

ASX / MEDIA RELEASE

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29 July 2022

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 JUNE 2022



Odin to deliver new gas source to undersupplied East Coast gas market

Metgasco MD Ken Aitken: *“Eastern Australia requires multiple new sources of gas to help alleviate the current supply/demand imbalance and the commercial value drivers were compelling for the PRL211 JV to decide to fast track the work needed for a commercialisation decision to bring Odin uncontracted gas to market via the Vali pipeline infrastructure. The JV is targeting that the Odin gas discovery to be brought online asap in the 2nd half of CY2023, subject to the outcome of the concept engineering work about to commence and subsequent project gateways and project work. Vali Operations on the ground are progressing with the completion of stimulation operations and the commencement of the well completion campaign. Metgasco looks forward to receiving maiden revenue in October following the safe and successful pipeline/ facilities installation and commissioning work planned in the September quarter”*

Key activities for the quarter ended 30 June 2022 (“**Quarter**”) comprised:

Vali (ATP2021):

- Vali Gas Sales Agreement(GSA) with AGL became unconditional on signing the gas processing agreement with the South Australian joint venture
- As per the GSA terms AGL paid the ATP2021 JV \$15 million gross to assist funding the Vali development to 1st gas
- Vali 2 and 3 well stimulation activities were completed during the quarter
- Significantly advanced procurement and planning for the well completion and the pipeline installation project to be completed in the September quarter

Odin (PRL211):

- Received ministerial approval to acquire net 3.75% in PRL211 licence including the Odin gas field
- The PRL 211 Joint Venture has resolved to immediately pursue commercialisation of the Odin gas field, through connection of Odin-1 to the Vali pipeline facilities
 - The Odin gas resources are uncontracted and due to the ongoing East Coast gas crisis, multiple gas customers are interested in the Odin gas

The Quarter's activities are detailed below:

Cooper/Eromanga Basin Exploration Licence - ATP2021:

ATP 2021(Metgasco 25%, Vintage 50% and operatorship, Bridgeport (Cooper Basin) Pty Ltd 25%)

ATP2021 is located in Queensland adjoining the Queensland- South Australia border (see Figure 1 below). ATP2021 contains the Vali gas field, discovered by Vali ST1 in January 2020 and successfully appraised by Vali-2 and Vali-3 in the June and September quarters of CY2021. The field has three cased wells available for future gas production.

