Metgasco advises that the NSW Government has offered to buy-back Metgasco’s three Northern Rivers petroleum exploration licences, PEL 13, PEL 16 and PEL 426, and in doing so also settle legal disputes with Metgasco. The offer proposes a settlement / buy-back sum of $25 million.

The settlement offer comes after protracted discussions that have been ongoing since July this year. Metgasco’s shareholders must vote for the offer to be accepted. Metgasco’s Board of Directors has given careful consideration to the Government’s offer and unanimously believes that acceptance is in the company’s best interest. As such, it will be recommending to the shareholders that they vote in favour of the proposal.

A meeting of members will be called to allow shareholders to vote on the proposal. Before then, an explanatory memorandum will be issued to shareholders that explains key elements of the proposal, the reasons for accepting or rejecting the proposal and the company’s plans for the future. However, in summary, the key features of the proposal are:

- the NSW Government will pay $25 million in return for cancellation of the three licences, Metgasco withdrawing its development application, and Metgasco withdrawing its legal action in relation to the unlawful suspension of its Rosella drilling approval;
- in addition, the NSW Government will return approximately $400,000 currently held as securities and other fees at the time the $25 million settlement fee is paid;
- Metgasco will be responsible for the decommissioning of its remaining two coal seam gas wells, with NSW Government refunding the remainder of the securities it holds (approximately $240,000) on completion of the two well program and final PEL 16 site inspections; and
- prior to the shareholder meeting to consider the settlement / buy-out proposal, Metgasco will put a hold on its court action and suspend all field activities other than simple maintenance of sites.

Based on the $7.1 million cash held by Metgasco on 30 September 2015, the result of the proposal, if accepted, will be to give the company a cash backing of $0.074/share.

Metgasco’s Chairman, Mr Len Gill, said, “This has been a difficult decision for the Board. The company has invested heavily in the Clarence Moreton Basin for over ten years and has had significant success in demonstrating large gas resources. It has many loyal shareholders, many of whom live in the licence areas and invested in the company because of the benefits a gas industry would bring to the region”.

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Settlement / buy-back proposal
“Despite the above, the company needs to look forward and consider the different alternatives available. While the identified gas resources could have a significant value if developed in an efficient and timely manner, the Board has to consider the risks associated with ongoing project approval delays, higher costs and difficulties funding activities over the next few years. Similarly, the court action to seek damages from the unlawful drilling suspension could yield significant compensation. However, it is necessary to take into account that the court case could take some years to resolve and that even if the company is successful, the damages awarded might be much lower than we seek. On balance, we believe that it is better to accept the settlement and to move forward.”

Mr Gill also said “More details about the company’s plans for the future will be released before the shareholder meeting. There is a strong worldwide demand for oil and gas, a demand that will continue for the foreseeable future. The depressed oil and gas market at present makes it an ideal time to pursue new oil and gas opportunities. Metgasco has reviewed a number of opportunities over the last two years and is confident of securing attractive opportunities, particularly when it can negotiate without uncertainties associated with its NSW assets.”

The date of the shareholders’ meeting to consider the proposal is likely to be towards the end of December and will be announced shortly. Metgasco will seek ASIC approval to combine its Annual General Meeting, currently scheduled for 30 November, with the shareholders’ meeting for the purpose of the settlement / buy-back proposal.

ENDS

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