

Dear METGASCO Shareholder,

19 January 2013

I write on behalf of the Northern Rivers Guardians, a community-based organisation affiliated with the national Lock the Gate Alliance, opposing coal and coal seam gas mining. I write to advise you of risks to your investment that do not appear to be reflected in the Reports prepared by or on behalf of Metgasco.

[We have been told that ASIC is currently investigating a complaint against Metgasco for failing to inform investors of factors affecting the value of shares.](#)

We understand that Metgasco proposes to install unconventional gas fields over certain areas in the Northern Rivers region of NSW including upon highly [productive private properties](#) and establish pipelines through valuable natural environments including World Heritage areas.

We believe that many communities of the Northern Rivers have determined that gas mining as proposed by METGASCO will destroy the fabric of communities, put at risk valuable water resources and cultural heritage, drive away tourists and create an industrial landscape detrimentally affecting sustainable industries that have developed in this region over many decades.

It appears to us as a peak regional representative community group that the communities of the Northern Rivers will not allow such negative impacts to occur.

There is strong evidence to show that communities around the region have decided that they don't want CSG mining in their local environment and are gathering their resources to resist. (See: *Risky Business* video <http://youtu.be/amyJVu34G3w> or <http://www.aljazeera.com/programmes/101east/2013/01/20131771222674145.html>)

7000 people marched against CSG in Lismore in May 2012 and another 4000 in Murwillumbah in October. (see:

[www.northernstar.com.au/news/community-unites-against-csg/1378789](http://www.northernstar.com.au/news/community-unites-against-csg/1378789))

We note that both Metgasco's Annual Report and September Quarterly Statement to the ASX failed to mention such events or the reasonable conclusion that the Company's intentions do not have community support.

It seems that the resistance to Metgasco's intentions in the Northern Rivers is growing exponentially. The Company's lack of the "social licence" (required by the NSW government) was demonstrated by the results of a poll conducted by the Australian Electoral Commission (AEC) during the NSW Local Government Elections on 8<sup>th</sup> September 2012. The vote was overwhelmingly (87 %) against Coal Seam Gas mining. We consider Metgasco to be the most prominent CSG operator in the Lismore area.

Thousands of landholders in the Northern Rivers have locked their gates and are linking with their neighbours to stand together.

More than 12,000 residents have signed CSG-free Roads declarations pledging their time, money and energy to fight CSG in the Northern Rivers (see: [www.csgfreenorthernrivers.com](http://www.csgfreenorthernrivers.com).)

Landholders' determination to defend their region should be taken seriously by investors, as we are certain that it will add significant costs to Metgasco's operations. This has been evidenced by the expensive standstill of Metgasco's drilling program, with a community blockade of the Glenugie drill site south of Grafton which has lasted 8 weeks. Trucks have been turned back and the entrance to the site was heavily barricaded. Equipment hired by the company sat on trucks at the Metgasco depot unable to be deployed. We note that the Glenugie blockade was only breached on 7<sup>th</sup> January with the assistance of about 60 police led by the riot squad in an expensive policing operation that the state can ill afford on an ongoing basis. Local commentators consider excessive policing to be a sign of desperation and an unsustainable model of response by government. The police action was expected by local resistance groups and seems to have only boosted their resolve. (See *Oldie Protestors Vow to Continue with anti-CSG Battle*, Northern Star newspaper 8<sup>th</sup> January 2013)

We believe that delays involving hired equipment are costly and resistance to Metgasco's activities is likely to continue. Indeed protestors continue to cause delays more than a week after the riot police action at Glenugie. ( see *Clarence Valley Daily Examiner* 15-1-13 and Glenugie Action Ongoing Facebook page.) Another blockade has been established at Doubtful Creek near Kyogle where Metgasco plans to drill a core well.

Richmond Valley Council (Casino) recently adopted a position paper asking in part that Metgasco commit to fair treatment of landholders and calling on the State Government to "immediately" conduct baseline testing of water and air before any mining activities go ahead. This position statement was a result of Councilors and staff themselves visiting the gas fields in Queensland which raised concerns about the impacts of CSG on communities and the environment.

Given the reporting of information about severe poisoning from exposure to fugitive emissions of coal seam gases suffered by citizens in Queensland gas mining areas (see: <http://www.smh.com.au/national/health/doctors-raise-alarm-over-toxic-coal-seam-gas-leaks-20121116-29hbp.html> ), we will be helping to organise independent region-wide baseline surveys and ongoing monitoring studies of human health.

This means that any change in health indicators will be correlated with data on CSG contamination of atmosphere and water, and it is likely that appropriate legal action will be vigorously pursued. Metgasco will need to be prepared to compensate members of the community for any deterioration to any aspect of their lifestyles shown to be caused by its activities. As in the case of damage caused to individuals by tobacco and asbestos companies, gas companies will be held to account. Like tobacco and asbestos, health related injury compensation could be massive, but liability probably will not take so long to prove.

