



ASX / MEDIA RELEASE

ASX Code: MEL

06 November 2020

AGM Notice of Meeting and Proxy Form

Metgasco Ltd (ASX:MEL) (**Metgasco** or **the Company**) advises it has issued the Notice of Meeting (**NOM**) and Proxy Form (attached) for the Annual General Meeting (**AGM**) of Shareholders to be held on Monday 14 December 2020 at 10.00am (WST) / 1.00pm (AEST).

Included with the NOM is a Prospectus for an offer to transfer up to 20 million fully paid ordinary shares in Byron Energy Limited to Shareholders of Metgasco Limited pursuant to a capital reduction by way of In-specie Distribution, being the subject of shareholder approval in the NOM.

Accordingly, the key dates* for AGM matters are as follows:

Event	Date
Voting Entitlement Date	12 December 2020
Annual General Meeting	14 December 2020
ASX informed of Shareholder approval	14 December 2020
Anticipated issue of Attaching Options	15 December 2020
In-specie Distribution to Shareholders of Byron Shares*	28 December 2020

*These dates are indicative only, assume Shareholder approval is given in each case and may in any event change without notice. Subject to the Listing Rules and the Corporations Act, the Company, reserves the right to change any date without prior notice. Refer to section 6.3 of the Explanatory Statement for further details.

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

Contact and further information:

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

ENDS

For further information contact:

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Ken Aitken
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Metgasco Ltd

ACN 088 196 383

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM AND PROXY FORM

**Annual General Meeting of Shareholders to be held on
Monday, 14 December 2020 at 10:00am (WST) / 1.00pm (AEST)**

The Meeting will be held online via live audio webcast for attendance by all Shareholders.

This is an important document that requires your immediate attention.

You should read this document in its entirety before deciding whether or not to vote for or against any resolution at the Annual General Meeting. A proxy form has been enclosed with this Notice for your convenience. This document does not take into account your individual circumstances. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Shareholders should refer to the Independent Expert's Report contained inside this Notice. The Independent Expert has determined that the In-specie Distribution referred to in this Notice is **fair and reasonable to the non-associated shareholders**.

If you have questions about the Annual General Meeting or the Resolutions, please call the Company on (08) 6245 0060 (within Australia) or +61 8 6245 0060 (outside Australia), Monday to Friday between 9:00am and 5:00pm Perth Time or contact the Company by email at info@metgasco.com.au.



6 November 2020

Dear Fellow Shareholder,

I am pleased to invite you to the 2020 Annual General Meeting (AGM or Meeting) of Metgasco Ltd (Company or Metgasco) to be held on Monday 14 December 2020 at 10.00am (WST) / 1.00pm (AEDT). Due to ongoing travel restrictions and risks associated with the Covid-19 health event, and in accordance with current ASIC guidance, the Meeting will be held as a virtual meeting.

The Annual General Meeting is an important event for Metgasco and provides shareholders with an opportunity to receive an update on Metgasco's performance during the year, to ask questions of the Board as well as Metgasco's auditor, and to vote on items of business before the AGM.

The enclosed Notice of Meeting (NOM) details the items of business for the AGM and voting procedures. A copy of the NOM and the Company's 2020 Annual Report is available from the Company's website at: <http://www.metgasco.com.au/announcements>

There are several resolutions being placed before shareholders at this year's AGM and while all of them, not least the re-election of my fellow director John Patton, are important, I draw your attention in particular to resolutions six (6) and seven (7).

Resolution 6 approves the issue of options to those shareholders and investors who participated in the Company's recent Placement and Shareholder Purchase Plan (SPP). This capital raising, the first undertaken by Metgasco for several years, was very strongly supported. Shareholder approval of the issue of attaching options to participants in both the Placement and SPP is required due to issuance capacity limitations and the Board of Directors is unanimous in recommending shareholders support this resolution. In the event the resolution were to not be passed, the Board has given consideration to a possible future pro-rata issue of options to all shareholders in lieu.

Resolution 7 approves Metgasco's long-planned pro-rata in-specie distribution of 20 million of the Company's Byron Energy (BYE) securities, in the form of capital return to shareholders. Metgasco has a proud history over the last several years of prioritising the distribution and return of value to shareholders. In 2016, after the disappointing outcome in Northern New South Wales and a significant cash settlement with the state government, Metgasco returned nearly \$10m in cash to its shareholders. The Company's BYE investment, which has been a very successful one, leaves Metgasco with a significant holding of shares in another Company, and the board believes it is ethical and efficient to share some of the benefit of this investment success with our shareholders directly. The distribution has the unanimous support of the Board as does this resolution.

On behalf of the Board I look forward to welcoming you all to the meeting and take this opportunity to again thank Metgasco's shareholders for their ongoing support of the Company.

Finally, if you would like to discuss any of these matters further, or if have any questions, please feel free to contact me directly, or any of your directors via:

Telephone: (08) 6245 0060 (within Australia) or +61 8 6245 0060 (outside Australia)

Email: info@metgasco.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Philip Amery', written in a cursive style.

Philip Amery
Chair

M: 0402 091 180

Philip.Amery@metgasco.com.au

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Metgasco Ltd ACN 088 196 383 will be held at:

Location	Virtual Meeting
Date	Monday, 14 December 2020
Time	10:00am (WST) / 1.00pm (AEST)
Details	https://agm.live.link/MEL20

Due to the COVID-19 pandemic and our concerns for the safety and health of Shareholders, the Meeting will be held as a virtual meeting. More information regarding virtual attendance at the Meeting (including how to vote, comment and ask questions virtually during the Meeting) is available in the Virtual Meeting Online Guide, which is enclosed.

On 6 May 2020, temporary modifications to the Corporations Act under the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020 (**ASIC Determination**) took effect.

These modifications are designed to further facilitate the holding of meetings (including AGMs) via virtual technology. Among other things, the ASIC Determination:

- deems persons participating via virtual technology to be present at the meeting;
- confirms virtual technology may be used to provide persons entitled to attend with a reasonable opportunity to participate in the meeting (including how they participate in a vote taken at the meeting and speak at the meeting to the extent they are entitled to do so);
- provides that a duly appointed proxy must be treated as if he or she attended the meeting in person; and
- allows notices of meeting, and other information regarding a meeting, to be provided by including it in an electronic communication or providing details of an online location where it can be viewed and downloaded.

Metgasco Ltd therefore convenes this Annual General Meeting under the ASIC Determination as it applies at the date of this Notice of Meeting.

ITEMS OF BUSINESS

1. Consideration of reports

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report for the financial year ended 30 June 2020.

RESOLUTIONS

1. Re-election of John Patton as Director

To consider and, if considered appropriate, pass the following ordinary resolution:

"That John Patton a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Metgasco Ltd."

2. Remuneration Report

To consider and, if considered appropriate, pass the following advisory resolution:

"That the Remuneration Report for the year ended 30 June 2020 (set out in the Directors' Report), is adopted."

Voting exclusion statement

The Company will disregard any votes casts in favour of this resolution by on behalf of, the following persons:

- (a) a member of the KMP whose remuneration details are included in the 2020 Remuneration Report; or
- (b) a closely related party of such KMP (including a spouse, dependents and certain other close family members, as well as any companies controlled by the KMP).

However, a person described above may cast a vote on resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- (b) the vote is cast by the Chairman of the Meeting and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

In accordance with section 250BD of the Corporations Act, a vote must not be cast on resolution 2 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting for undirected proxies does not apply to the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

3. Spill Resolution

Resolution 3 is a conditional resolution and a contingent poll will be held. The resolution is conditional on at least 25% of the votes cast on resolution 2 (adoption of the Remuneration Report) being against the adoption of the Remuneration Report.

The resolution will be deemed to have been withdrawn and the result of the contingent poll will not be valid if resolution 2 passes on a majority of more than 75%. Please refer to the Explanatory Notes for further information.

To consider in accordance with section 250V of the Corporations Act 2001 (Cth) (Corporations Act), and if thought fit, to pass the following as an ordinary resolution:

"That, subject to and conditional on at least 25% of the votes cast in respect of Resolution 2 (Adoption of the Remuneration Report) being cast against the adoption of the Remuneration Report:

1. *an extraordinary general meeting of the Company (the **Spill Meeting**) be held within 90 days of the passing of this resolution;*
2. *all the Non-Executive Directors in office when the Board resolution on the Directors' Report for the year ended 30 June 2020 was passed (being Robbert Willink, John Patton and Philip Amery) and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting."*

Voting exclusion statement

The Company will disregard any votes casts in favour of this resolution by on behalf of, the following persons:

- (a) a member of the KMP whose remuneration details are included in the 2020 Remuneration Report; or
- (b) a closely related party of such KMP (including a spouse, dependents and certain other close family members, as well as any companies controlled by the KMP).

However, a person described above may cast a vote on resolution 3 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- (b) the vote is cast by the Chairman of the Meeting and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

In accordance with section 250BD of the Corporations Act 2001 (Cth) (Corporations Act), a vote must not be cast on resolution 3 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting for undirected proxies does not apply to the Chairman of the Meeting where the proxy appointment

expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

4. Ratification of prior issue of Placement Shares

To consider and, if considered appropriate, pass the following ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the Company to ratify the issue of 55,000,000 New Shares at an issue price of \$0.025 per New Share to the sophisticated and professional investors, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes casts in favour of this resolution by on behalf of:

- (a) participants in the Placement; or
- (b) an associate of the participants in the Placement.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Ratification of prior issue of Options to Blue Ocean Equities Pty Limited

To consider and, if considered appropriate, pass the following ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the Company to ratify the issue of 3,000,000 Options at an issue price of \$0.05 per Option to Blue Ocean Equities Pty Limited (ACN 151 186 935), on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes casts in favour of this resolution by on behalf of:

- (a) Blue Ocean Equities Pty Limited; or
- (b) an associate of Blue Ocean Equities Pty Limited.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

6. Approval of the proposed issue of Attaching Options

To consider and, if considered appropriate, pass the following ordinary resolution:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 53,000,000 Attaching Options at an issue price of \$0.05 per Attaching Option to Eligible Shareholders, on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes casts in favour of this resolution by on behalf of:

- (a) participants in the Placement or the SPP; or
- (b) an associate of participants in the Placement or the SPP.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The Company has sought a waiver of Listing Rules 7.3.9 and 10.11 to not include the above voting exclusion in whole or in part. The Company will advise Shareholders of the outcome of that application once determined.

