

6 April 2018

Dear Shareholders

As previously advised, there is a General Meeting of shareholders of Metgasco Ltd (**Metgasco**) being held on Wednesday, 11 April 2018 at 10:00am (**Meeting**). You should have received a Notice of Meeting dated 8 March 2018 regarding the Meeting. A copy of that Notice of Meeting can be accessed from Metgasco's website using the following link. <http://www.metgasco.com.au/announcements>.

Letter from Mr Purcell to shareholders

On 3 April 2018, the Board of Metgasco received from Andrew Purcell, on behalf of his investment company, M&A Advisory Pty Ltd (**M&A Advisory**), a letter he sent to some, though not all, Metgasco shareholders regarding the proposed resolutions being put to the Meeting (**Letter**), a copy of which is attached. In the Letter, Mr Purcell argues against his own removal (resolution one) and advocates that shareholders should support his tenure on the Board. He further argues in favour of the motions being put by M&A Advisory to remove three members of the Board (resolutions two to four).

The proper mechanism for Mr Purcell to put his case to shareholders is by way of a written statement circulated by the Company pursuant to section 203D(5) of the *Corporations Act 2001* (Cth). The Company considers that Mr Purcell has not acted in accordance with his director duties by circumventing the procedure that he was required to follow and sending the Letter directly to some shareholders only. The Company has made a complaint to ASIC in relation to this and other conduct by Mr Purcell.

Company's response to Purcell Letter

The Board of Metgasco rejects the substance of all matters raised in the Letter from Mr Purcell, however the Board will address a number of statements in his Letter to enable shareholders to make an informed decision with regards to the future of Metgasco.

1) Independence of Dr Robbert Willink

Dr Willink joined the Board of Metgasco upon initiative by me as the Chairman of Metgasco in a desire to bring relevant independent industry expertise to the Board of Metgasco, following the departure of Mr Terry White. He has remained independent of the resolutions being put at the General Meeting. Dr Willink has asked that the following note be provided to shareholders on his behalf by the Company for the purposes of clarification regarding his position:

"Any perception that shareholders may have after reading Mr Purcell's Letter that I have allied with him in any capacity or otherwise support his views is NOT founded in fact."

2) Mr Purcell's response to the Board's concerns

Mr Purcell has failed to address any of the concerns previously raised by the Board. While his Letter states that the Notice of Meeting includes "a number of misleading statements", he fails to address any of those. The Board remains concerned that Mr Purcell is not willing or able to answer legitimate questions by the Board regarding his alleged behaviour or potential associations with other shareholders

3) Mr Purcell's associations and interests

Mr Purcell says his "associations and interests have always been declared openly". As set out in the Notice of Meeting, in December 2017, the Board wrote to Mr Purcell with ten direct questions enquiring about potential associations with other shareholders, including a shareholder who had in the past been a declared associate of Mr Purcell. **Mr Purcell refused to respond to any of those questions** in the affirmative or negative. Declaring interests "openly" would have involved a response.

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Mr Purcell states that M&A Advisory's interest will always be 'perfectly aligned' with all other shareholders' interests on the basis that it holds a 19.2% interest in the Company. In the view of the Recommending Directors, Mr Purcell's conduct suggests that a substantial shareholding alone does not guarantee that the substantial shareholder will always act in the best interest of all shareholders.

From the very first meeting I had with Mr Purcell, within days of receiving his substantial shareholder's notice in August 2016, Mr Purcell made it very clear that he expected to be given effective control of Metgasco and to be appointed into the most senior management position of the business.

As mentioned in the Notice of Meeting, Mr Purcell has sought personal benefits from potential company transactions which would not have been available to other shareholders and which would not have been in the best interests of other shareholders.

Shareholders may find it instructive to read the **Takeovers Panels Reasons for Decision in relation to circumstances surrounding Mr Purcell's sudden departure from board of Cougar Energy (renamed Moreton Resources) in November 2013:**

http://www.takeovers.gov.au/content/DisplayDoc.aspx?doc=reasons_for_decisions/2013/014.htm

In that context, shareholders should also note that one of the companies mentioned in the Takeovers Panel's reasons, Twinkle Woods Limited, has had at least one common director and shareholder with Twinkle Capital Pty Ltd (**Twinkle Capital**). Twinkle Capital is one of the companies that were subject to the questions regarding potential associations that Mr Purcell has refused to answer since December 2017.

