



ASX / MEDIA RELEASE  
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## METGASCO SECURES 100% OWNERSHIP OF TWO PERMITS

Metgasco Limited (ASX:MEL) today announced that it has agreed to acquire the remaining interests it did not already own in two Clarence Moreton basin permits from Molopo Australia Limited ("Molopo"). As a result of this transaction, Metgasco will secure 100% ownership of exploration permits PEL 13 and PEL 426.

PEL 13 and PEL 426 cover approximately 4,900 km<sup>2</sup> and are prospective for both coal seam gas and conventional hydrocarbons.

The proposed transaction is subject to regulatory and shareholder approval. Under the terms of the proposed transaction Molopo will receive:

- Cash payment of \$3 million;
- Issue of \$4 million worth of Metgasco shares in two tranches; and
- 2.5% royalty for 50% of conventional gas produced and sold from PEL 13 with a buyout option.

The cash component of the transaction has been largely funded by \$3.35 million in additional funds invested in the Company by Directors in June this year by way of exercise of options.

Metgasco's Managing Director, David Johnson, said that this transaction was a logical next step in the development of Metgasco's interests in the Clarence Moreton basin.

"Looking forward, New South Wales energy markets are facing a looming shortage of gas. Metgasco is working hard to prove up reserves to supply gas and gas fired power into this market as well as to Queensland markets where the demand for gas is forecast to expand dramatically with the development of a number of LNG projects."

"Metgasco's proposed acquisition of the remaining interests in PEL 13 and PEL 426 will allow the Company to secure 100% ownership of the permits. Once the transaction is approved, the Company will be able to have full control of our activities and drive our exploration and development efforts in these PELs for the benefit of Metgasco shareholders. Metgasco has been the Operator of this acreage for some time. Given the Company's understanding of the gas resources in PEL 16 which is next to PEL 13, there is an opportunity to leverage Metgasco's knowledge and experience over a much larger acreage to rapidly book additional reserves and move into production."

"Metgasco continues to maintain a strong balance sheet with cash resources of \$15 million as at the end of September 2009. We are looking forward to kicking off our conventional exploration drilling program and continuing to roll out our strategic development program."

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## Background

In January 2006, Metgasco entered into a farm-in agreement with Molopo Australia Limited (“Molopo”) to earn up to a 75% interest in the coal seam gas rights in PEL 13. This PEL covers an area of 890 km<sup>2</sup> and is adjacent to the western and southern borders of PEL 16 where Metgasco has established a large independently certified reserve position of 298 PJ (2P) and 1,538 PJ (3P).

The work program associated with the first farm-in was completed in 2006 and subsequently Molopo and Metgasco agreed to expand the joint working relationship to PEL 426 and the deeper conventional interests in PEL 13.

In April 2007, Metgasco advised that it had entered into a further farm-in agreement with Molopo to earn up to 50% in PEL 426. This PEL covering approximately 4,023 km<sup>2</sup> is located in the southern end of the Clarence Moreton basin and has considerable potential for coal seam gas production from the Walloon Coal Measures and the Triassic Nymboida Coal Measures as well as conventional oil and gas discoveries.

In September 2008 Metgasco advised that it had earned its 50% interest in PEL 426 and 50% interest in the conventional rights in PEL 13. The farm-in agreement with Molopo was subsequently amended to provide for Metgasco to undertake additional expenditure to earn a further 6.6% interest in PEL 426 by way of dilution of Molopo’s interests.

Since becoming the Operator of both permits, Metgasco has undertaken a detailed basin wide geological and geophysical review. Approximately 1,570 km of seismic data across the basin has been obtained, reprocessed, digitised and reinterpreted, including 133 km of new 2D seismic data obtained in PEL 13 and PEL 426.

## Terms of the Transaction

On 2 October 2009, Metgasco entered into a Sale and Purchase Agreement to acquire the following interests from Molopo:

- PEL 13 - 50% conventional interests and 25% coal bed methane interests
- PEL 426 - 43.4% all interests

The acquisition is subject to the approval of the transfer of interests by the NSW Minister for Primary Industries and shareholder approval at Metgasco’s Annual General Meeting to be held on 26 November 2009.

The Terms of the transaction are as follows:

1. Cash payment - \$3 million
2. Issue of Metgasco ordinary shares to the value of \$4 million. The shares will be issued in two tranches with a value of \$2 million each at a price based on the volume weighted average price of ordinary shares for the period of 30 ASX trading days prior to today. The first tranche will be subject to a trading restriction for a period of 60 trading days following allotment, such that only 10% of the shares can be traded in any ASX trading day.

The second tranche will be subject to a 12 month “trading lock” whereby no shares can be traded until 27 November 2010, after which only 10% of the shares will be

able to be traded in any ASX trading day for 60 trading days following expiry of the second tranche shares. The second tranche shares are subject to a shortfall mechanism, such that should there be a reduction in the value of the second tranche shares below \$2 million, additional shares would be issued to Molopo to ensure that the value of the second tranche shares remains \$2 million.

Trading restrictions on both tranches of shares would be lifted should there be a change in control of Metgasco.

3. Metgasco has entered into a Royalty Deed which applies a 2.5% royalty to the wellhead value of 50% of conventional gas from PEL 13. Where conventional gas is considered to be gas produced from reservoirs below 800 metres sub sea depth in PEL 13. Metgasco holds an option to buy out the royalty.

## METGASCO PROJECT AREA CLARENCE-MORETON BASIN