7. Approval for an equal reduction of capital and in-specie distribution of Byron Shares

To consider and, if considered appropriate, pass the following ordinary resolution:

“That, for the purposes of Section 256B and 256C(1) of the Corporations Act, ASX Listing Rule 10.1 and all other purposes, approval is given for the capital of the Company to be reduced by the Company making a pro-rata in-specie distribution of up to approximately 20 million Byron Shares less the Dividend Component (if any) to all Shareholders on the Record Date (rounded to the nearest whole Byron Share), with the consequence that each Shareholder on the Record Date shall be deemed to have consented to becoming a Byron Shareholder and being bound by its constitution, and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by, or on behalf of:

- (a) Melbana Energy Limited ACN 066 447 952 (**Melbana**) or Keybridge Capital Limited ACN 088 267 190 (**KBC**); or
- (b) an associate of Melbana or KBC.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the In-specie Distribution is **fair and reasonable** to the non-associated Shareholders.

BUSINESS

RESOLUTIONS PROPOSED BY THE BOARD

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

RECOMMENDATION OF HOW TO VOTE

The Directors recommend that YOU SHOULD:	
Vote <u>FOR</u> Resolutions 1,2, 4, 5, 6 & 7 proposed by the Board.	✓
Vote <u>AGAINST</u> Resolution 3 proposed by the Board	✗

The Explanatory Memorandum provides details as to why the Directors make the above recommendations.

RESOLUTIONS NOT INTERDEPENDENT

None of the Resolutions are interdependent. This means that one or more of the Resolutions can be passed even though one or more of the other Resolutions were not passed by Shareholders.

ENTITLEMENT TO VOTE

It has been determined in accordance with Regulation 7.11.37 of the Corporations Regulations and ASX Settlement Operating Rule 5.6.1, that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders after close of trading on **Saturday, 12 December 2020**. Accordingly, transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the General Meeting.

HOW TO VOTE

It is a requirement under the ASIC Determination that voting on all resolutions at the General Meeting will be taken on a poll and not by show of hands and that each person entitled to vote be given the opportunity to participate in the vote in real time or by recording their vote in advance of the meeting. We encourage Shareholders to vote electronically before the meeting.

VOTING IN PERSON

Given the meeting will be conducted by weblink, Shareholders should use the login below to access the event, which Shareholders will need to provide their details for registration to vote.

Shareholders and proxyholders can listen, vote, make comments and ask questions during the virtual AGM via the online platform at: <https://agmlive.link/MEL20>

To do this, you will need a computer or mobile/tablet device with internet access.

Shareholders: When you log into the online platform, you will need to provide your details (including SRN/HIN and postcode) to be verified as a Shareholder. Shareholders with a registered address outside of Australia should click "Outside Australia" and select the country of their registered address.

Proxyholders: When you log into the online platform, you will need your “Proxy Number” which will be provided to you by Link Market Services by email before the AGM.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting.

VOTING BY PROXY

A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. A Shareholder entitled to cast two or more votes may appoint not more than two proxies. Shareholders can appoint a body corporate as well as an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of Metgasco or in the capacity of a Shareholder's proxy at general meetings of Metgasco. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution. A proxy need not be a Shareholder of Metgasco.

Either the original, facsimile or electronic transmission of the proxy form(s) and any power of attorney or authority under which they are signed must be received at least 24 hours prior to the Annual General Meeting (i.e. by no later than **10:00am (WST) / 1.00pm (AEST) on Saturday, 12 December 2020**) or any adjournment. Any proxy form received after this deadline, including at the General Meeting, will be invalid.

Proxy forms and authorities may be sent to the Company's share registrar, **Link Market Services**, by post, personal delivery or fax:

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

The proxy form accompanying this Notice of Meeting contains details of how to lodge your proxy form.

Replacement proxy forms can be obtained from Metgasco's share registry on request.

Online:

Shareholders who wish to submit their Proxy Form online should follow the instructions set out below:

1. Go to the following website: www.linkmarketservices.com.au.
2. Select Shareholders Login and Single Holding Login'.

3. Enter 'Metgasco Limited' or the ASX code 'MEL' in the 'Issuer Name' field, your Holder Identification Number (HIN) or Securityholder Reference Number (SRN) (which is shown on your Proxy Form or holding statement), postcode and security code which is shown on the screen and click 'Login'.

4. Select the 'Voting' tab and then follow the prompts.

Shareholders who lodge a Proxy Form online following the instructions above will be deemed to have signed their Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

If a corporate representative is to attend the Annual General Meeting on behalf of a corporation, a formal *Appointment of Corporate Representative Form* must be brought to the General Meeting. A copy of the Appointment of Corporate Representative Form may be obtained from Metgasco's share registry on request.

How will the Chairman vote as proxy if the Shareholder has not directed the Chairman to vote?

The Chairman intends to vote all undirected proxies **IN FAVOUR** of Resolutions 1, 2, 4, 5, 6 and 7 and **AGAINST Resolution 3**. If a Shareholder appoints the Chairman of the General Meeting as proxy and does not direct the Chairman as to how to vote on the resolution then, if that Shareholder is entitled to vote on that resolution, the Chairman will vote in the manner described above.

OTHER LEGAL REQUIREMENTS – PROSPECTUS

Under applicable ASIC guidelines, the invitation to Shareholders to vote on the Resolution constitutes an "offer" to transfer Byron Shares to Shareholders pursuant to the In-specie Distribution under Chapter 6D of the Corporations Act and a prospectus is required unless an exemption applies or ASIC provides relief. As no exemptions apply and the Company has decided not to seek relief, the Company has prepared a prospectus that contains information in relation to Byron (**Prospectus**).

The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting. The Prospectus also allows Shareholders to sell their Byron Shares within the first 12 months after receiving them without further disclosure.

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on the Resolution other than as disclosed in this Notice of Meeting and the Explanatory Statement, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

PURPOSE OF THIS DOCUMENT

The purpose of this document is to set out all information which the Company considers relevant to a Shareholder's decision on how to vote on the Resolutions.

This document includes a statement of all the information known to the Company that is material to Shareholders in deciding how to vote on the Resolutions.

ASIC AND ASX

A final copy of this Notice of Meeting and Explanatory Statement has been lodged with ASIC and ASX, together with a copy of the In-specie Distribution Prospectus that accompanies this Notice of Meeting. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this document.

NO FINANCIAL PRODUCT ADVICE

This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the Attaching Options or Byron Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

The Company is not licensed to provide financial product advice. No cooling-off regime applies in respect of the acquisition of Attaching Options or the Byron Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

INDICATIVE TIMETABLE

Key dates*

Voting Entitlement Date	12 December 2020
Annual General Meeting...	14 December 2020
ASX informed of Shareholder approval	14 December 2020
Anticipated issue of Attaching Options	15 December 2020
In-specie Distribution to Shareholders of Byron Shares*	28 December 2020

***These dates are indicative only, assume Shareholder approval is given in each case and may in any event change without notice. Subject to the Listing Rules and the Corporations Act, the Company, reserves the right to change any date without prior notice. Refer to section 6.3 of the Explanatory Statement for further details.**

Enquiries

If Shareholders have any queries in respect of the matters set out in these documents, they are invited to contact the Company via:

Telephone: (08) 6245 0060 (within Australia) or +61 8 6245 0060 (outside Australia)

Email: info@metgasco.com.au

The Company's Chairman has also kindly offered to take Shareholder calls directly. He may be contacted on:

Mobile: 0402 091 180

email: philip.amery@metgasco.com.au

By order of the Board

Mr. Paul Bird
Company Secretary
6 November 2020

EXPLANATORY MEMORANDUM

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution.

1. Item 1 – consideration of reports

The Financial Report, the Directors' Report and the Independent Auditor's Report for the year ended 30 June 2020 (which are contained in the 2020 Annual Report) will be presented for consideration.

A printed copy of the 2020 Annual Report or an email advising that the 2020 Annual Report is available at the Company's website at <http://www.metgasco.com.au/annual-reports> has been sent to each Shareholder who has requested a copy.

Following the consideration of Reports and in accordance with the Corporations Act, the Chairman will give Shareholders a reasonable opportunity to ask questions about, or comment upon, the management of Metgasco at the AGM.

The Chairman will also provide Shareholders with a reasonable opportunity to ask the Auditor questions relating to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Auditor's Report;
- (c) the accounting policies adopted by Metgasco in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders relating to the content of the Independent Auditor's Report or the conduct of the audit. A list of written questions to the Auditor submitted by Shareholders, if any, will be made available to Shareholders at the start of the AGM and any written answers tabled by the auditor at the AGM will be made available as soon as practicable.

2. Resolution 1 – Re-election of John Patton as a Director

Mr Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. John was previously a partner with Ernst & Young in the Transactions Advisory Services division. With over 25 years of professional services and industry experience, John has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPOs, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory.

In addition, John has held the positions of CFO, acting CEO and alternate director of Epic Energy Company, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. This business was the core asset within the ASX-listed Hastings Diversified Utilities Fund. As a result, John has solid hands-on operational experience with, and a strong appreciation of regulatory, commercial, financial, capital structure and external stakeholder management issues and requirements associated with major assets within an ASX listed environment in Australia.

Mr Patton is Chairman of Metgasco's Audit & Risk Management Committee. John is also the Company Secretary of Keybridge Capital Limited and Managing Director of Aurora Funds Management Limited.

The Directors (with Mr Patton abstaining) unanimously recommend that Shareholders vote IN FAVOUR OF this ordinary resolution.

3. Resolution 2 – Remuneration Report

Section 250R (2) of the Corporations Act requires that the Company put to a Shareholder vote, a resolution that the Remuneration Report be adopted. The vote is advisory only and does not bind the Directors or the Company, although the Company takes the outcome of the vote into consideration in determining remuneration policy going forward.

The Remuneration Report is contained in the Directors' Report (and is set out at in the 2020 Annual Report which is available on the Metgasco website at <http://www.metgasco.com.au/annual-reports>).

The Remuneration Report:

- (a) explains Metgasco's executive remuneration philosophy and objectives and the link between the remuneration of employees and Metgasco's performance;
- (b) sets out remuneration details for each Director and for each named Executive; and
- (c) makes clear that the basis for remunerating Non-Executive Directors is distinct from the basis for remunerating Executives, including Executive Directors.

The Chairman will give Shareholders a reasonable opportunity to ask questions about, or comment upon, the Remuneration Report.

An advisory resolution that the Remuneration Report for the year ended 30 June 2020 is adopted, will then be put to a Shareholder vote.

A voting exclusion statement is included in the main body of the Notice of Meeting.