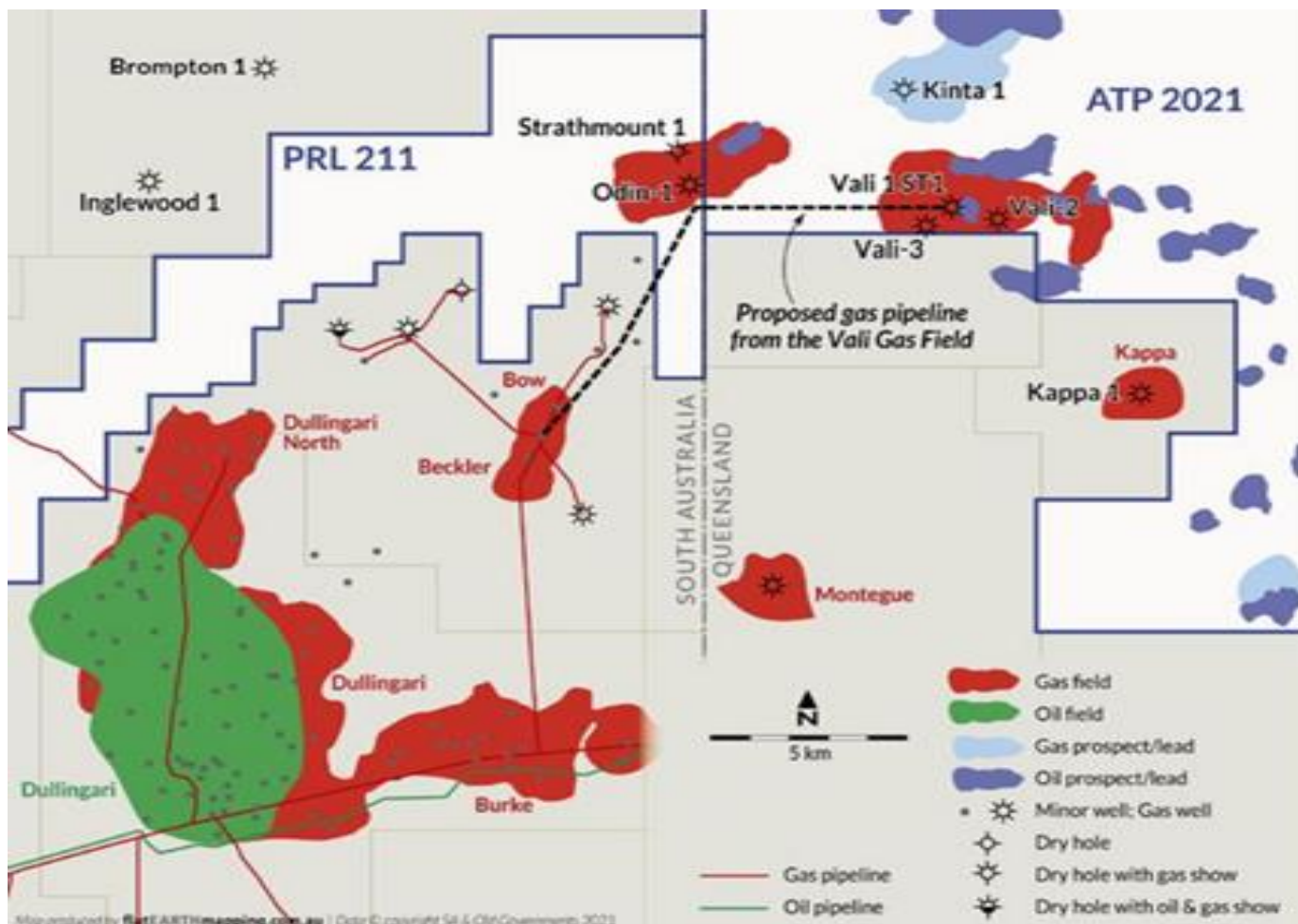


Figure 1: Cooper Basin permits PRL 211 and ATP 2021 including well locations Odin-1, Vali-1 ST1, Vali-2 and Vali-3 Source: Vintage

The 2P reserve of the Vali field is 101.0 PJ (25.2PJ net to MEL) independently certified and booked by Metgasco(Previously Gross 2P of 33.2PJ (8.3PJ net to MEL) The following tables detail the combined reserves estimates.

Table 1&2 – Vali Field Gross and Net Reserves:

Gross ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bscf)	43.3	92.0	191.2
Sales Gas (PJ)	47.5	101.0	209.8

Net Entitlement ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bscf)	10.8	23.0	47.8
Sales Gas (PJ)	11.9	25.2	52.4

Notes:

1. Reserves estimates reported here are ERCE estimates, effective 31 October 2021, first announced to the ASX 1 November 2021
2. Metgasco is not aware of any new data or information that materially affects the Reserves above and considers that all material assumptions and technical parameters continue to apply and have not materially changed.
3. Reserves estimates have been made and classified in accordance with the Society of Petroleum Engineers ("SPE") Petroleum Resources Management System ("PRMS") 2018.
4. Company Net Entitlement Reserves are based on the Metgasco working interest share of 25% of the field gross Reserves and are prior to the deduction of royalties
5. Sales Gas volumes are net of fuel and flare volumes.
6. All quantities subject to rounding to one decimal place for clarity purpose.

Activity during the quarter was focussed on the commercial agreements and progressing well delivery and preparation for pipeline and associated facilities project works to enable commencement of gas supply from Vali as detailed below.

Gas Sales Agreement with AGL for supply of gas from Vali

The Gas Sales Agreement ("GSA") with AGL Wholesale Gas Limited ("AGL") announced 23 March 2022 became unconditional during the quarter following execution of an upstream transportation and processing term sheet on 19 April with the South Australian Cooper Basin (SACB) JV.

The contract provides for the sale of between 9 petajoules (PJ) and 16 PJ of gas produced from the Vali Gas Field over approximately 4.5 years from field start up to end calendar 2026. The supply of gas under the GSA will constitute approximately 9% to 16% of the Vali field's 2P reserves. Metgasco has a 25% interest in ATP 2021. The terms of the GSA reflect the Heads of Agreement between the joint venture and AGL announced 6 December 2021, following a competitive process.

During the quarter, and consistent with the GSA, the full \$15 million pre-payment payable to the ATP2021 joint venture was received. The prepayment is to be applied specifically to capital expenditure to take Vali to first gas.

The contract has a multi-tier pricing structure with the first tier applicable to a monthly base supply volume each month, which allows for the prepayment amount to be allocated.

