



31 March 2020

Dear fellow Metgasco shareholders,

As you will be aware, there has very been considerable disruption and volatility on global equity and commodity markets due to the outbreak of a novel coronavirus (COVID-19). The consequent economic shut-downs of many economies and much of the global aviation industry has impacted demand for oil. At the same time, tensions between OPEC and non-OPEC producers, principally Saudi Arabia and Russia, have meant supply reduction has been limited, creating a glut of oil in markets and a sharp drop in prices.

These events have resulted in a substantial fall in the share prices of many energy companies, including your company, Metgasco.

While a recent US decision to purchase up to 30m barrels of oil at these low prices to bolster that nation's Strategic Petroleum Reserve have helped stabilise the market, prices remain well down from levels of earlier this year and there is little immediate clarity on the longer term outlook.

The board of Metgasco (ASX: MEL) ("Company" or "Metgasco") acknowledges that these events are serious and that the impact on the Metgasco share price is disappointing to shareholders. We wish to reassure all shareholders that both the Board and Management are working tirelessly to control costs in the business and progress our priority projects in the Cooper/Eromanga and Perth Basins in a responsible and prudent manner.

As a business with only two executives and experienced directors located across three states, the impact of this health event has been minimal given remote working was already standard. Management has made the decision that staff in Perth will work from home (as of 23rd March) in order to mitigate any potential exposure to the COVID-19 virus. All interstate travel has ceased.

The key priority for the business is the stimulation and test program on the Vali-1ST1 gas discovery to commercialise the independently certified (refer ASX announcement 3rd March) gross 2C Contingent Resource of 37.7 Bcf (9.4 Bcf net working interest to Metgasco), in late Q2 of this year. The joint venture is currently evaluating how present circumstances may affect this project in terms of regulator approvals, timing, access to personnel and availability of equipment due to Queensland state border closures. A successful testing program will allow the Vali gas field to be commercialised rapidly with anticipated production within a year.

Other key business priorities include drilling the Cervantes oil exploration well in the L14 licence in the Perth Basin and drilling the Odin gas well in PRL211. Metgasco operates the Cervantes project on behalf of RCMA Australia with a target of drilling in CY2020. Metgasco is evaluating how present circumstances may affect the project in terms of timing, regulator approvals and availability of necessary equipment manufactured outside of Australia.

Metgasco's circa 41m shares in Byron Energy (ASX:BYE) remain a significant asset of the company. The significant drop in Byron's share price appears to be directly related to oil price weakness, and while we remain confident in the long term outlook for this asset, the timing of a recovery remains unknown. The board therefore considers it prudent to defer seeking approval of the planned distribution of 20m Byron shares to the company's shareholders until the future outlook becomes a little clearer. The company's intention remains to undertake a distribution of BYE shares to its shareholders, when this will be prudent and responsible.

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Your board and management team have substantial experience operating businesses within this sector and others during periods of economic dislocation and commodity price pressure. Sensible, cost focussed management is required while diligently advancing key projects with our valued joint venture partners. Prior to this health event becoming apparant, the company had moved operations from Sydney to Perth, reducing staff and contractor costs substantially.

In recognition of the present extraordinary circumstances the board of directors and CEO have resolved to reduce their compensation by 50% through to at least June 30 of this year, and the company's CFO/Company Secretary has volunteered to reduce his compensation by 30% for the same period. This will substantially reduce the company's cash outgoings and demonstrates the alignment of Metgasco's board and staff with the interests of shareholders. The directors are grateful to their executive colleagues for their commitment to the company. Further cost savings may be effected should circumstances warrant it.

The board appreciates your continued support and we remain confident of delivering on our key business priorities over the coming months, and to creating substantial value for Metgasco shareholders in the years ahead.

Mr. Philip Amery (Chair)

Mr. Ken Aitken (CEO)

Dr. Robbert Willink (Director)

Mr. John Patton (Director)

Mr. Paul Bird (CFO and Company Secretary)

Contact and further information:

Metgasco welcomes shareholder communication and invites all interested shareholders to make contact at any time.

This ASX announcement was approved and authorised for release by the Board.

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