The Chairman of the Meeting may vote an undirected proxy as he decides on this advisory resolution, if the proxy appointment expressly authorises the Chairman to exercise the proxy even though this advisory resolution is connected directly with the remuneration of a KMP.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

4. Resolution 3 – Spill resolution

Resolution 3 is subject to the result of Resolution 2.

Resolution 3 (**Spill Resolution**) is required to be included in this notice of meeting by Division 9 of Part 2G.2 of the Act because the adoption of the Remuneration Report contained in the Company's 2019 Annual Report was not passed by more than 75% of the votes cast at the 2019 Annual General Meeting.

If, at this AGM, Resolution 2 is not passed, or passes but not by more than 75% of the votes cast, then the Company is required to put the Spill Resolution to a vote.

To allow the Company to progress the business of this AGM without the need for any adjournment to consider the results of the vote on Resolution 2, the Company will proceed to put the Spill Resolution to a vote on a conditional basis. A contingent poll will be held on this basis. The result of the vote on the Spill Resolution will only be valid if Resolution 2 is not passed, or passes but not by more than 75% of the

votes cast. Conversely, if Resolution 2 passes on a majority of more than 75%, the Spill Resolution will be deemed withdrawn and any votes cast on the Spill Resolution prior to the withdrawal of the Spill Resolution will be treated as invalid.

4.1. Majority required for Spill Resolution

The Spill Resolution will be carried by ordinary majority (more than 50%). If the Spill Resolution is valid and carried, a Spill Meeting must be held within 90 days of the passing of the Spill Resolution.

4.2. The Spill Meeting

If a Spill Meeting is held, the Directors who will cease to hold office immediately before the end of the Spill Meeting (unless they resign before the Spill Meeting) will be, pursuant to section 250V(1)(b)(i) of the Act, the following directors being all the Non-Executive Directors in office when the Board resolution on the Directors' Report for the year ended 30 June 2019 was passed:

- (a) Mr Philip Amery;
- (b) Robbert Willink; and
- (c) John Patton.

Assuming John Patton is re-elected at this AGM, each of these Directors is eligible to stand for re-election at the Spill Meeting and intend to seek re-election.

The Spill Meeting, if required, will be subject to separate notice in accordance with the Constitution of the Company and the Corporations Act. Nominations for director appointments at the Spill Meeting may be made in accordance with the Constitution of the Company and may include the Directors listed above.

4.3. Voting on Spill Resolution 3

The Chairman of the Meeting may vote an undirected proxy as he decides on this Resolution, if the proxy appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly with the remuneration of a KMP.

A voting exclusion applies to Resolutions 3 and 3 and is set out in the Notice of Meeting. These voting exclusions will not apply to the Spill Meeting and all Shareholders will be entitled to vote on the Director appointments at the Spill Meeting.

The Directors unanimously recommend that Shareholders vote against Resolution 3.

5. Resolutions 4 to 6 – Placement and Attaching Options

5.1. Background

On 20 July 2020, the Company announced a capital raising comprising:

- (a) a Placement to raise \$1,375,000 before costs by the issue of 55,000,000 New Shares to sophisticated and professional investors at 0.025 cents each; and
- (b) an offer to Shareholders by the SPP to raise up to \$2,000,000 before costs (with the ability to accept oversubscriptions) by the issue of New Shares at 0.025 cents each.

The SPP offered Shareholders of the Company (as at 7pm on 17 July 2020) the ability to each apply for up to \$30,000 of New Shares and was completed on 9 September 2020.

The Placement Shares were issued on 28 July 2020, with 55,000,000 Shares issued pursuant to the Company's Listing Rule 7.1 placement capacity. The SPP Shares were issued on 14 September 2020, with 103,999,914 Shares issued pursuant to the ASIC Instrument and 1.2 and 1.3 of the Relief Waiver under the ASX Listing Rules, which facilitate offers under a Share Purchase Plan that follow on from a Placement.

The Company also agreed to pay Blue Ocean Equities Pty Limited a 3% management fee and a 3% selling fee pursuant to the Placement and 3,000,000 Options each exercisable at \$0.05 and expiring on 31 September 2021 in consideration for the provision by Blue Ocean Equities Pty Limited of brokerage services for high net worth individuals to invest in the Placement.

Eligible Shareholders under the Placement and the SPP were offered 1 free Attaching Option for every 3 New Shares issued, subject to Shareholder approval. Each Attaching Option has an exercise price of \$0.05 and an expiry date of 30 September 2021. The issue of all of the Attaching Options is subject to Shareholder approval. If approved, the issue of the Attaching Options is anticipated for 15 December 2020.

Resolution 4 seeks Shareholder ratification of the issue of the New Shares the subject of the Placement pursuant to Listing Rule 7.4.

Resolution 5 seeks Shareholder ratification of the issue of the 3,000,000 Options issued to Blue Ocean Equities Pty Limited pursuant to Listing Rule 7.4.

Resolution 6 seeks Shareholder approval for the issue of up to 53,000,000 Attaching Options issued under to the Placement and SPP pursuant to Listing Rule 7.1.

5.2. Purpose of the Placement, issue to Blue Ocean Equities Pty Limited and issue of Attaching Options

The proceeds of the Placement will be applied to fund:

- (a) Vali-1 stimulation, flow test and, on a successful test, well completion;
- (b) on a successful test and Vali-1 Joint Venture decision, production tie-in and commercialization of Vali-1;
- (c) advancing the Company's Cooper and Perth basin projects, and
- (d) for general working capital purposes including funding the costs of the Placement.

The purpose of the issue of the Options to Blue Ocean Equities Pty Limited is in consideration of the brokerage services they provided to the Company in respect of the Placement.

The primary purpose of the issue of Attaching Options on the other hand, is not to raise capital. No funds will be raised from the offer of Attaching Options. It is currently intended that any funds raised by the exercise of the Attaching Options will be used towards increasing the pace of testing, exploration, development of the Company's Cooper and Perth basin projects and increasing working capital.

5.3. Terms of the Options

The Options issued to Blue Ocean Equities Pty Limited and pursuant to the Placement entitle the Option Holder to subscribe for Shares on the following terms:

- (a) Each Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each Option, the Option Holder must exercise the Attaching Options in accordance with the terms and conditions of the Options.

- (b) The Options will expire at 5.00pm (WST) on 30 September 2021 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise at each Option will be \$0.05 per Option (**Exercise Price**).
- (d) The Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 Options are held, all Options must be exercised together.
- (e) An Option Holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are non-transferable nor will they be listed on the ASX.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any issue, the record date will be after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (l) Other than pursuant to term (m), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (m) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

- 5.4. Effect of Placement, issue to Blue Ocean Equities Pty Limited and issue of Attaching Options to Shareholders

What will happen if Resolutions 4-6 are approved?

If Resolutions 4-5 are passed, the base figure (i.e. variable "A") in which the Company's 15% placement capacity is calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval.

If Resolution 6 is passed, the Company will be able to proceed with the issue of the Attaching Options. In addition, the issue of the Attaching Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

What will happen if Resolutions 4-6 are not approved?

If Resolutions 4-5 are not passed, the Placement Shares and 3,000,000 Options issued to Blue Ocean Equities Pty Limited will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following 28 July 2020.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the 53,000,000 Attaching Options. The Board may further consider a possible future pro-rata issue of options to all shareholders in lieu of the issue.

6 Resolution 7 – In-specie Distribution

6.1 Background

As announced on 1 October 2019, Metgasco proposes, subject to Shareholder approval, to undertake a capital return via an in-specie distribution of 30 million fully paid ordinary shares in Byron Energy Limited (ACN 113 436 141) (**Byron**) to its Shareholders on a pro-rata basis (**In-specie Distribution**).

On 20 December 2019, Metgasco reduced the proposed in-specie distribution to 20 million fully paid ordinary shares in Byron, considering the modestly increased exploration commitments held by the Company given the completion of the farm-in agreement with its ATP2021 joint venture partners Vintage Energy Ltd and Bridgeport Energy Limited in PRL 211 in the Cooper/Eromanga Basin.

The Byron Shares represent a passive investment asset of Metgasco that have significantly increased in value since being acquired by Metgasco. They are non-core to Metgasco's ongoing business and therefore surplus to requirements. Metgasco currently holds an approximate 3.7% interest in Byron.

Metgasco's initial acquisitions of Byron Shares were undertaken at prices between 7 cents and 27 cents. Byron's market price as at close of trading on 5 November 2020 was 16.5 cents. The Board has resolved that the interests of the Shareholders are therefore best served by distributing the Byron Shares to Shareholders to deal with directly to meet their individual needs.

Byron was incorporated on 18 March 2005 and listed on the ASX on 3 June 2005. Byron's activities are focused on independent oil and gas exploration and it has a number of projects and project interests located in the shallow water offshore Louisiana in the Gulf of Mexico. For further information on Byron please see section 6.2 below.

The In-specie Distribution will be effected by an equal reduction of the Company's capital on a pro rata basis. The Shareholders will receive an in-specie return of capital by way of the distribution of Byron Shares in proportion to the number of Metgasco's Shares held by them at the Record Date. The Shareholders will obtain ownership in Byron, whilst still maintaining their ownership in Metgasco.

6.2 Overview of Byron

Byron's business has been, and continues to be, focussed solely in the shallow water Outer Continental Shelf in the Gulf of Mexico (GOM), in the identification, analysis exploration and production of oil and gas prospects or fields. The SM71 exploration discovery was rapidly developed and currently produced 893bopd net to Byron generating approximately \$US3.7million in the June 2020 quarter. Earlier this year Byron initiated production from their 100% owned SM58 Licence in the GOM. Byron's board has extensive geological, geophysical and operational expertise in developing and operating properties in the shallow water GOM region, please refer to Byron's website for further information regarding the Board <http://www.byronenergy.com.au/board-of-directors>.

6.3 Capital Reduction - general

The Company seeks Shareholder approval under the Resolution to enable the Company to reduce its capital by the distribution of specific assets to Shareholders, up to 20 million Byron Shares.

The Corporations Act and the Listing Rules set out the procedure and timing for a capital reduction. Refer to page 13 for an indicative timetable in respect of the In-specie Distribution. The alteration to the Company's capital and the In-specie Distribution will become effective from the Record Date provided that after the Record Date has been set the Directors have not provided a notice to ASX stating that the Company does not intend to proceed with the reduction of capital contemplated by the Resolution.

Generally, the standard record date for an in-specie distribution and capital return is 3 business days after the resolution approving the return of capital has been passed by a company's shareholders.