Brokers say investing in companies with coal seam operations adds an additional layer of risk. James Samson, of Lincoln Indicators, says coal seam gas is an emotive issue that's not only dividing the community, but also state and federal government politicians. He concludes by noting "The risks of investing in coal seam gas stocks are very real and very publicised." (see: <http://www.thebull.com.au/articles/a/31118-are-coal-seam-gas-stocks-just-too-politically-risky-for-punters.html> )

Furthermore it is very likely that profits to CSG companies will be affected by penalties for fugitive emissions. Studies by experts are now showing that CSG may not be a sensible transitional source of energy in the move to a lower greenhouse gas future. Such research is likely to be rigorously pursued. (see: <http://www.smh.com.au/business/coal-seam-gas-faces-tax-bill-of-billions-20121118-29k6t.html#ixzz2FkbnsiTI> )

It appears that Metgasco has made only losses to date and will not be able to monetise any gas reserves that may eventually be proven if it manages to complete its exploration program. It seems likely the community will continue to take action to block attempts to establish the Northern Rivers as a gasfield and will prevent the construction of any export pipelines. Any unconventional gas located here will likely be worthless as a "stranded asset."

**It is our view that the Northern Rivers community as a whole is organised, well-informed and has decided that it does not want CSG investment in its local environment.**

We hope that you find this information useful. **Please reply to the address below.**

**Scott Sledge,JP**

**President**

Northern Rivers Guardians, Inc

**PO Box 309 Murwillumbah, NSW 2484 Australia**

Ph: 61 (Australia) 2 6689 7466

## **Additional information**

[Australia](#) has an abundance of conventional gas. Talking about state shortages is just plain silly. In 2009 BHP Billiton Petroleum Vice President, David Banks said "Even after 40 years of production, Bass Strait still has a long life, and we expect to be producing oil and gas for Australians for many more decades."

At the AGM held on 14 Nov 2011 the Metgasco company Chairman's report said - "Electricity demand is growing strongly and old coal fired plants will shut down. Not surprisingly, the price of gas is strengthening because of increasing demand in interstate and overseas markets."

This statement does not appear to be a correct reflection of the state of play. Electricity demand has been falling, causing TransGrid to mothball plans for a new transmission line into the Northern Rivers; old coal plants look set to be replaced by solar thermal or photovoltaic electricity; gas prices are falling in the USA and a world glut is likely when new cheaper fields all around the world come on stream in about 2-5 years time.

The stock price for MEL stood over \$1.20 in 2008 and has fallen from \$0.50 a year ago to \$0.17 today. While the 2012 Annual Report and other material supplied to investors by Metgasco has referred to the company's future prospects in glowing terms, we are of the view that there are important factors not yet revealed which will impact on the company's potential profits. We think that it is important that the market is informed that there is a culture built on a history of success of environmental protection in Metgasco's tenement areas.

<http://www.aljazeera.com/programmes/101east/2013/01/20131771222674145.html>

In 1982 the Wran Government concurred with anti-logging protestors to create the World Heritage-listed rainforest National Parks which draw a wealth of visitors to the Northern Rivers every year. Recently the residents of Kyogle and Tweed Shires successfully chased away the World Rally Championship car race notwithstanding State Government support for the event because the community determined it was an environmentally harmful activity.

In September the voters in Lismore said "no" to CSG mining with more than 87 % of voters in a referendum during the Local Government elections. Both the North Coast National and Casino Show Societies refused offers of sponsorship by Metgasco last year. Most Local Councils in the Northern Rivers have voted to oppose CSG activities. In the Metgasco lease areas CSG-free neighbourhoods have already been declared by residents at Tatham-Greenridge, Bungawalbyn-Whiporie, Stratheden and Dobies Bight/Dyraaba **which includes the current gas field near Casino.**

More than 2,400 people on 172 roads in the Kyogle Shire recently (according to a Kyogle Group Against Gas media release on 14-1-13) declared the shire **"CSG-free" with a survey of residents recording 90% opposition to coal seam gas**. Lion's Way landowners resolutely oppose plans for a proposed gas pipeline to Queensland.

Metgasco submitted plans to construct a gas-powered local electricity generation plant ahead of a production license. After the November 2012 AGM this plant was downgraded from the planned 30 MW to something like 3 MW. It appears that customers for gas sales exist only in the realm of possibilities and few will be local.

It is our view that the Northern Rivers community will blockade any attempt to traverse iconic landscapes and landowners will band together to demand maximum compensation for any damages and reductions in property value, which we suspect will result in long, expensive legal action.

The [International Energy Agency](#) has forecast that world demand for coal will peak before 2020. The international clean energy market is growing exponentially, exceeding \$250 billion in 2011. Pollution will not be profitable in future.

**Don't be a fossil fuel fool! Switch to safer investments in sustainable industries.**

<http://energy.sourceguides.com/businesses/byP/wRP/byB/public/public.shtml>  
[http://www.investorideas.com/Companies/RenewableEnergy/Stock\\_List.asp](http://www.investorideas.com/Companies/RenewableEnergy/Stock_List.asp)