

General Meeting of Metgasco Shareholders – it's time to refresh the Metgasco Board

Highlights:

- Additional commentary from Metgasco's Chairman demonstrates lack of credibility and further confirms the need to refresh the Metgasco board of directors
- Melbana neither seeks to nor will gain control of Metgasco if the resolutions proposed are adopted by shareholders
- Voting by Metgasco shareholders must be submitted this week

MELBOURNE, AUSTRALIA (17 June 2020)

As advised in its announcement released on 23 April 2020, Melbana Energy Limited (ASX: MAY) (**Melbana**) has requested a general meeting of the shareholders of Metgasco Limited (ASX: MEL) (**Metgasco**) to consider proposed changes to the Metgasco Board. Melbana holds a 27.8% interest in Metgasco and is its largest shareholder.

Rationale for board changes

Melbana proposes the changes to the Metgasco Board for the reasons set out in the Member's Statement sent to Metgasco shareholders on 22 May 2020 (as attached). These changes primarily aim to rebuild trust in and the credibility of the Metgasco Board. The lack of credibility demonstrated by Metgasco's Chairman, Mr. Amery, on several occasions, and the failure of the Metgasco board to verify these statements has forced Melbana to act.

In his letter to shareholders of 22 May 2020, Mr. Amery misrepresented Melbana's reasons for proposing changes to the Metgasco Board. In this letter, Mr. Amery stated that Melbana's nomination of directors to the Metgasco Board was a "*transparent attempt to seize control of your company*" and that "*it would not be appropriate for Melbana to hold 40% representation on the Board*".

Firstly, a 40% representation on the board of Metgasco does not constitute control. Further, one of Melbana's nominees, Mr. Matthew Worner, is a lawyer, experienced public company officer and a current oil and gas executive who is independent of both Melbana and Metgasco. Melbana's other nominee, Mr. Michael Sandy, a current director of Melbana, would therefore represent 20% of the expanded board of directors, should their nominations be approved.

Non-disclosed offer of compromise

In his letter, Mr. Amery also neglected to mention that, immediately prior to his calling the meeting of Metgasco's shareholders, Melbana proposed as a compromise the appointment of only Mr. Worner, the independent nominee, as a director of Metgasco on the condition that either Mr. Amery or Mr. Patton resign.

This compromise, had it been accepted, would have resulted in:

- Melbana having no representation on the board of Metgasco;
- an increase to the number of independent directors; and
- Melbana's concerns being addressed with regards to there being no current directors in Western Australia, where Metgasco's registered office and management are located.

Mr. Amery did not reply to this offer of compromise and chose instead to proceed with calling the meeting.

Sell down of Byron Energy Limited shares

The Metgasco Board previously stated, on several occasions, that Metgasco would distribute the shares it holds in Byron Energy Limited (ASX: BYE) (**Byron**) to Metgasco shareholders. This has not happened and no timeline has been provided in which it will do so. Byron's share price has now fallen in value by more than 50% since their high in February 2020.

A timely distribution of these Byron shares would have allowed Metgasco shareholders the opportunity to divest any Byron shares they received before they fell in value, should they have wished.

Metgasco is currently funding itself by selling the shares it holds in Byron¹ and has stated that it intends to continue to do so.²

Response to commentary on previous takeover offer

Melbana firmly believes its takeover offer for Metgasco was in the best interests of both companies' shareholders – particularly given the limited cash resources of Metgasco (\$140,000 as at 31 March 2020¹) and the difficult times the sector finds itself in.

Melbana has a long history of identifying and qualifying large-scale exploration opportunities then attracting world-class partners to test them. Most recently, Melbana executed a farm-in agreement with Sonangol, the National Oil Company of Angola and Africa's second largest oil producer, for its Block 9 licence in Cuba.³ This will allow Melbana to conduct a two well exploration program that will test about 235 million barrels of prospective resource (best estimate)⁴ in a proven hydrocarbon system with good and developed infrastructure. This is an exciting opportunity for Melbana shareholders and a testament to the skill and perseverance of Melbana's staff to have attracted a partner of this quality given the current economic headwinds.