If the capital reduction proceeds, Shareholders will receive a pro rata entitlement to the Byron Shares being distributed and each Shareholder's name will be entered on the register of members of Byron and each Shareholder having deemed to have consented to becoming a Byron shareholder and being bound by the Byron Constitution.

A Shareholder's entitlement to Byron Shares to be distributed is to be based on the number of Shares held at the Record Date.

At the date of this Notice, there are 549,601,348 Shares on issue in the Company. Assuming no Shares are issued by the Company prior to the Record Date, and assuming the full 20 million Byron Shares are distributed, the distribution ratio for the In-specie Distribution will be approximately 1:27.5 (ie each Shareholder will receive approximately 1 Byron Share for every 27.5 Shares held at the Record Date, rounded down to the nearest whole number).

6.4 Advantages and disadvantages of the In-specie Distribution

6.4.1 Advantages

The Board considers the following advantages apply to the proposed In-specie Distribution:

- (a) Shareholders will have a direct investment in Byron, a profitable business in production stage, opposed to only having an indirect interest in Metgasco, a company which is in the exploration stage which is currently loss making;
- (b) Shareholders are likely to receive dividends from the Byron shares transferred in the near future because Byron has become profitable, whereas they are less likely to receive a dividend from Metgasco because Metgasco is loss making and continuing to invest money in its exploration assets;

- (c) the distribution provides agency to Metgasco Shareholders in that they will personally exercise control over the Byron shares to be distributed, as opposed to holding only indirect benefit through their shareholding in Metgasco;
- (d) Byron shares are generally widely traded with greater liquidity than Metgasco shares;
- (e) under the Proposed Transaction every Shareholder is treated equally, and the non-associated shareholders would have the same outcome as Metgasco's largest Shareholder, with the difference being potential tax consequences depending on Shareholders personal circumstances;
- (f) those Shareholders wishing to increase their exposure to Byron's Gulf of Mexico portfolio will, on distribution, hold a direct interest in that company, whereas those Shareholders primarily wishing for exposure to Metgasco's Australian exploration assets will hold a more focused investment; and
- (g) the Board of Metgasco believes that Metgasco's market valuation does not reflect the intrinsic value of its exploration asset portfolio when taking into account the substantial proportion of its value represented by the look-through value of its Byron holding. Distributing a portion of this holding may enable Metgasco's value to be more readily appreciated by the market.

6.4.2 Disadvantages

The Board has considered the following disadvantages of the proposed In-specie Distribution:

- (a) depending on Shareholders' individual circumstances, and BYE's share price on the date of the distribution, there may be a taxation consequence in respect of the distribution of the Byron Shares to the Shareholders. Details of the possible general taxation effect of the transaction are set out in section 6.14 of the Notice of Meeting;
- (b) Shareholders will become holders of Byron shares and the objectives and interests of Byron may not align with those of a given Shareholder;
- (c) Shareholders are likely to incur additional transaction costs if they wish to dispose of their new investment in Byron (e.g. brokerage costs). Such brokerage costs would likely be incurred in the event Metgasco sells Byron shares;
- (d) there may be incremental costs to facilitate the transfer of shares; and
- (e) while Metgasco will remain well funded following the distribution (based on current cash and current value of Metgasco's remaining Byron shareholding), the reduction in financial assets on Metgasco's balance sheet may result in future capital raising/s being required sooner than otherwise may be the case.

6.5 Independent Expert's Report (IER)

Under the proposed In-specie Distribution the two largest Shareholders in Metgasco, Melbana and KBC (i.e. the Substantial Shareholders), will receive Byron shares with a value greater than 5% of the book value of Metgasco's equity.

Accordingly, in accordance with Listing Rule 10.1:

- (a) Metgasco is required to provide the Independent Expert's Report to the Shareholders; and
- (b) the Shareholders who are not associated with the Substantial Shareholders (i.e. the non-associated shareholders) will need to approve, by ordinary resolution, the In-specie Distribution.

The Board has appointed McGrathNicol Transaction Advisory Pty Ltd as an independent expert to prepare the Independent Expert's Report in relation to the In-Specie Distribution, indicating whether in their opinion the In-specie Distribution is fair and reasonable for the non-associated shareholders. The IER is set out in Schedule 1 of the Notice and forms part of this Notice. The purpose of the IER is to assist non-associated Shareholders form the view as to whether to approve the In-specie Distribution. The Expert is independent of Metgasco and has no involvement with, or interest in the outcome of the In-specie Distribution other than the preparation of the IER.

The Independent Expert has concluded that the In-specie Distribution is **fair and reasonable to the non-associated Metgasco Shareholders**. It is recommended that all Shareholders read the IER, which is set out in Schedule 1 in full.

6.6 Pro forma financial position of the Company and Byron upon completion of the proposed capital reduction and In-specie Distribution

A pro-forma statement of financial position of the Company is contained in Schedule 2 which shows the financial impact of the capital reduction and the In-specie Distribution on the Company.

A condensed, consolidated statement of financial position for Byron as at 30 June 2020, which has been extracted from Byron 2020 Financial Statements, is set out in Schedule 6.10.

6.7 Effect of Proposed Capital Reduction on Shareholders in Metgasco

What will you receive?

Subject to Shareholders approving Resolution 7, eligible Shareholders will receive an in-specie return of capital by way of the distribution of Byron Shares in proportion to the number of Metgasco Shares held by them at the Record Date.

Shareholders are not required to contribute any payment for the Byron Shares which they are entitled to receive under the In-specie Distribution.

The number of Metgasco Shares that you hold will not change as a result of the In-specie Distribution.

Do you have to do anything to receive your Byron Shares?

If the In-specie Distribution is approved by Shareholders and is implemented, you will automatically receive the Byron Shares you are entitled to receive (unless you are an ineligible overseas Shareholder, in which case you will receive the proceeds), even if you vote against the In-specie Distribution or do not vote at all.

Will I be able to trade my Byron Shares?

If the In-specie Distribution is approved by Shareholders and is implemented, as a holder of Byron Shares, you will be able to trade your Byron Shares in the future on ASX.

What are the taxation implications of the In-specie Distribution?

A general guide to the taxation implications of the In-specie Distribution is set out in section 6.14 of this Explanatory Statement. The description is expressed in terms of the In-specie Distribution and is not intended to provide taxation advice in respect of particular circumstances of any Shareholder.

Shareholders should obtain professional advice as to the taxation consequences of the In-specie Distribution in their specific circumstances.

What will happen if Resolution 7 is not approved?

In the event that Shareholder approval of the Resolution is not obtained, the In-specie Distribution will not proceed and the distribution of Byron Shares to Shareholders will not occur. Metgasco will retain its total shareholding (being 39,440,321 shares) in Byron.

6.8 Disclosure to ASX

Each of Metgasco and Byron, as an entity with shares quoted on the Official List of the ASX, is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Metgasco or Byron may be obtained for a fee from or inspected at, an office of ASIC or can be accessed via the ASX announcements platform.

6.9 Risk factors

On successful completion of the In-specie Distribution, Shareholders will become shareholders in Byron and should be aware of the general and specific risk factors which may affect Byron and the value of its securities. Such risk factors as identified by the Metgasco Board are set out in Schedule 4.

6.10 Effect of proposed In-specie Distribution on the Company

The principle effect of the In-specie Distribution will be that the Company ceases to hold the 20 million Byron Shares and the share capital and net assets of the Company will be reduced by the market value of the Byron Shares distributed to Shareholders.

A pro-forma statement of financial position of Metgasco is contained in Schedule 2, which shows the financial impact of the capital reduction and the In-specie Distribution on the Company. Furthermore, the Company, being an ASX listed entity, is subject to the continuous disclosure requirements of the Listing Rules. As such, the Company is required to lodge quarterly accounts detailing the Company's current financial position. Any use of funds by the Company will be detailed in these quarterly reports and any significant transactions will be disclosed to Shareholders.

6.11 In-specie Distribution of Byron Shares

The return of capital will be effected by a pro-rata distribution of up to a maximum of 20 million Byron Shares in specie proportionately to all of the Shareholders:

- (a) registered as such at 5:00pm (AEDT) on the Record Date; or
- (b) entitled to be registered as a Shareholder in the Company by virtue of a transfer of Shares executed before 5:00pm (AEDT) on the Record Date and lodged with the Company at that time.

At the date of this Notice, there are 549,601,348 Shares on issue in the Company. Assuming this same number of Shares was on issue at the Record Date, the formula for the In-specie Distribution would be approximately 1 Byron Share for every 27.5 Metgasco Shares held. Any fractions of entitlement will be rounded down to the next whole number.

6.12 Overseas company Shareholders

The In-specie Distribution of the Byron Shares to overseas Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on Metgasco an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on Metgasco an undue burden, the Byron Shares to which the relevant Shareholder is entitled will not in fact be issued to such Shareholder and

instead will be sold by Metgasco on their behalf, in order that Metgasco will pay the relevant Shareholder a cash equivalent amount, or otherwise Metgasco will seek to make alternative arrangements with respect to the relevant Shareholder which are reasonable in all the circumstances.

If Metgasco elects to sell the Byron Shares on a relevant Shareholder's behalf, Metgasco will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. As the return of capital is being represented and satisfied by the In-specie Distribution and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the reduction of capital. It will be the responsibility of each Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

6.13 Information concerning the Byron Shares

Byron, as an entity with shares quoted on the Official List of the ASX, is a disclosing entity and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged in relation to Byron may be obtained for a fee from, or inspected at, an office of ASIC or can be accessed at Byron's ASX announcements platform.

For the information of Shareholders, the highest, lowest and last recorded sale prices of Byron's Shares as traded on ASX during the 12 months immediately preceding the date of the Notice of Meeting were:

	Price	Date
Highest	\$0.35	20/02/2020
Lowest	\$0.11	01/04/2020
Last	\$0.17	05/11/2020

A summary of the more significant rights that will attach to the Byron Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Byron Shareholders. Full details of the rights attaching to the Byron Shares are set out in Byron's Constitution, a copy of which is available at the Byron website (<http://www.byronenergy.com.au/asx-previous-announcements/>) under ASX Announcements for 2013.

(a) General meetings

Each Byron Shareholder is entitled to receive notice of and attend general meetings of Byron. Two shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chairman and an adjournment, unless the quorum required is present at the start of the business.

Byron is obliged to convene and hold an annual general meeting.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares in the company and any restrictions imposed by the Corporations Act, Byron Shares carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

(c) Dividends

If the Byron board of directors determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The board may establish and maintain one or more dividend plans, to which a Byron Shareholder may elect to take up with some or all their shares subject to the rules of the plan.