2nd tier pricing, which is 100% payable in cash, will be applied to gas supplied in excess of the monthly base supply volume.

Pipeline, facilities and well delivery project update

Activity during the quarter saw completion of the fracture stimulation campaign, and achievement of readiness for the well completion campaign, which commenced on 3 July.

A Master Services Agreement has been signed with a construction contractor for pipeline installation and facilities construction. Pipeline construction is expected to commence in mid-August and be of four to six weeks duration.

Facilities construction is expected to commence in September. A phased construction schedule has been adopted to optimise for the earliest production and delivery of gas around delivery dates for equipment and materials. Initial activity will prioritise Vali-1 ST-1, the metering and tie-in facilities. Commissioning of these facilities will follow with first gas from this well, and supply to AGL, expected in October

Construction at the Vali-2 and Vali-3 sites will follow as the balance of equipment is delivered. Commissioning is expected to extend till end-November as the Vali-2 and Vali-3 lease facilities are completed and handed over, commissioned and taken to first gas. Gas produced in the commissioning phase will be used initially for commissioning of facilities and pipeline and line-pack prior to supply to AGL under the GSA.

Formal application for the issuing of pipeline licences for the Vali-Beckler pipeline was made to the state governments of Queensland and South Australia.

ATP 2021 also offers other drilling targets. Seismic acquisition and interpretation are required to identify optimal locations.

Cooper/Eromanga Basin Exploration Licence - PRL211:

PRL 211 (Metgasco 25%*, Vintage 50%* and operatorship, Bridgeport (Cooper Basin) Pty Ltd 25%*)

PRL 211 lies in the South Australian Cooper Basin, with the licence's eastern boundary adjacent to the ATP 2021 western boundary (see Figure 1). The licence is in close proximity to the South Australian Cooper Basin's Joint Venture's gas production infrastructure at the Beckler, Bow and Dullingari fields. The Odin Gas Field, discovered by the PRL 211 Joint Venture in 2021, is located in both PRL 211 and ATP 2021 on the southern flank of the Nappamerri Trough in the Cooper Basin.

The Toolachee and Epsilon formations were successfully flow-tested at Odin-1 in the final quarter of CY 2021, with a stable rate of 6.5 million standard cubic feet per day recorded at a flowing wellhead pressure of 1,823 psi through a 28/64" fixed choke. At the end of the flow period, a multi-rate memory production log was acquired, which confirmed gas was being contributed from each of the perforated Epsilon and Toolachee formations.

Independent Certification of resources at Odin by ERC Equipoise Pte Ltd ("ERCE") were announced to the ASX on 16 September 2021 and shown in Table 3&4 below; (Refer to 16 Sept 2021 announcement for resource notes).

Table 3&4 - Odin gross and net Contingent Resources:

Gross Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
Total	18.5	36.4	71.7

Net Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
PRL 211	2.20	4.35	8.55
ATP 2021	1.85	3.65	7.15
Total	4.05	8.00	15.70

*On 27th May the PRL 211 Joint Venture parties received ministerial approval for the transaction announced on 29 March to acquire their respective share in Beach Energy's 15% interest in proportion to their existing holding with the result of the transaction being the following equity interests in the PRL: Metgasco 25%; Vintage 50% and Operator; Bridgeport 25%.

The effect of this transaction is to redistribute approximately gross 3.1 Bcf of the 2C Contingent Resource previously attributable to Beach Energy in PRL211 to the joint venture parties.

Metgasco's net share of 2C Contingent Resource at Odin will increase by 0.77 to 8.77 Bcf as a result.

Consideration for the transaction has been structured to align with successful production from Odin with an initial milestone payment by the joint venture of gross \$1 million with further gross \$1.25 million payable in two instalments on achievement of production milestones. Metgasco will spend a total of \$562,500 to own a further 3.75% of the PRL211 licence.

Odin-1 is, awaiting completion, which is scheduled to be conducted in the well completion campaign currently underway.

The PRL 211 Joint Venture has resolved to pursue commercialisation of the Odin gas field, through connection of Odin-1, at the earliest opportunity. To this end, the FY23 budget, adopted by the joint venture subsequent to the end of the quarter, provides for Concept Engineering for connection of the Odin gas field to the Vali-Beckler pipeline and preparation of a commercial plan for marketing of the field's gas.

It is anticipated these initiatives, followed by the securing of a Gas Sales Agreement, could see field work begin in the second half of FY23 (subject to JV and regulatory approvals) and gas sales from Odin commence in the first half of FY24.