It's time to refresh the Metgasco Board

Melbana is not the first Metgasco shareholder to have had its proposed nominee directors rejected. The strong resistance of the Metgasco Board to acknowledge new directors who could make a

¹ See Metgasco's announcement to the ASX on 30 April 2020

² See Metgasco's announcement to the ASX on 14 May 2020

³ See Melbana's announcement to the ASX on 27 May 2020

⁴ See Cautionary Statement on Page 3

positive contribution to Metgasco is unacceptable. Melbana believes it is in the best interests of Metgasco shareholders to refresh the Metgasco Board.

We encourage our fellow shareholders in Metgasco to submit their votes this week.

Voting Instructions

If you agree with this initiative, please vote using the official form provided by Link in the manner recommended by the attached guide.

If you have not submitted a proxy:

- **Online** - login to the Link website (<http://www.linkmarketservices.com.au/>) using the holding details as shown on the proxy form. To use the online facility, you will need to be registered for the Investor Centre using the following link <https://investorcentre.linkmarketservices.com.au/Login/Login> and you will need your holder identification number (HIN) or security holder reference number (SRN);
- **By Mail or Hand** - complete, sign and mail the **white** proxy form provide to you with the Notice of Meeting in accordance with the instructions on the form;
- **Replacement form** - if you have lost the **white** proxy form or do not have access to the Metgasco investor portal, then call Metgasco's registry on +61 1300 554 474 and request a new proxy form and/or login details to access the investor portal.

If you have already submitted a proxy:

- **Online** - login to the **Link** website (<http://www.linkmarketservices.com.au/>) using the holding details as shown on the proxy form and amend your proxy through the portal;
- **By Mail or Hand** – if you have already submitted a physical copy of the proxy form, you will need to contact Metgasco's registry on +61 1300 554 474 to instruct them to cancel your proxy vote. Once you have done this, you will either need to fill out the **white** form as provided with the Notice of Meeting (blank form for you to vote in line with Melbana's instructions), or if you have lost or used the **white** form already you should request a new proxy form from Metgasco's registry. If you wish to resubmit your vote using the online facility, please follow the above instructions.

Prospective Resources Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Future exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. All quoted volumes have been taken from Independent Expert McDaniel & Associates Competent Persons Report, released to ASX on 7 August 2018 (as adjusted by Melbana for area released). Melbana is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

This announcement has been approved by the Melbana board of directors.

For further information please contact

Ms Melanie Leydin
Company Secretary
+61 3 8625 6000

ATTACHMENT 1

Members' Statement pursuant to section 249P of the Corporations Act

22 May 2020

Dear Fellow Shareholders,

Melbana Energy Limited (ASX: MAY) (**Melbana**), as a member of Metgasco Limited (ASX: MEL) (**Metgasco** or the **Company**), has requisitioned a general meeting of the Company to consider changes to the board of directors of Metgasco (the **Board**).

We are very concerned by the significant loss of value in Metgasco under the current Board and troubled by the capital management strategy that is possibly going to lead Metgasco to need to raise capital or liquidate assets in the current depressed environment. We are also concerned by the continued selling of a large number of Metgasco shares by a major shareholder whose representative sits on the Metgasco board.

After discussing our concerns with Mr. Philip Amery, Metgasco's Chairman, in late February 2020, we nominated one of our Melbana directors and a suitably experienced independent (of both Melbana and Metgasco) director to the Board. These nominations were overlooked despite our belief that the contributions of the two additions would undoubtedly have been of value in helping the Board to navigate the difficult times ahead.

We believe that by approving the resolutions set out in this notice of meeting, we can address the concerns above and create a refreshed and accountable Board, focussed on the following:

- **New ideas and skills and a commitment to creating value:**

Metgasco's share price has **declined by 65%** under the current Board since Mr. Amery was appointed Chairman in August 2018.

Further, the holdings of all directors and the Chief Executive Officer combine for a total of just ~2% of the Company. Low levels of ownership can create misalignment between shareholder returns and director remuneration.