The Byron board has the power to decide whether to pay Byron Shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the Byron Constitution.

No dividend is payable except out of company profits and no dividend or other monies paid in relation to a share will carry interest as against the company.

(d) Capitalisation of profits

The Byron board may capitalise the whole or any portion of any sum forming part of the undivided profits of the company and distribute that capital to the Byron Shareholders in the same proportions as the Byron Shareholders are entitled to a distribution by dividend.

(e) Winding-up

On a winding up of Byron (voluntarily or otherwise), the liquidator may divide the assets of the company amongst the contributories, and may vest any part of the assets of the company in trustees upon any trusts for the benefit of all or any of the contributories as the liquidator thinks fit. In the case that any contributory would be prejudiced by the division, they have ancillary rights as if the determination were a special resolution relating to the sale or transfer of the company's assets passed by the liquidator.

(f) Transfer of Byron Shares

Byron Shares may be transferred in any manner required or permitted by the Listing Rules or the ASX Settlement Operating Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Byron board may only refuse to register a transfer of securities of the Company as permitted by the Listing Rules or the ASX Settlement Operating Rules.

(g) Variation of rights

The rights and restrictions attaching to any class of Byron Shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

6.14 Taxation

The following is an overview of the Australian tax implications that should arise as a consequence of the proposed In-specie Distribution for Shareholders.

The tax consequences for a Shareholder with respect to the proposed In-specie Distribution may vary depending upon a Shareholder's specific circumstances. The information set out below is provided as a general guide only and does not constitute tax advice. Shareholders should consult their own professional

advisors as to the potential tax consequences for them with respect to the In-specie Distribution. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences of the In-specie Distribution.

This overview provides a general outline of the main Australian taxation implications in relation to the proposed In-specie Distribution for Australian resident Shareholders who:

- (a) hold their Shares on capital account and not as revenue assets, trading stock or as assets used in carrying on a business;
- (b) acquired, or were deemed to have acquired, their shares on or after 20 September 1985; and
- (c) are not subject to the rules concerning the taxation of financial arrangements.

Class Ruling

The Company is seeking a Class Ruling from the ATO in relation to the tax treatment of the In-specie Distribution for certain Shareholders. A draft Class Ruling (setting out the Commissioner's preliminary but considered view) may be received prior to the date of the Meeting and the final Class Ruling would be expected to be received shortly following the In-specie Distribution. It is expected that the Class Ruling will determine, for tax purposes, the quantum of the In-specie Distribution that are to be treated as a capital return and an unfranked dividend. The Company will notify Shareholders as soon as the Class Ruling is released.

Capital return component of In-specie Distribution

The In-specie Distribution component that is to be treated as a capital return (as determined by the ATO Class Ruling) will reduce the cost base and reduced cost base of the Share held by Shareholders. To the extent the capital return component exceeds a Shareholder's cost base in a Share, the cost base and reduced cost base of the Share will be reduced to nil and the Shareholder will realise a capital gain on the difference.

If the Shareholder is an individual, complying superannuation entity or a trustee and acquired (or is taken to have acquired) for CGT purposes the Share at least 12 months prior to the date of the In-specie Distribution, the amount of the Shareholder's capital gain would be reduced by the relevant CGT discount (i.e. 50% for individuals and trustees and 33.3% for complying superannuation entity) after applying any capital losses.

Where a Shareholder ceases to own a Share after the Record Date but before the actual In-specie Distribution date, a capital gain equal to the capital component of the In-specie Distribution may crystallise. Specific tax advice should be sought in these circumstances.

Unfranked dividend component of In-specie Distribution

The In-specie Distribution component that is to be treated as an unfranked dividend (as determined by the ATO Class Ruling) will be required to be included in Shareholder's assessable income and included in the Shareholder's income tax return.

Cost base and reduced cost base of Byron Shares received

The first element of the CGT cost base and reduced cost base of each Byron Share received should equal the market value of the Byron Share (i.e. the amount of the In-specie Distribution), worked out as at the time of acquisition (the In-specie Distribution date).

Further, Byron Shareholders are treated as having acquired their Byron Shares on the date the Byron Shares were distributed to them, being the In-specie Distribution date.

7 Additional important information

7.1 Relevant legal provisions

(a) Section 256C of the Corporations Act

The proposed reduction of capital by way of an in-specie distribution to Shareholders is an equal capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- (i) is fair and reasonable to Shareholders as a whole;
- (ii) does not materially prejudice the Company's ability to pay its creditors; and
- (iii) is approved by Shareholders in accordance with section 256C of the Corporations Act.

The Directors believe that the In-specie Distribution is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. This is because each Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Shareholder. The In-specie Distribution is on a pro rata basis, and the proportionate ownership interest of each Shareholder remains the same before and after the In-specie Distribution.

In accordance with the Corporations Act:

- (i) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Shareholders;
- (ii) this Explanatory Statement and previous ASX announcements set out all information known to Metgasco that is material to the decision on how to vote on the Resolution; and
- (iii) Metgasco has lodged with ASIC a copy of this Notice of Meeting and accompanying Prospectus.

(b) Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Subject to approval by Shareholders, the 53,000,000 Attaching Options will be included in calculating the Company's 15% placement capacity under Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Attaching Options.

(c) Listing Rule 7.4

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares and 3,000,000 New Shares issued to Blue Ocean Equities Pty Limited, pursuant to Resolutions 4 and 5.

(d) Listing Rule 7.17

Listing Rule 7.17 provides in part that a listed entity, in offering shareholders an entitlement to securities, must offer those securities pro rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a shareholder holds before this entitlement accrues. The In-specie Distribution satisfies the requirements of ASX Listing Rule 7.17 because the issue of Byron Shares is being made to Shareholders on a pro rata basis, and there is no restriction on the number of Shares a Shareholder must hold before the entitlement to the Byron Shares accrues.

(e) Listing Rule 7.25

Listing Rule 7.25 prohibits an entity from issuing bonus securities or reorganising its capital if the effect of doing so would decrease the price at which its main class of securities would be likely to trade after the issue or reorganisation at an amount less than 20 cents.

Metgasco's market price as at close of trading on 5 November 2020 was 0.025 cents.

The In-specie Distribution will inevitably decrease Metgasco's trading price of its main class of securities to an amount less than 20 cents. However, on the basis that:

- (i) the Shares are already trading below 20 cents;
- (ii) the purpose of the In-specie Distribution is to provide Shareholders with a capital return; and
- (iii) the In-specie Distribution is approved by Shareholders and completed in accordance with the Corporation Act,

Metgasco has sought a standard waiver from the ASX from Listing Rule 7.25.

The ASX on 12 November 2019 granted the Company a waiver from Listing Rule 7.25 to the extent necessary to permit the Company to undertake a capital return which may have the effect of reducing the trading price of the Company's Shares to less than 20 cents each pursuant to an equal reduction of capital to be approved by the Company's Shareholders.

(f) Listing Rule 10.1

Listing Rule 10.1 concerns transactions between an entity or any of its subsidiaries and persons in a position to influence the entity.

Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, a related party of the entity, a substantial shareholder of an entity or an associate of such a person without the approval of the entity's security holders.

The proposed In-specie Distribution will result in the Substantial Shareholders receiving a substantial asset from the Company and is therefore a transaction to which Listing Rule 10.1 applies.

Pursuant to and in accordance with Listing Rule 10.5, the following information is provided in relation to the distribution of Byron Shares to the Substantial Shareholders:

- (i) Metgasco is disposing of a substantial asset, being the Byron Shares to the Substantial Shareholders;
- (ii) Listing Rule 10.1 applies to the acquisition of the Byron Shares by the Substantial Shareholders because the Substantial Shareholders are entities who are, substantial (10%+) holders in Metgasco and therefore require the approval of the Shareholders to receive the Byron Shares;
- (iii) Details about the Byron shares are set out in this Notice at section 6.13;
- (iv) There is no consideration being given for the disposal of the Byron Shares to the Shareholders;
- (v) The timetable for completing the disposal is included in the Notice;
- (vi) The disposal is not pursuant to an agreement other than the offer contained in this Notice;
- (vii) A voting exclusion statement is included in the Notice; and
- (viii) The Company has obtained a report on the In-specie Distribution from the Independent Expert, a copy of which is included with this Notice. The Independent Expert has concluded that the proposed In-specie Distribution is fair and reasonable for non-associated Metgasco shareholders.

Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of the Shareholder approval required under ASX Listing Rule 10.1, and, and which comments on the fairness and reasonableness of the In-specie Distribution. A copy of the Independent Expert's Report is included with this Notice at Schedule 1. In the Expert's opinion, the In-specie Distribution is fair and reasonable to the non-associated Metgasco shareholders.

The approval required by ASX Listing Rule 10.1 is sought from Shareholders under the Resolution.

7.2 Metgasco Director's interests and recommendations

The table below sets out the number of securities in Metgasco held by the Directors at the date of this notice of meeting and also the number of Attaching Options and Byron Shares they are likely to have an interest in if Resolutions 6 and 7 are passed and implemented:

Director	Metgasco Shares	Approximate number of Byron Shares each Director will receive	Approximate number of Attaching Options each Director will receive
Philip Amery	6,318,320	229,757	0
John Patton	966,277	35,137	138,759
Rob Willink	4,315,255	156,918	277,518

After considering all relevant factors, the Directors recommend the Company's Shareholders vote in favour of the Resolution for the reasons summarised at section 6.4 of this Notice.

7.3 No other material information

There is no information material to the making of a decision by a Shareholder in the Company whether or not to approve the Resolutions (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders in the Company) other than as disclosed in this Explanatory Statement and all relevant Schedules.

SCHEDULE 1 – INDEPENDENT EXPERT’S REPORT IN RESPECT OF THE IN-SPECIE DISTRIBUTION (RESOLUTION 7)

Please note: all references to “section 11.6 of the Notice of Meeting” in sections 1.3.7 (a), 2.3.1, 2.4.2 (a) and 10.3.5(a) of the Independent Expert’s Report should be read as a reference to section 6.14 of the Notice instead.



Metgasco Ltd Independent Expert's Report

13 October 2020



McGrathNicol

A large, abstract graphic in the bottom right corner consisting of several thick, white, parallel lines that form a series of nested, right-angled triangles, creating a dynamic, architectural feel.