4) Alleged lack of response to a concern raised by Mr Purcell

Mr Purcell raises his concerns regarding "*possible related party transactions*". He is correct in stating that he did raise these with me as the Chairman. However, Mr Purcell fails to mention that I followed up on his concerns and, after conducting an investigation relating to the alleged conflicted party, I then responded with my finding that there was no undisclosed conflict and that the transaction in question was indeed not a related party transaction.

5) Concerns regarding undue influence by other shareholders

Mr Purcell makes extensive mention of two other shareholders of Metgasco, Keybridge Capital Limited (**Keybridge**) and Aurora Funds Management Limited (**Aurora**), and certain persons involved in those companies and what their dealings and intentions may be with other businesses.

It is not for me to comment here on matters of Keybridge's or Aurora's other businesses, but with regards to Mr John Patton and his behaviour on the Board of Metgasco, I personally have to say that I have found John's actions, involvement and behaviour in line with the expectations I would have of a director of a listed company. He has contributed to open and transparent board discussions and has asked appropriate and diligent questions regarding the business. While he has made his views and on occasion the views of the shareholder who nominated him to the board known to the board, he has never demanded that those views be accepted or followed. In all critical decisions the board made he has followed the recommendations of the independent directors.

I strongly reject any suggestion that Keybridge, Aurora or any other shareholder has undue influence over the Board. I have been a very strong advocate for an independent Board with a majority of independent directors that makes every decision in the interests of all shareholders without ever favouring the interests of only one or a small group of shareholders.

It is indeed the substantive independence of the majority of the Board and, in particular, my fierce independence as the Chairman that has drawn Mr Purcell's ire.

6) Expertise and Performance as Director

Mr Purcell claims that his experience and tenure in the Oil & Gas industry means that the Company and its shareholders would be better off with him in charge. Tenure alone does not equate to valuable expertise or success.

In that context, shareholders should be aware that Mr Purcell has been a director of Melbana Energy Limited (previously known as MEO Australia) since August 2015 and was appointed Chairman of Melbana in November 2015. **Since Mr Purcell was appointed Chairman of Melbana, the shareholders have suffered a negative total shareholder return of around 30%.**

A review of Mr. Purcell's other ASX board tenures (which can be identified namely, Moreton Resources Limited, Realm Resources Limited and AJ Lucas Group Limited) provides little further confidence. Indeed, across all four identified board tenures of Mr. Purcell, Melbana appears to be the best case, with total shareholder returns during tenure at those other firms appearing to be even worse.

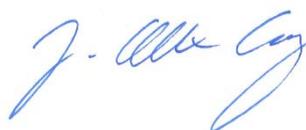
Since being appointed Chairman of Metgasco in **February 2016, Metgasco has enjoyed a positive total shareholder return of greater than +60% (on a distributions reinvested basis).** A large part of our current success comes on the back of an excellent business opportunity with Byron Energy Limited which the Board initiated and has since been extending.

Shareholders should note that Mr Purcell on various occasions opposed these very transactions with Byron Energy.

I urge you as a shareholder of Metgasco to carefully consider who you want to trust with the management of your company. By voting in line with the Board's recommendations, i.e. voting **FOR resolution one** and **AGAINST resolutions two, three and four**, I believe you will ensure that the company will be overseen by a majority independent board which will continue our path of sustainable growth for Metgasco.

Shareholders should consider voting online at www.registrydirect.com.au if they have not already done so, or call Metgasco on (02) 9923 9100 if they have any questions about the voting process.

Yours faithfully



Alexander Lang
Chairman

28/3/2018

Dear Fellow Shareholder,

The future of Metgasco will be determined at our meeting on 11 April 2018. You will be asked to choose between entrusting direction of your company to a board that has had experience delivering world-class resource projects and one that has not.