Cooper/Eromanga Basin Exploration Licence – ATP 2020:

The ATP2020 licence is 535km² in area and was granted 100% to Metgasco in 2018.

Metgasco's sub-surface team reviewed/interpreted the available offset well geology and geophysics (including the re-processing of 2D seismic) and identified the Loki prospect. A comprehensive farm-out process of the ATP2020 Licence over the last 2-3 years was also undertaken. Multiple farm-in discussions have been held with industry counterparties, unfortunately there was no interest to share seismic costs or drilling risk. The consistent feedback from all parties that the exploration risk of drilling the Hutton and Toolachee reservoirs in the Loki prospect was too high and the Cretaceous oil reservoir was negatively impacted by more than 50% being outside of the licence with no certainty on gaining licence tenure on the open acreage.

The board of Metgasco decided to fully relinquish the permit back to the Queensland government to allow the Company to focus, and capital to be spent on developing the Vali and Odin fields, and wider exploration prospectivity in ATP2021 and PRL211.

Perth Basin L14: Cervantes Exploration Well:

On 7 April Metgasco announced that the well was to be plugged and abandoned after failing to encounter hydrocarbons. The well results confirmed the presence of a robust structure and reasonable reservoir development in the targeted sands Permian sandstone objectives however Logging While Drilling ("LWD tools") disappointingly identified that the reservoir sands were found to be water-wet.

The Cervantes -1 was drilled safely and efficiently in approximately seventeen days under the planned budget.

Corporate Activities:

Business Development Opportunities:

During the quarter Metgasco continued to review new business development opportunities, as well as potential new areas of business consistent with the Company's strategic objectives and the evolving energy sector backdrop.

Cash position:

The Company ended the Quarter with a cash balance of A\$3,635,270 and with no debt.

The following is a reconciliation of the Company's cash position from 1 April to 30 July 2022:

	\$A'000
Cash at 1 April 2022	3,380
Receipts from customers	4,125
Overhead and administrative	(275)
Exploration and evaluation expenditure	(4,037)
Proceeds from issues of equity securities (net of costs)	<u>442</u>
Cash at 30 June 2022	3,635

Notes Pertaining to Quarterly Cashflow Report (Appendix 5B):

Item 6.1: The aggregate amount of payments to related parties and their associates of \$128,913 relates to remuneration payments made to Directors.

Shareholder base:

At 30 June 2022, Metgasco had 930,002,677 shares on issue and 2,381 shareholders. Its top 20 holders held 435,367,531, or 46.81% of the Company's issued capital.

Certified Resources and Reserves:

On 1 November 2021, the ATP2021 JV announced the reserves upgrade following the drilling of Vali-2&3. Contingent gas resources related to PRL211 were announced on 16 September 2021.

Glossary:

MMscfd = Million standard cubic feet per day.

FWHP = Flowing wellhead pressure.

Bcf= Billion Standard Cubic feet

PJ= Peta Joules

ENDS

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Tenement Listing				
Tenement Reference	Location	Nature of Interest	Interest at 30 June 2022	Interest at 31 March 2022
Cooper/Eromanga				
ATP2020	QLD	0% owner & Operator of Licence	0%	100%
ATP2021	QLD	25% working interest in Licence	25%	25%
PRL211	SA	25% working interest in Licence	25%	21.25%
PRL237	SA	20% Working Interest in Licence	20%	20%
Perth Basin				
Cervantes Prospect in Western Flank area in L14 Production Licence	WA	0%	0%	30%

Forward Looking Statements:

This document may contain forward-looking information.

Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this document includes, but is not limited to, references to: well drilling programs and drilling plans, estimates of potentially recoverable resources, and information on future production and project startups.

By their very nature, the forward-looking statements contained in this document require Metgasco and its management to make assumptions that may not materialise or that may not be accurate. Although Metgasco believes its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Metgasco Ltd

ABN

24 088 196 383

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,125	4,125
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(166)	(694)
(e) administration and corporate costs	(106)	(570)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	3,850	2,855

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(4,037)	(8,988)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	181
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4,037)	(8,807)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	478	9,136
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(38)	(104)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	442	9,033

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,380	554
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,850	2,855
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,037)	(8,807)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	442	9,033

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,635	3,635

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,635	3,380
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,365	3,380

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	129
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Amounts included in 6.1 are remuneration payments made to Directors

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	3,850
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(4,037)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(187)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,635
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,635
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	19.4
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **29 July 2022**

Authorised by: **The Board**

Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.