Keybridge Capital Limited (Keybridge) (whose nominee, Mr. John Patton, is a director of Metgasco) has sold more than 17,500,000 Metgasco shares (about 4.53%) since October 2019 and we understand Keybridge is currently trying to exit the remainder of its position. Given its continued sell-down, Keybridge is seemingly not interested in supporting Metgasco to restore its fortunes, leading one to question why the Mr. Patton has not resigned from the Board.

Melbana believes that a new set of ideas and director skillsets supported by a major shareholder that is committed to its investment in Metgasco is the only way to drive value for all investors.

- **Rebuilding trust and credibility**

Metgasco indicated over 6 months ago (and several times since) that it intended to distribute to its shareholders shares in Byron Energy Limited (ASX: BYE) (Byron). Now, the value of Metgasco's Byron shareholding has halved and Metgasco shareholders have been denied the opportunity to derive benefit from the Byron shares.

It is our view that in order to fund future activity (or undertake a dilutive capital raise), Metgasco may need to sell down some of its Byron shares, and given the depressed share price, this may result in a large number of Byron shares being sold. This may significantly reduce the amount of Byron shares (if any) to be provided to Metgasco shareholders by way of an in-specie distribution. The failure of the Board to put this resolution to shareholders calls into question their credibility and ability to properly administer Metgasco's capital reserves.

Similarly, despite telling participants at Metgasco's 2018 AGM that he would resign if Metgasco's share price had not improved by the following year's AGM, Mr. Amery reneged on his undertaking to resign even though Metgasco's share price declined by more than 10% by the 2019 AGM.

These are not the actions of a credible Chairman and well-functioning Board.

- **Improved Governance**

Mr. Patton serves as the Chairman of the Audit Committee, yet he is not an independent director because he is a nominee director of a shareholder of Metgasco. A refreshed Board should ensure that an independent director is appointed to this important position.

Metgasco has also recently relocated its registered office to Perth, yet all of Metgasco's directors currently reside in the eastern states. The proposed independent director for appointment to the Board, Mr. Matthew Worner, resides in Perth, and will be better able to provide oversight of and support to management.

The two candidates we are proposing be appointed as directors of Metgasco have the following backgrounds:

Mr. Matthew Worner is independent of both Melbana and Metgasco. He is a lawyer and experienced executive who has worked with ASX and London listed companies in various commercial, legal and business development roles primarily in the energy and resource sector. He has capital markets experience in Australia and the United Kingdom including ASX and AIM IPO's and capital raising activity. He has overseen the completion of multiple asset acquisitions and divestments the world over, including Asia, Africa, US and Australasia as well as significant experience dealing with joint venture partners, host governments and NOCs in these regions. Through this work, he maintains solid contacts and relationship with brokers, funds and NOMADs both in Australia and London.

Mr. Michael Sandy is director of Melbana and a geologist with over 40 years' experience in the oil and gas industry, both in Australia and abroad, and as a public company director in Australia. He has had a varied career with early roles in minerals exploration and research and with the PNG Government. In the early 1990s he was Technical Manager of Oil Search Limited. He was involved in establishing Novus Petroleum Ltd and preparing that company for its \$186m IPO in April 1995 and then held various senior management roles with that company. He co-managed the defence effort in 2004 when Novus was taken over by Medco Energi. For the last 14 years, he, through his consultancy Sandy Associates P/L, has been involved in various resources projects and start-ups.

We strongly believe that their combined technical, commercial and legal experience as professionals with many years of experience in the oil and gas sector and as officers of public companies would make for a stronger and more transparent Board.


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Metgasco Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



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PROXY FORM

I/We being a member(s) of Metgasco Ltd and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am (AWST) on Tuesday, 23 June 2020** (the Meeting) and at any postponement or adjournment of the Meeting.

The meeting will be conducted by teleconference, Shareholders should use the following dial-in details to access the event, 1300 264 803 (Australian Dial-in Number) +613 8687 0650 (International Dial-in Number), lines will be open 15 minutes prior to the meeting during which Shareholders will need to provide their details for registration to vote.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS


Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

Items

	For	Against	Abstain*		For	Against	Abstain*
1 Appointment of Director – Michael Sandy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Removal of Directors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Appointment of Director – Matthew Wornor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Removal of Director - Philip Amery	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Removal of Director - John Patton	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

STEP 3

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