13 October 2020
Independent Directors
Metgasco Limited
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1 Executive summary

Dear Directors,

1.1 Introduction

- 1.1.1 On 1 October 2019, Metgasco Ltd (**Metgasco**) announced that it was proposing to put a resolution to shareholders for approval at the 2019 Annual General Meeting to undertake a capital return via an in-specie distribution of 30 million Byron Energy Ltd (**BYE**) shares to its shareholders (subject to necessary approvals and an appropriate Australian Taxation Office (**ATO**) private ruling).
- 1.1.2 On 20 December 2019, Metgasco subsequently reduced the proposed in-specie distribution to 20 million BYE shares (**Proposed Transaction**).
- 1.1.3 On the resolution being approved and the distribution proceeding:
- (a) Metgasco shareholders would receive approximately one BYE share for every 27.5 Metgasco shares held at the record date (based on the number of Metgasco shares issued).

Number of Metgasco shares for 1 BYE share

	Notation	
Total number of Metgasco shares	A	549,601,348
Total BYE shares being distributed	B	20,000,000
Implied Metgasco shares per 1 BYE share	$C=A/B$	27.5

Source: Metgasco and McGrathNicol analysis

- (b) Metgasco's shareholding in BYE would reduce from 38,879,621 shares (3.7% of all BYE shares issued) to 18,879,621 shares (1.8%).

Comparison of Metgasco's shareholding in BYE if the Proposed Transaction occurred

	Notation	Currently	Proposed Transaction
Metgasco's shareholding in BYE	A	38,879,621	18,879,621
Total BYE shares	B	1,040,295,102	1,040,295,102
% owned by Metgasco	$C=A/B$	3.7%	1.8%

Source: Metgasco and McGrathNicol analysis

1.2 Purpose

1.2.1 At 30 June 2020 (Metgasco's latest financial accounts), Metgasco owned 39,440,321 BYE shares (it subsequently sold 560,700 BYE shares in early October 2020), with a book value of \$5.5 million. Under the Proposed Transaction, Metgasco is transferring:

- (a) over 50% of its investment in BYE to all Metgasco shareholders at 30 June 2020. This represents circa \$2.8 million (or 37.5%) of Metgasco's book value of equity at 30 June 2020:

Book value of BYE transferred to all Metgasco shareholders		
AS\$'000	Notation	30-Jun-20
Total number of BYE shares held by Metgasco	A	39,440,321
Number of BYE shares transferred to shareholders	B	20,000,000
Proportion of Metgasco's investment in BYE transferred to shareholder	$C=B/A$	50.7%
Book value of Metgasco's investment in BYE	D	5,522
Book value of BYE transferred to all Metgasco shareholders	$E=C \times D$	2,800
Metgasco's book value of equity	F	7,458
Proportion of book value of equity transferred to shareholders	$G=E/F$	37.5%

Source: Metgasco FY20 annual financial report and McGrathNicol analysis

- (b) over 15% of the book value of equity at 30 June 2020 to its largest 10 shareholders, with the largest shareholder receiving more than 5% of Metgasco's book value of equity:

Metgasco's equity (book value at 30 June 2020) transferred to its largest 10 shareholders		
AS\$'000	Shareholding in Metgasco	% transferred
Proportion of book value of equity transferred to all shareholders	100.0%	37.5%
Proportion transferred to Metgasco's largest 10 shareholders		
Melbana Energy Limited (Melbana)	20.0%	7.5%
BNP Paribas Nominees Pty Ltd	8.1%	3.03%
Keybridge Capital Limited	4.2%	1.56%
PW and VJ Cooper Pty Limited	2.0%	0.77%
Fast Freeze International Limited	1.1%	0.43%
Maeander Holdings Pty Ltd	1.1%	0.42%
Kassa Corporation Pty Ltd	1.1%	0.41%
Saxon Acquisitions Pty Ltd	1.1%	0.40%
Keybridge Capital Limited	1.0%	0.38%
J & A Vaughan Super Pty Ltd	1.0%	0.37%
Total largest 10 shareholders	40.7%	15.3%

Source: Metgasco and McGrathNicol analysis. Calculated as 37.5% (the proportion transferred to all shareholders) multiplied by each shareholder's individual shareholdings

1.2.2 As the largest shareholder would receive BYE shares with a value greater than 5% of the book value of Metgasco's equity as set out in the latest accounts given to the Australian Securities Exchange (ASX), in accordance with ASX Listing Rule 10.1:

- (a) Metgasco requires an Independent Expert's Report to be provided to Metgasco shareholders; and
- (b) Metgasco shareholders other than the shareholders receiving the substantial asset (i.e. the non-associated shareholders) will need to approve, by special resolution, the Proposed Transaction.

1.2.3 The Directors of Metgasco have requested that McGrathNicol Transaction Advisory Pty Ltd (**McGrathNicol**) provide an Independent Expert's Report in relation to the Proposed Transaction, indicating whether in our opinion the Proposed Transaction is fair and reasonable for the non-associated Metgasco shareholders. Our Independent Expert's Report has been prepared to assist non-associated Metgasco shareholders form the view whether to approve the Proposed Transaction. McGrathNicol is independent of Metgasco and has no

involvement with, or interest in the outcome of the Proposed Transaction other than the preparation of this Report.

1.3 Summary and conclusion

Fairness

- 1.3.1 In our opinion, the Proposed Transaction is fair and reasonable to the non-associated Metgasco shareholders. In forming our opinion on whether or not the terms of the Proposed Transaction are fair we have compared:
- (a) our assessed value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction did not proceed (where Metgasco retains all BYE shares currently owned); and
 - (b) the aggregate of our assessed:
 - (i) value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction proceeded (where Metgasco transfers 20 million BYE shares to Metgasco shareholders);
 - (ii) value per share of the BYE shares transferred to Metgasco shareholders, where Metgasco shareholders receive approximately one BYE share for every 27.5 Metgasco shares held; and
 - (iii) any tax payable per share (being a deduction).
- 1.3.2 Adopting a price per BYE share of 19 cents being the 1-day VWAP at 12 October 2020, the Proposed Transaction is fair because the assessed value to Metgasco shareholders if the Proposed Transaction occurs is equal to the value if it did not occur.

Comparison of the value per Metgasco share (\$)

	Notation	Currently	Proposed Transaction
Value per Metgasco share before tax	A	0.024	0.017
Value of BYE share transferred per Metgasco share	B	n/a	0.007
Tax payable per Metgasco share	C	n/a	-
Value per Metgasco share after tax	D=Sum (A-C)	0.024	0.024

Source: Metgasco and McGrathNicol analysis.

- 1.3.3 Metgasco's independent tax advice, prepared by EY, indicates that the assessed cost base for the 20 million BYE shares to be transferred is \$4,831,676. This represents approximately 24.16 cents per BYE share.¹ If BYE's share price were greater than 24.16 cents per share at the date of the in-specie distribution, there would be a portion of the distribution treated as an unfranked dividend and there may be taxation consequences for Metgasco shareholders. The Proposed Transaction would, due to potential tax implications, then be unfair but still reasonable as this has limited, if any, impact on our assessment of reasonableness outlined below.

Reasonableness

- 1.3.4 In assessing if the Proposed Transaction is reasonable we first considered whether the Proposed Transaction is fair. According to Regulatory Guide 111 a proposal is considered to be "reasonable" if it is fair. The Proposed Transactions is therefore reasonable because it is fair.
- 1.3.5 Additionally, we compared the potential advantages and disadvantages to the non-associated shareholders should the Proposed Transaction proceed. In our view, the advantages to Metgasco shareholders outweigh the disadvantages if the Proposed Transaction proceeded. The Proposed Transaction is therefore reasonable regardless of whether the Proposed Transaction was fair or unfair. For example, adopting a BYE share price of 29 cents results in a potential tax payable of \$0.001 per Metgasco share,² which makes the Proposed Transaction unfair. In our view, this amount is outweighed by the advantages the Metgasco shareholders enjoy by receiving BYE shares.

¹ Calculated as \$4,831,676 divided by 20,000,000

² Adopting the highest marginal rate of tax

- 1.3.6 The key advantages to Metgasco shareholders should the Proposed Transaction proceed include:
- (a) shareholders will have a direct investment in BYE, a profitable business in production stage, opposed to only having an indirect interest in Metgasco, a company which is in the exploration stage which is currently loss making;
 - (b) shareholders are likely to receive dividends from the BYE shares transferred in the near future because BYE has become profitable, whereas they are less likely to receive a dividend from Metgasco because Metgasco is loss making and continuing to invest money in its exploration assets;
 - (c) the distribution provides agency to Metgasco shareholders in that they will personally exercise control over the BYE shares to be distributed, as opposed to holding only indirect benefit through their shareholding in Metgasco;
 - (d) BYE shares are generally widely traded with greater liquidity than Metgasco shares;
 - (e) under the Proposed Transaction every shareholder is treated equally, and the non-associated shareholders would have the same outcome as Metgasco's largest shareholder, with the difference being potential tax consequences depending on shareholders personal circumstances;
 - (f) those shareholders wishing to increase their exposure to BYE's Gulf of Mexico portfolio will, on distribution, hold a direct interest in that company, whereas those shareholders primarily wishing for exposure to Metgasco's Australian exploration assets will hold a more focused investment; and
 - (g) the Board of Metgasco believes that Metgasco's market valuation does not reflect the intrinsic value of its exploration asset portfolio when taking into account the substantial proportion of its value represented by the look-through value of its BYE holding. Distributing a portion of this holding may enable Metgasco's value to be more readily appreciated by the market.
- 1.3.7 The key disadvantages to Metgasco shareholders should the Proposed Transaction proceed include:
- (a) depending on shareholders individual circumstances, and BYE's share price on the date of the distribution, there may be a taxation consequence in respect of the distribution of the BYE Shares to the shareholders that may have an impact on the assessment of fairness of the Proposed Transaction. Details of the possible general taxation effect of the transaction are set out in section 11.6 of the Notice of Meeting;
 - (b) shareholders will become holders of BYE shares and the objectives and interests of BYE may not align with those of a given shareholder;
 - (c) shareholders are likely to incur additional transaction costs if they wish to dispose of their new investment in BYE (e.g. brokerage costs). Such brokerage costs would likely be incurred in the event Metgasco sells BYE shares;
 - (d) there may be incremental costs to facilitate the transfer of shares; and
 - (e) while Metgasco will remain well funded following the distribution (based on current cash and current value of Metgasco's remaining BYE shareholding), the reduction in financial assets on Metgasco's balance sheet may result in future capital raising/s being required sooner than otherwise may be the case.

