMS-IN TO SOUTH MARSH ISLAND 74: INITIAL TEST WELL TO BE DRILLED OCTOBER 2018

The Board of Metgasco is pleased to advise that the Company has entered into agreement with Byron Energy Limited (ASX:BYE) ("Byron", or, the "Operator") to farm-in to the South Marsh Island Area Block 74 ("SM-74") project in the Gulf of Mexico (see also today's contemporaneous announcement from Byron).

The SM-74 prospect addresses gross (unrisked) Prospective Resources of 5.2 million barrels of oil and 13 Bcf of gas.

Metgasco is participating in SM-74 to a working interest ("WI") of 30% via funding 40% of the cost of the Initial Test Well ("ITW" or "the well") to casing point and certain leasehold acquisition costs. The well will be drilled in mid October 2018, subject to rig availability. ITW drilling costs are estimated at USD \$11 million, of which Metgasco's expenditure is budgeted at USD \$4.4 million.

Platform access and offset production agreements significantly enhance economics:

The SM74 D-14 well is proposed to be drilled from an existing platform via a Platform Use Agreement negotiated by the Operator (and currently at executed Letter of Intent stage) with the operator of South Marsh Island Area Block 73 ("SM-73"). This agreement, along with a Production Handling Agreement in anticipation of well success and prospective production from the SM-74 D-14 well, will have the effect of significantly improving the economics of both drilling and development of the project. The Operator estimates that this advantageous arrangement may save as much as USD \$20 million and 12-15 months of development time in relation to the project, compared to the alternative of constructing a standalone production facility on the block.

Details of the Initial Test Well:

The SM74 D-14 well will be operated by Byron and is intended to be directionally drilled from the SM73 D platform to a total target depth of 16,464 feet MD (14,741 TVD). The well is designed to test three stacked seismic amplitude supported targets that have been identified by Byron through Reverse Time Migration ("RTM") seismic data, through the same generation process used to make Byron's nearby discovery at South Marsh Island Area Block 71 ("SM-71") (commercialisation of which was partly funded by Metgasco's secured note facility in 2016).

Collarini and Associates, Byron's third party reserve certifiers, have attributed a gross combined reserve potential over the three target sands of 5.2 million barrels of oil and 13 Bcf of gas (see Byron ASX release 28th September 2017).

Executive Chairman comment:

Metgasco's Executive Chairman Alex Lang commented: "Metgasco is pleased to extend its already highly successful relationship with Byron Energy via farm-in to this high quality prospect. We congratulate Byron on the successful negotiation of a highly advantageous drilling access and production development arrangement which has the potential to materially enhance the project's economics".

Mr. Lang further commented: “Metgasco will continue, as it has done recently in respect of Bivouac Peak and now South Marsh Island 74, make prudent and appropriately-sized investments in energy exploration assets, where these represent a compelling risk/return proposition and are in accordance with our recently announced corporate strategy.

Success at either of these exciting near term drilling prospects has the potential to be transformative for Metgasco and further enhance the Company’s robust financial position while it advances both its Australian assets and reviews further opportunities for growth.”

Further prospect maps, information and disclosures are provided overleaf.

Contact and further information:

Metgasco welcomes questions and invites all interested shareholders to make contact at any time.

ENDS

About Metgasco:

www.metgasco.com.au

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It is developing its 100% owned Cooper Basin blocks ATPs 2021 and 2020, awarded in May 2018, which it considers prospective for hydrocarbons and which are proximate to infrastructure. It holds an interest, via a secured, convertible production development funding facility, options and participation rights, in U.S Gulf of Mexico company Byron Energy Limited (ASX:BYE) and is also a 5.77% substantial shareholder in Byron. Metgasco holds a 10% (non-operating) interest in the Bivouac Peak Littoral Louisiana hydrocarbon project and has farmed in to a 30% (non operating) interest in the South Marsh Island block 74 lease (SM-74). with an initial proposed H2 2018 well testing a Gross prospective resource of 32,270 Mboe, as well as certain farm-in rights in relation to Byron’s Gulf of Mexico portfolio. Aside from its \$5.0 million secured receivable noted above, Metgasco holds cash and bond investments of approximately \$8.5 million.

