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METGASCO CORPORATE STRATEGY UPDATE

In June 2016, Metgasco Ltd (ASX:MEL) (**Metgasco** or the **Company**) released a corporate update and strategic review (see Metgasco's ASX announcement dated 1 June, 2016 *Corporate Update and Strategic Review, Management and Board Changes*). In that announcement, the Board articulated the Company's objectives for new business transactions, being:

- *the generation of reliable income streams from either direct or indirect exposure to operating production cash-flows;*
- *strong risk-adjusted investment return expectations;*
- *accepting project or exploration risk only in the context of a balanced portfolio of other income producing assets and*
- *an aggregate exposure profile capable of delivering strong total shareholder returns including both capital growth and distributions.*

Given the Company has undertaken a number of steps in growing the business over the intervening two years, including: (a) undertaking its very successful investment with Byron Energy Limited (ASX:BYE) (**Byron**); (b) farming into Byron's prospective Bivouac Peak asset; (c) returning approximately \$10.0m capital to shareholders; (d) progressing its exploration assets in the Cooper Basin; and (e) continuing to evaluate new acquisition and project opportunities, the Board felt it was appropriate to review the Company's strategy and update shareholders on Metgasco's vision and direction.

The outcomes of this review, in the form of the Company's updated **Corporate Vision and Strategy Statement**, and **Strategy Statement: Questions and Answers** documents, are attached.

The documents are designed to inform shareholders on the objectives that underlie the Board's decisions and the Company's activities going forward.

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About Metgasco:

www.metgasco.com.au

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It is developing its 100% owned Cooper Basin blocks ATPs 2021 and 2020, awarded in May 2018, which it considers prospective for hydrocarbons and which are proximate to infrastructure. It holds an interest, via a secured, convertible production development funding facility, options and participation rights, in U.S Gulf of Mexico company Byron Energy Limited (ASX:BYE) and is also a 5.77% substantial shareholder in Byron. Metgasco holds a 10% (non-operating) farmed-in interest in Byron's Bivouac Peak Littoral Louisiana project with a proposed August 2018 initial test well (gross prospective resource: 32Mboe), as well as certain additional farm-in rights in relation to Byron's Gulf of Mexico portfolio. Aside from its \$5.0 million secured receivable noted above, Metgasco holds cash and bond investments of approximately A\$7 million.

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VISION AND STRATEGY STATEMENT: JULY 2018

Our Vision:

- We aim to provide our shareholders significant long term returns on their investment from our activities in the energy sector.
- We intend to maintain effective and proactive capital management, while providing shareholders with sustainable growth.
- We will conduct business in a reliable, ethical and sustainable manner.

Our Business:

- We will continue to build a diversified business, maximising opportunities, while seeking to properly manage risk.
- We seek to generate positive cash flows through participation in production assets as well as the considered use of financial investments.
- We will invest in and develop long term production and exploration opportunities as part of our business.

Our Execution Strategy:

- We will continue to explore and develop our own assets. At appropriate times, we will engage with suitable partners to assist in the exploration and commercialisation of those assets.
- We will continue to review and participate in farm-in opportunities.
- We will continue to search for opportunities to directly acquire assets, or participate in opportunities through equity and financial investments, where appropriately attractive returns are available.



STRATEGY STATEMENT: JULY 2018 QUESTIONS AND ANSWERS

What are our financial objectives?

- To compound shareholder wealth at an acceptable rate by investing in opportunities in the energy sector.
- To endeavour to commence shareholder distributions by FY 2020 and to maintain a progressive distribution policy thereafter.

What will we invest in?

- We will pursue diversified investments in energy assets, such as operating and non-operating oil and gas exploration, production and development interests, with a focus on **Australia** and **North America**.
- We will develop our Cooper Basin assets and seek new opportunities in this basin, during a time where a strong market driver exists for natural gas and where financial exposures can be managed through partnerships.
- We will pursue financial investments in the energy sector, such as, for example, our equity holding in Byron Energy Limited (ASX:BYE), where such investments provide both a compelling return opportunity to shareholders, relative to risk, and where they offer a pathway to acquiring further exposures to new opportunities.
- We will pursue merger and acquisition opportunities in the energy sector where it is in our shareholder's interests to do so.
- We will make use of the Company's share buyback capacity for capital management purposes if we believe the market is from time to time materially undervaluing the Company's shares.

How will we manage investment risk?

- We will seek partnerships in our existing Cooper Basin permits to reduce financial exposure to exploration risk.
- We will seek to limit our exposure to any one project or opportunity to not more than **30%** of the Company's balance sheet at the point of investment.
- We will limit financial investments to not more than **20%** of the Company's balance sheet at the point of investment.
- We will review our investments and overall exposures regularly.

What will we not invest in?

- We will not pursue direct asset investments outside of our focus areas of Australia and North America.
- We will generally not participate in exploration activities where the adjudged chance of success is estimated at less than 25%.
- We will not lend money solely for financial returns nor will we speculate or invest in energy sector securities for the purpose of speculative investment only.

What else will we do?

- We will aim to maintain a high level of shareholder engagement and communication.
- We will conduct our activities in full compliance with all governing regulations and with social license.
- We will strive at all time to minimise corporate costs.