1.4 Consent and other matters

- 1.4.1 Our report is to be read in conjunction with the Notice of Meeting in which this report is included, and is prepared for the exclusive purpose of assisting non-associated Metgasco shareholders. This report should not be used for any other purpose.
- 1.4.2 McGrathNicol consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting.
- 1.4.3 This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to Metgasco shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.
- 1.4.4 The decision of whether or not to approve the Proposed Transaction is a matter for each shareholder based on their own views of the value of Metgasco and BYE shares and expectations about future market conditions, risk profile and investment strategy. If shareholders are in doubt about the action they should take, they should seek their own professional advice.

1.5 Other

- 1.5.1 This letter is a summary of McGrathNicol's opinion on the Proposed Transaction. This letter should be read in conjunction with the detailed report and appendices as attached. Unless the context requires otherwise, references to "we", "our" and similar terms refer to McGrathNicol.

Yours faithfully

A handwritten signature in blue ink that reads "McGrathNicol Transaction Advisory". The signature is written in a cursive, flowing style.

McGrathNicol Transaction Advisory Pty Ltd

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2 Details of the Proposed Transaction

2.1 Background

- 2.1.1 Metgasco is a petroleum (oil and gas) exploration company, listed on the ASX. As at the date of this report, Metgasco owns 38,879,621³ shares in BYE, an ASX listed independent oil and natural gas producing company, headquartered in Australia, with operations in the shallow water offshore Louisiana in the Gulf of Mexico.

2.2 Proposed Transaction

- 2.2.1 The BYE shares represent a passive investment asset of Metgasco that have significantly increased in value since being acquired by Metgasco. They are non-core to Metgasco's ongoing business and therefore surplus to requirements. Metgasco's initial acquisition of BYE shares was undertaken at a price of 7 cents. BYE's market price as at close of trading on 12 October 2020 was 18.0 cents. Given this gain, Metgasco resolved that the interests of the shareholders are therefore best served by distributing a material component of the BYE shares to shareholders to deal with directly to meet their individual needs.
- 2.2.2 On 1 October 2019, Metgasco announced that it was proposing to put a resolution to shareholders for approval at the 2019 Annual General Meeting to undertake a capital return via an in-specie distribution of 30 million BYE shares to its shareholders (subject to necessary approvals and an appropriate ATO private ruling).
- 2.2.3 On 20 December 2019, Metgasco subsequently reduced the proposed in-specie distribution to 20 million BYE shares (the Proposed Transaction). The in-specie distribution will be effected by an equal reduction of Metgasco's capital on a pro rata basis. The shareholders will receive an in-specie return of capital by way of the distribution of BYE shares in proportion to the number of Metgasco's shares held by them at the record date. The shareholders will obtain ownership in BYE, whilst still maintaining their ownership in Metgasco.
- 2.2.4 On the resolution being approved and the distribution proceeding:
- (a) Metgasco shareholders would receive approximately one BYE share for every 27.5 Metgasco shares held at the record date:

Number of Metgasco shares for 1 BYE share

	Notation	
Total number of Metgasco shares	A	549,601,348
Total BYE shares being distributed	B	20,000,000
Implied Metgasco shares per 1 BYE share	$C=A/B$	27.5

Source: Metgasco and McGrathNicol analysis

- (b) Metgasco's shareholding in BYE would reduce from 38,879,621 shares (3.7% of all BYE shares issued) to 18,879,621 shares (1.8%):

Comparison of Metgasco's shareholding in BYE if the Proposed Transaction occurred

	Notation	Currently	Proposed Transaction
Metgasco's shareholding in BYE	A	38,879,621	18,879,621
Total BYE shares	B	1,040,295,102	1,040,295,102
% owned by Metgasco	$C=A/B$	3.7%	1.8%

Source: Metgasco and McGrathNicol analysis

- 2.2.5 The non-associated shareholders will need to approve by special resolution the Proposed Transaction.

³ Metgasco owned 39,440,321 BYE shares at 30 June 2020. It has subsequently sold 560,700 BYE shares

2.3 Taxation payable

Overview

- 2.3.1 Section 11.6 of the Notice of Meeting sets out an overview of the Australian tax implications that should arise as a consequence of the Proposed Transaction.
- 2.3.2 The tax treatment may vary depending on the nature and characteristics of each shareholder and their specific circumstances. Each shareholder should seek professional tax advice in relation to their particular circumstances.

Amount to be distributed to Metgasco shareholders

- 2.3.3 Adopting BYE's closing price of 18.0 cents at 12 October 2020, Metgasco is proposing to distribute \$3.6 million to Metgasco shareholders.⁴

Metgasco's independent tax advice

- 2.3.4 Based on Metgasco's independent tax advice, the cost base of the 20 million BYE shares to be transferred to Metgasco shareholders is \$4,831,676. This represents approximately 24.16 cents per BYE share.⁵
- 2.3.5 For tax purposes, the amount distributed to Metgasco shareholders is to be split between a capital return and an unfranked dividend amount (i.e. the amount relating to the unrealised profit).
- 2.3.6 The cost base of \$4,831,676 is the maximum portion of the in-specie distribution treated as the capital return. The remainder of distribution would be treated as the unfranked dividend (i.e. the amount relating to the unrealised profit).
- 2.3.7 If the total amount distributed to Metgasco shareholders is less than the cost base of \$4,831,676 (or 24.16 cents per BYE share), then the total amount distributed is to be treated as a capital return. Based on BYE closing share price of 18.0 cents at 12 October 2020, the total amount distributed of \$3.6 million is to be treated as a capital return.
- 2.3.8 If the amount distributed to Metgasco shareholders is greater than the cost base of \$4,831,676 (or 24.16 cents per BYE share), then:
 - (a) \$4,831,676 is to be treated as a capital return; and
 - (b) the remainder of the distribution is to be treated as an unfranked dividend.

Taxation consequences for portion of Capital Return to shareholders

- 2.3.9 For the capital return to shareholders, the cost base of each BYE share would be determined as the market value of BYE shares at the date of the in-specie distribution. That is, for tax purposes, Metgasco shareholders are treated as having acquired BYE shares at the BYE closing share price of 18.0 cents at 12 October 2020.
- 2.3.10 The in-specie distribution component that is to be treated as a capital return will reduce the cost base of the Metgasco shares held by shareholders.

Taxation consequences for portion of unfranked dividend to shareholders

- 2.3.11 The distribution component that is to be treated as an unfranked dividend is required to be included in the shareholder's assessable income in the shareholder's income tax return.
- 2.3.12 Based on BYE's closing share price of 18.0 cents at 12 October 2020, there would be no portion of the distribution treated as an unfranked dividend to shareholders. There would therefore be no tax payable.
- 2.3.13 If BYE's share price were greater than 24.16 cents per share at the date of the in-specie distribution, there would be a portion of the distribution treated as an unfranked dividend and there may be taxation consequences for Metgasco shareholders.

⁴ Calculated as 20,000,000 BYE shares multiplied by 18 cents

⁵ Calculated as \$4,831,676 divided by 20,000,000

2.4 Advantages and disadvantages

2.4.1 The key advantages to Metgasco shareholders should the Proposed Transaction proceed include:

- (a) shareholders will have a direct investment in BYE, a profitable business in production stage, opposed to only having an indirect interest in Metgasco, a company which is in the exploration stage which is currently loss making;
- (b) shareholders are likely to receive dividends from the BYE shares transferred in the near future because BYE has become profitable, whereas they are less likely to receive a dividend from Metgasco because Metgasco is loss making and continuing to invest money in its exploration assets;
- (c) the distribution provides agency to Metgasco shareholders in that they will personally exercise control over the BYE shares to be distributed, as opposed to holding only indirect benefit through their shareholding in Metgasco;
- (d) BYE shares are generally widely traded with greater liquidity than Metgasco shares;
- (e) under the Proposed Transaction every shareholder is treated equally, and the non-associated shareholders would have the same outcome as Metgasco's largest shareholder, with the difference being potential tax consequences depending on shareholders personal circumstances;
- (f) those shareholders wishing to increase their exposure to BYE's Gulf of Mexico portfolio will, on distribution, hold a direct interest in that company, whereas those shareholders primarily wishing for exposure to Metgasco's Australian exploration assets will hold a more focused investment; and
- (g) the Board of Metgasco believes that Metgasco's market valuation does not reflect the intrinsic value of its exploration asset portfolio when taking into account the substantial proportion of its value represented by the look-through value of its BYE holding. Distributing a portion of this holding may enable Metgasco's value to be more readily appreciated by the market.

2.4.2 The key disadvantages to Metgasco shareholders should the Proposed Transaction proceed include:

- (a) depending on shareholders individual circumstances, and BYE's share price on the date of the distribution, there may be a taxation consequence in respect of the distribution of the BYE Shares to the shareholders that may have an impact on the assessment of fairness of the Proposed Transaction. Details of the possible general taxation effect of the transaction are set out in section 11.6 of the Notice of Meeting;
- (b) shareholders will become holders of BYE shares and the objectives and interests of BYE may not align with those of a given shareholder;
- (c) shareholders are likely to incur additional transaction costs if they wish to dispose of their new investment in BYE (e.g. brokerage costs). Such brokerage costs would likely be incurred in the event Metgasco sells BYE shares;
- (d) there may be incremental costs to facilitate the transfer of shares; and
- (e) while Metgasco will remain well funded following the distribution (based on current cash and current value of Metgasco's remaining BYE shareholding), the reduction in financial assets on Metgasco's balance sheet may result in future capital raising/s being required sooner than otherwise may be the case.

3 Scope of our report

3.1 Purpose of the report and ASX Listing Rules 10.1 and 10.2

3.1.1 Under ASX Listing Rule 10.1:

"An entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its child entities, acquired a substantial asset from, or disposes of a substantial asset to, any of the following persons without approval of holders of the entity's ordinary securities.

- (a) *A related party of the entity.*
- (b) *A child entity of the entity.*
- (c) *A substantial holder in the entity, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities in the entity.*
- (d) *An associate of a person referred to in rules above.*
- (e) *A person whose relationship to the entity or a person referred to in the rules above is such that, in the ASX's opinion, the transaction should be approved by security holders."*

3.1.2 ASX Listing Rule 10.2 defines a substantial asset as follows:

"An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interest of the entity as set out in the latest accounts given to ASX under the listing rules."