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Prospective Resources – Information in respect of LR 5.25:

1. Prospective resource estimates in this report for SM 74 were included in Byron Energy's ASX release, Byron Energy Independent Reserves and Resources, dated 28 September 2017, based on the independent reserves and resources estimates prepared by Collarini Associates, based in Houston Texas USA (refer to the Company's ASX release dated 28 September 2017).
2. The prospective resource information in this document:
 - a) is effective as at 30 June, 2017 (Listing Rule (LR) 5.25.1).
 - b) has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
 - c) is reported according to the Company's economic interest in the prospective resource net of royalties (LR 5.25.5)
 - d) has been estimated and prepared using the deterministic method (LR 5.25.6)
 - e) has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7)
 - f) is reported on a best estimate basis (LR 5.28.1).

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2).

Glossary:

Mmbo=million barrels

Mmboe=million barrels of oil equivalent

Bcf = billion cubic feet

Illustration 1: South Marsh Island 74 Project Summary

Operator	Byron Energy Inc.
Water Depth	138'
Previous Production	No Previous Production
Byron Energy Inc. Interest	70% WI, 56.875% NRI
Metgasco Ltd Interest	30% WI, 24.375% NRI
Acquired	OCS Sale 247 July 2017
Lease Bonus (Sale 247)	\$137,777
Byron SM74 #D-14 Drill (Dry Hole) Completion Costs	US\$11.0 million US\$ 3.5 million
Pipeline and Facility costs	US\$ 4.0 million
Collarini Prospective Resource*	5.2 mmbo + 13 bcf*