M&A Advisory is a 19.2% shareholder of Metgasco, so our interests are perfectly aligned. I want Metgasco to seek to generate significant returns for all shareholders by participating in oil and gas projects. This can be achieved by appointing an experienced management team and giving them a clear mandate and an appropriate incentive structure aligned to an increase in shareholder value, all overseen by a capable board with relevant experience and wide networks.

In addition, I am concerned about possible related party transactions and undeclared associations involving directors and shareholders of your company.

For these reasons, I believe that a change of direction is in the best interest of all shareholders. Accordingly, we recommend you vote AGAINST RESOLUTION 1 and IN FAVOUR of RESOLUTIONS 2, 3 AND 4.

In voting against resolution 1, you will help to ensure that I, as principal of M&A Advisory, remain a director of Metgasco focused on increasing shareholder value. If, as I recommend, resolutions 2, 3 and 4 are successful and Messrs. Lang, Amery and Patton are removed as directors, the board will consist initially of Dr. Rob Willink and myself, whose credentials are summarised at the end of this letter. Together, we will then seek to appoint an independent non-executive chairman with relevant oil and gas sector and ASX-listed company experience.

Commitment to the highest standards of corporate governance

The Notice of Meeting you have received includes a number of misleading statements about me. These statements malign me and I am obtaining legal advice. As mentioned above, for some time I have held concerns regarding possible related party transactions and undeclared associations involving directors and shareholders of your company. I have raised these concerns with the Chairman, Mr. Lang, on a number of occasions but to no apparent avail.

I have attempted to investigate these matters myself to protect the interests of all shareholders and, if I am removed as a director, these investigations would cease.

The suggestion in the Notice of Meeting that I have 'possible conflicts of interest' is untrue. My associations and interests have always been declared openly by the law firm I engage for such purposes.

I believe that voting against the resolution to remove me as a director and in favour of the resolutions to remove Messrs. Lang, Amery and Patton as directors will result in stronger governance for your company.

Further reasons we recommend you vote to remove Messrs Lang, Amery and Patton from the board

Keybridge Capital Limited, when Mr. Nick Bolton was its managing director, became a substantial shareholder of Metgasco in November 2015. The following month Mr. Bolton resigned from that position due to ASIC disqualifying him from acting as a director for three years. Mr. Amery joined the Metgasco board a short time later and, early in 2016, introduced Mr. Lang, who was subsequently appointed Chairman. In mid-2016, Metgasco's CEO resigned and Mr. Lang assumed executive control of Metgasco. During the almost two years Mr. Lang has been running Metgasco it has:

- Returned capital to shareholders in November 2016, at a time when the company had outstanding tenders on several exploration licences which usually require significant expenditure. Metgasco won two of the licences it tendered for the very next month.
- Opposed the appointment of M&A Advisory's two nominees to the board (both with extensive experience of the oil and gas sector and as public company directors) following M&A Advisory's acquisition of ~19% of Metgasco.
- Appointed Mr. Patton to the board at the nomination of Keybridge Capital (then only a ~10% shareholder). Mr. Patton was also the managing director of Aurora Funds Management Limited. His reported background did not suggest that he would bolster the board's already minimal experience with oil and gas exploration.
- Withdrawn my access to company books and records¹ and, on several occasions, convened meetings of directors with too little notice for me to either participate or attend.

As Metgasco's largest shareholder, we are very concerned about:

- The influence Keybridge Capital and Aurora has over our board and, therefore, your company. The relationship between these two companies was explored in some detail last year by the Takeovers Panel after it received applications from ASIC and Molopo Energy Limited. The Takeovers Panel found² Keybridge Capital and Aurora Funds Management to be associates and to have contravened sections 606 and 671B of the Corporations Act in relation to a listed company, Molopo Energy. It also found the involvement of Mr Bolton (who has been banned by ASIC from acting as a director), or Mr Bolton together with Mr Patton, in Keybridge Capital and Aurora gave rise to unacceptable circumstances in relation to the affairs of Molopo.

1 My access was withdrawn in December 2017. However, at my request in connection with the meeting on 11 April 2018, I have received a copy of the shareholders' register.

2 http://www.takeovers.gov.au/content/DisplayDoc.aspx?doc=reasons_for_decisions/2017/012.htm

- A pattern that is emerging in which Keybridge Capital and Aurora attempt to take control of companies. Another recent example is Aurora's attempt to replace directors on the board of 8IP Emerging Companies Limited.³
- Possible conflicts that the board may have had and about which I have asked many questions which remain ignored or unsatisfactorily unanswered.
- Why Mr. Lang wants to run a company in the oil and gas sector when he has no reported prior experience doing so and why he has not been inclined to become a shareholder in addition to earning director's fees given the responsibility he has for leading the company.
- The financial disciplines adopted by the company. In the 2017 financial year, Metgasco held 33 board meetings and reported running costs of ~\$1.7 million – extraordinary given the company's size and lack of operations.

The Notice of Meeting provides no indication of what Messrs. Lang, Amery and Patton propose to do differently to take advantage of the many opportunities open to Metgasco. On the other hand, we have a plan that we believe will create real shareholder value. This can be achieved by:

- 1. IGNORING the pre-completed blue Proxy Form you will have received and returning the enclosed Proxy Form in the reply-paid envelope so it reaches us by no later than 9.00 am. AEST on Tuesday, 10 April 2018; or**
- 2. Voting online at <https://www.registrydirect.com.au/investor>**

If you have already voted and wish to reconsider your decision, you can do so through sending me the enclosed Proxy Form so it reaches me before the above deadline, or you can change your vote online at the link above.

Should you have any questions or wish to discuss this matter further, please contact me at +61 2 8264 1070.



Andrew Purcell
Director

M&A Advisory Pty Ltd

³ <https://www.asx.com.au/asxpdf/20180326/pdf/43sqf28gq25xxg.pdf>

Experience of Dr. Rob Willink and Mr. Andrew Purcell

Rob Willink has 40 years' experience of the oil and gas industry. He commenced his career as a petroleum geologist with Shell in 1978 after graduating with a BScHons from the University of Tasmania and a PhD in geology from the Australian National University. After nine years with Shell including assignments in the Sultanate of Oman and in Turkey, he took up a lectureship in petroleum geology at the National Centre for Petroleum Geology and Geophysics at Adelaide University in 1987.

He returned to the petroleum industry in 1988 to join Sagasco Resources Limited in Adelaide as Exploration Manager. Sagasco was taken over by Boral Limited in 1994 which listed its energy interests on the Australian Securities Exchange as Origin Energy Limited in 2000.

As Origin's head of exploration, Dr Willink participated in oil and gas discoveries in this company's core operated areas in the Bass, Otway, Perth and Surat basins, including the large Thylacine gas field, offshore Victoria. He also provided geotechnical oversight to the company's growth in coal seam gas reserves in Queensland. He was a Director of OCA, the company that first positioned Origin in coal seam gas, from 1995 to 2002. Post 2005, Origin's exploration activities expanded internationally into SE Asia, Africa and New Zealand.

In 2011, Dr Willink stepped down from his executive position to assume a more technical advisory and assurance role for the company. He retired from Origin Energy in June 2012 and established his own company Investigative Exploration Pty Ltd for industry training and consulting.

As well as Metgasco, Rob is currently a director of privately owned Timor Resources Ltd.

Andrew Purcell has over 20 years' experience of the resources sector, including 12 years with Credit Suisse Group where he undertook several transactions in the sector, and as founding general partner of a US\$250 million private equity fund focusing on the resources sector and related infrastructure.

He has considerable experience as a director of ASX-listed and other public companies including PT Medco Energi Internasional Tbk (Indonesia) and The Bangkok Mass Transit System PCL (Thailand). In addition to Metgasco, he is currently Chairman of Melbana Energy Limited (ASX:MAY) and a non-executive director of AJ Lucas Group Limited (ASX:AJL), both of which have significant energy exploration projects in Australia and abroad.

Andrew holds a Bachelor of Electronic Engineering and a Masters of Business Administration.