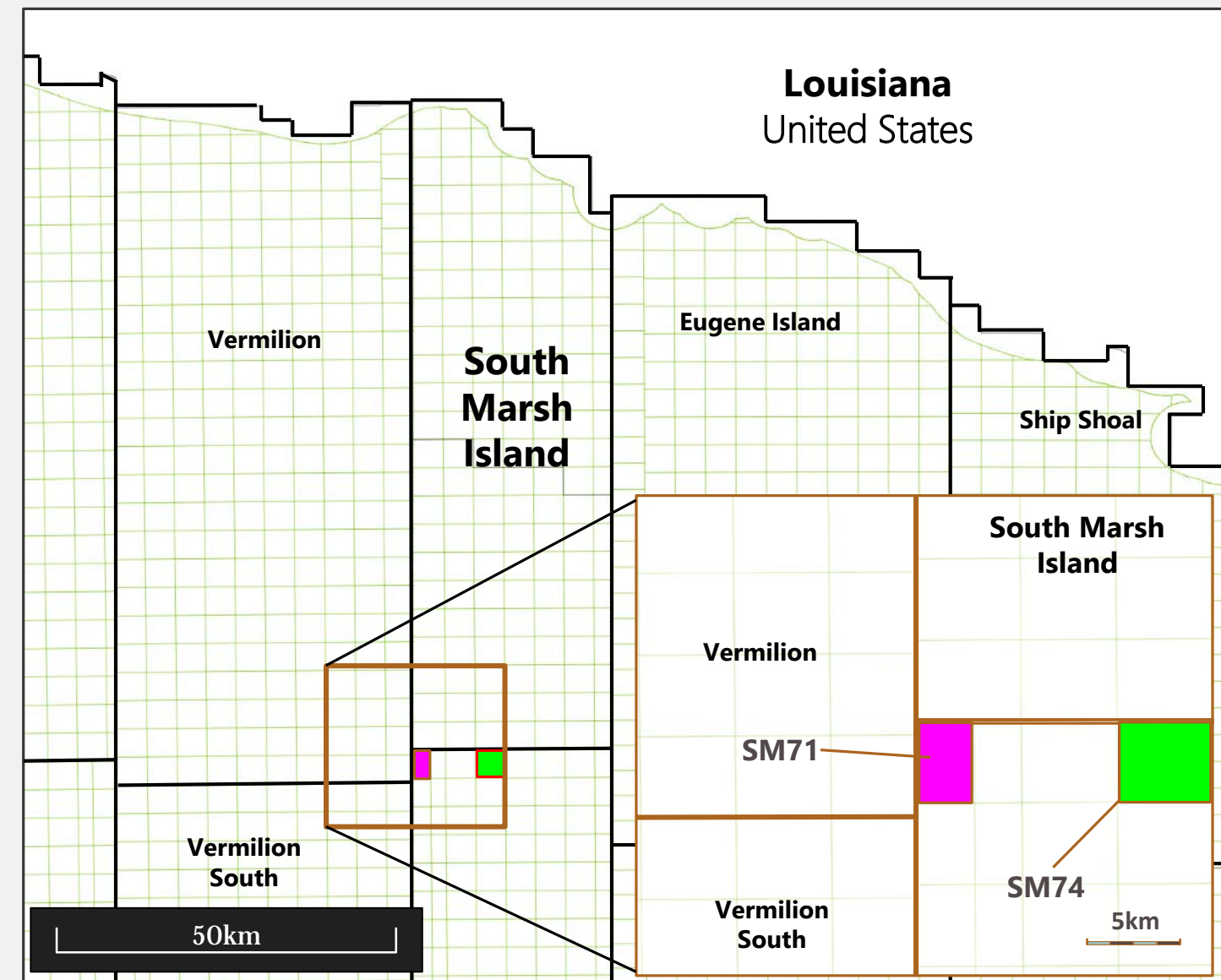


Illustration 2: SM 74 Project Map

Gross Prospective Resource Potential*
 5.2 mmbo + 13 bcf
 3 Sands
 13,000' , 13,500' & 13,750'

BYRONENERGY
 Byron 100% WI

BYRONENERGY **METGASCO**
 Byron 70% WI
 MEL 30% WI

BYRONENERGY **OTTO ENERGY**
 Byron/Otto 50% WI

Existing Oil Line
 Existing Gas Line

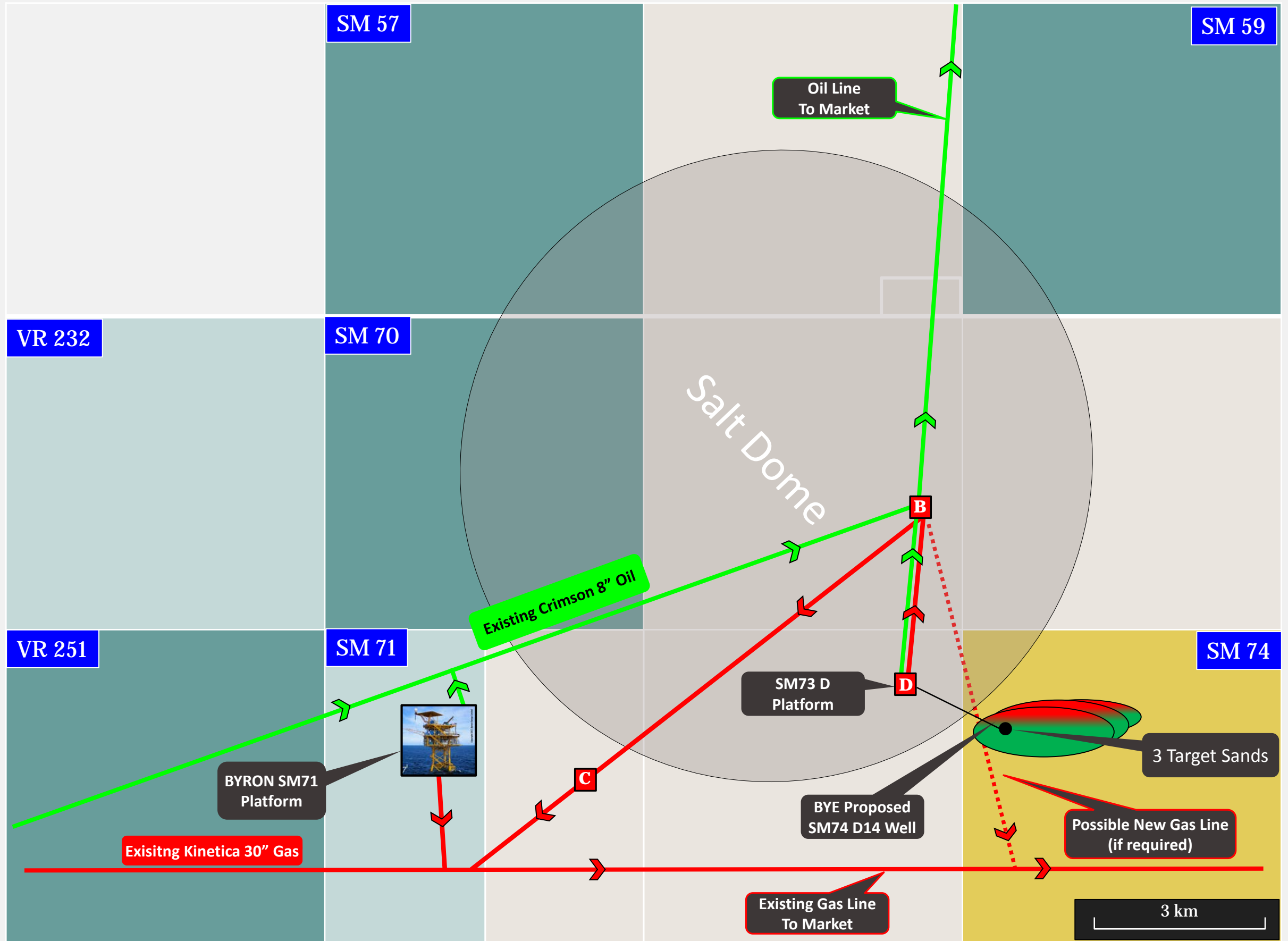
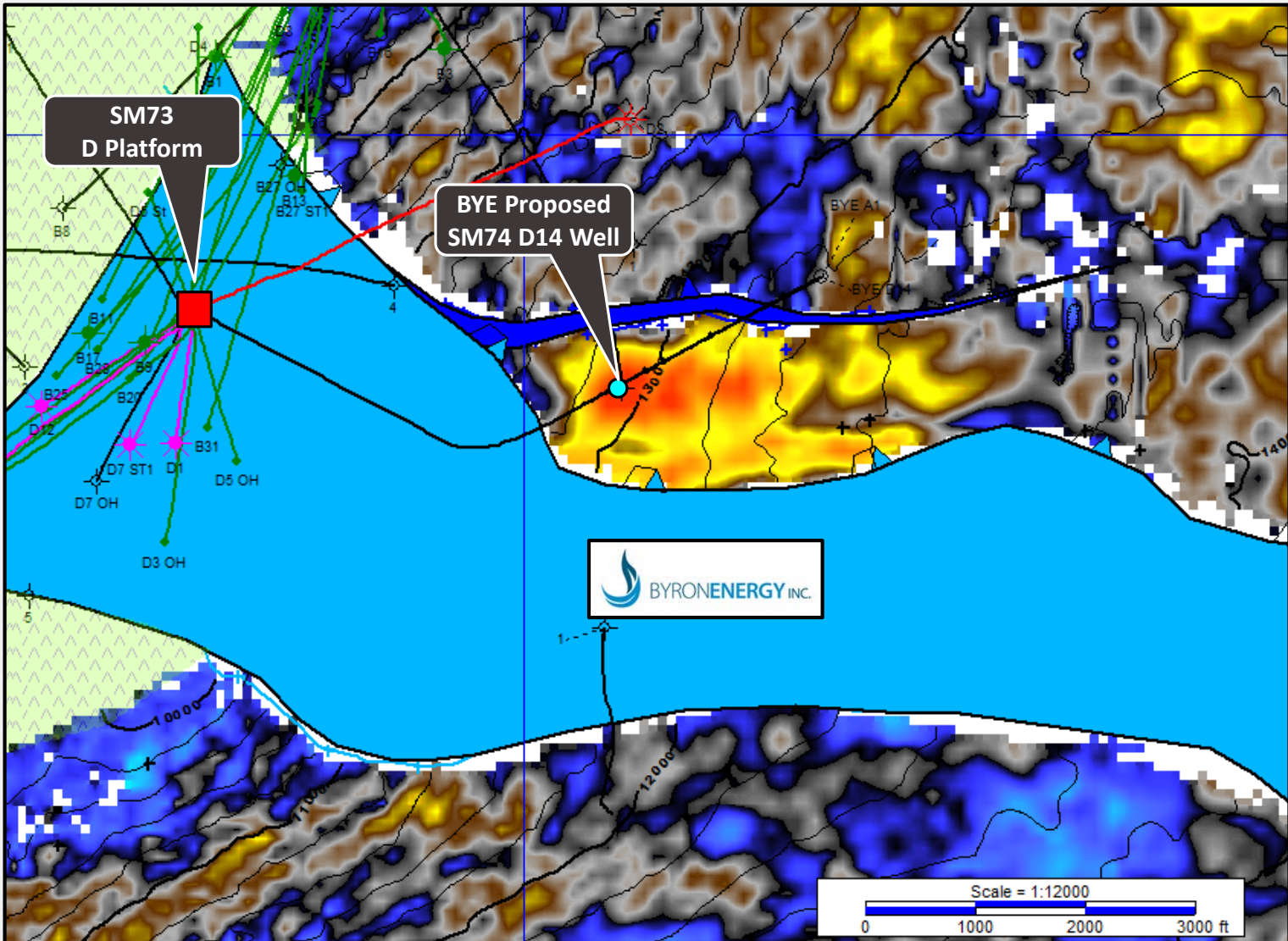


Illustration 3: SM74 Prospect Structure & Amplitude Maps

13,000' Sand Amplitude Structure



13,500' Sand Amplitude Structure