3.1.3 Under the Proposed Transaction, Metgasco's largest substantial shareholder would receive BYE shares with a value equivalent to more than 5% of the book value of equity of Metgasco at 30 June 2020. As such, in accordance with ASX Listing Rule 10.2:

- (a) Metgasco requires an Independent Expert's Report to be provided to Metgasco shareholders; and
- (b) Metgasco shareholders other than the shareholders receiving the substantial asset (i.e. the non-associated shareholders) will need to approve, by special resolution, the Proposed Transaction.

3.1.4 The independent directors of Metgasco have appointed McGrathNicol as an independent expert to express an opinion addressing whether or not the terms of the Proposed Transaction are fair and reasonable to the non-associated shareholders. Our Independent Expert's Report has been prepared to assist the non-associated shareholders in forming the view as to whether to approve the Proposed Transaction.

3.2 Basis of evaluation

3.2.1 In evaluating the fairness and reasonableness of the Proposed Transaction, we have considered the requirements of the Corporations Act 2001 (**Corporations Act**) and relevant Regulatory Guides issued by the Australian Securities and Investment Commission (**ASIC**).

3.2.2 McGrathNicol has had regard to ASIC Regulatory Guide 111 "Content of expert's reports" (**RG 111**) in relation to the content of Independent Expert's Report and ASIC Regulatory Guide 76 "Related party transactions" (**RG 76**) in relation to related party transactions. RG 76 largely refers to RG 111 in relation to the approach to related party transactions (refer to RG 76.113). RG 111:

- (a) establishes certain guidelines in respect of Independent Expert's Reports prepared for the purpose of the Corporations Act;
- (b) is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer; and

- (c) regulates Independent Expert's Reports prepared for related party transactions in clauses 52 to 63, in particular clause 56 which states:

"RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test— that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details)."

3.2.3 Regulatory Guide 111 distinguishes "fair" from "reasonable" and considers a proposal to be:

- (a) "Fair" if the value of the offer is equal to or greater than the value of the securities subject to the offer.
- (b) "Reasonable" if it is fair. It might also be reasonable if, despite being "not fair", the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

3.2.4 For the purpose of this report, McGrathNicol has treated "fair" and "reasonable" as separate concepts.

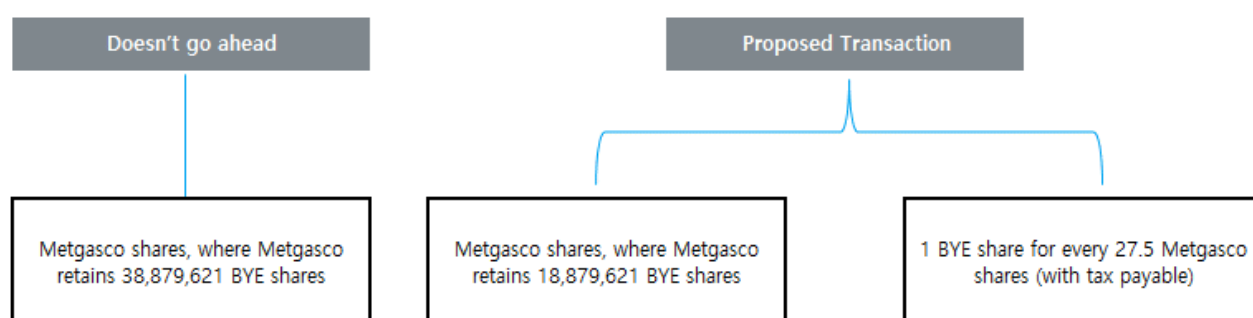
3.3 Our approach

Fairness

3.3.1 In forming our opinion on whether or not the terms of the Proposed Transaction are fair we have compared:

- (a) our assessed value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction did not proceed (where Metgasco retains all BYE shares currently owned); and
- (b) the aggregate of our assessed:
 - (i) value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction proceeded (where Metgasco transfers 20 million BYE shares currently owned to Metgasco shareholders);
 - (ii) value per share of the BYE shares transferred to Metgasco shareholders, where Metgasco shareholders receive approximately one BYE share for every 27.5 Metgasco shares held; and
 - (iii) potential tax payable per share (being a deduction).

Figure 1: Comparison of shareholder position per Metgasco share



3.3.2 Under this methodology, if the value per Metgasco share after the Proposed Transaction is greater than or equal to the value per Metgasco share prior to the Proposed Transaction, there will be a benefit to the shareholders, and as such, the Proposed Transaction would be fair. Conversely, if the value per Metgasco share after the Proposed Transaction is less than the value prior to the Proposed Transaction, there will be a dilution in value to the shareholders under the Proposed Transaction, and as such, the Proposed Transaction would be unfair.

Reasonableness

- 3.3.3 Regulatory Guide 111 considers an offer to be reasonable if either the offer is fair, or despite the offer not being fair, but considering other significant factors, security holders should accept the offer in the absence of any higher bid before the close of the offer. In addition to determining whether the Proposed Transaction is fair we have considered the advantages and disadvantages of accepting or rejecting the Proposed Transaction.

3.4 Limitations and reliance on information

- 3.4.1 McGrathNicol's opinion is based on economic, share market, business, Metgasco's tax advice and trading conditions prevailing at the date of this report. These conditions can change significantly over relatively short periods. If they did change materially, the valuation and our opinion could vary significantly.
- 3.4.2 This report is based upon financial and non-financial information provided by Metgasco and its advisers, and BYE. McGrathNicol has considered and relied upon this information and has no reason to believe that any material facts have been withheld. The information provided to McGrathNicol has been evaluated through analysis, inquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable to Metgasco shareholders. However, McGrathNicol does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or due diligence investigation might disclose.
- 3.4.3 The tax consequences for a shareholder with respect to the proposed in-specie distribution may vary depending upon a shareholder's specific circumstances. The information set out in this report is a general guide only and does not constitute tax advice. Shareholders should consult their own professional advisors as to the potential tax consequences for them with respect to the in-specie distribution.
- 3.4.4 An important part of the information used in forming an opinion as to fairness and reasonableness is comprised of the opinions and judgement of Metgasco management. This type of information was evaluated through analysis, inquiry and review. However, such information is often not capable of external verification or validation and has not been independently verified. To the extent that there are taxation and legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, continuous disclosure rules, regulations, and policies, McGrathNicol:
- (a) assumes no responsibility and offers no legal opinion or interpretation on any issue; and
 - (b) has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no legal proceedings, other than as publicly disclosed.

4 Profile of Metgasco

4.1 Background of Metgasco

Overview

- 4.1.1 Metgasco is an ASX listed company which is engaged in oil and gas exploration, appraisal, development and investment in and development of associated energy infrastructure in onshore Cooper and Perth Basins in Australia.
- 4.1.2 Metgasco holds an interest in the oil and gas sector via a secured production development funding facility and equity in BYE. Metgasco holds a 10% (non-operating) farmed-in interest in BYE's Bivouac Peak Louisiana hydrocarbon project with a planned initial well testing a gross prospective resource of 32,270 million barrels of oil equivalent (**Mboe**) in addition to farm-in rights in relation to BYE's Gulf of Mexico portfolio.⁶
- 4.1.3 During 2016, Metgasco executed an agreement with BYE in relation to the provision of a secured \$8 million development funding facility and the acquisition of staged investment rights. In consideration, BYE issued 10 million unlisted options to Metgasco with an exercise price of 25 cents per share and a term of three years.
- 4.1.4 At the date of this report, Metgasco's largest investment is 38,879,621 shares in BYE, representing approximately 3.7% of total BYE shares on issue.

Tenements at 30 June 2020

- 4.1.5 Below are Metgasco's tenement listing at 30 June 2020:

Metgasco tenement listing at 30 June 2020

Tenement Reference	Location	Nature of interest	Interest at 30 June 2020
Cooper/Eromanga			
ATP2020	QLD	100% owner & operator of licence	100%
ATP2021	QLD	25% working interest in licence	25%
PRL211	SA	Farm in. Pay 25% of well for 21.5% of licence interest	21.25%: subject to farm-in agreement terms
PRL237	SA	20% working interest in licence	20%
Perth basin			
Cervantes Prospect in Western Flank area in L14 Production Licence	WA	Pay 50% of well cost for 30% interest in structural hydrocarbons discovered	30%: Farm Out to Vintage
2nd Exploration Prospect in L14 Production Licence	WA	60% interest in structural hydrocarbons discovered	Option rights to 60% interest by paying 100% of well cost via exercising well option from 1st April to 31st December 2020
Byron Energy Limited			
SM74	USA, GoM	30% working interest and 24.37% net debt revenue interest	30%

Source: Metgasco and McGrathNicol analysis

⁶ Refer to <http://www.metgasco.com.au/information/about-metgasco>

Reserves and resources

4.1.6 On 3 March 2020, the ATP2020 joint venture announced the contingent resources attributed to the gas discovery of the Vali-ST1 exploration well. ERC Equipose Pte Ltd independently certified 37.7 Bcf of gross contingent resource, of which Metgasco's 25% share represented 9.4 Bcf.⁷

4.1.7 As at the date of this report, Metgasco had no certified reserves.

Metgasco's comments on the effects of COVID-19

4.1.8 Metgasco made the following comments relating to the effects of COVID-19 on its operations:⁸

'[Metgasco] took early action in March 2020 in response to the considerable disruption and volatility on global equity and commodity markets due to the outbreak of a novel coronavirus (COVID-19). The impact of this health event has been minimal given remote working was already standard. Management made the decision that staff in Perth would work from home in order to mitigate any potential exposure to the COVID-19 virus, with all interstate travel ceasing.

The stimulation and test program on the Vali-1ST1 gas discovery continued unabated for the remainder of the reporting period and in accordance with the relevant government guidelines regarding COVID-19.

[Metgasco] also implemented temporary cost reductions to both Directors and Employees to substantially reduce the Company's cash outgoings and demonstrates the alignment of Metgasco's board and staff with the interests of shareholders."

Recent events

4.1.9 Below is a chronology of Metgasco's recent events:

Date	Details
22-Dec-16	Successful bid for tender in the Cooper and Eromanga Basins.
14-Aug-17	Metgasco elected to participate in BYE equity issuance, and took up a 10% participation. The participation supported the development at BYE's South Marsh Island 71 (SM71) project and its other projects in the Gulf of Mexico.
26-Sep-17	Metgasco invested with Senex Energy and Cooper Energy Limited into Frey-1 Cooper Basin exploration well. Frey-1 represented a relatively high risk/high return oil exploration objective, with the potential to trigger a revival of exploration in the south-western Cooper Basin.
4-Oct-17	Metgasco decided to farm-in to the Frey-1 alongside Senex Energy and Cooper.
26-Sep-16	Metgasco received circa 3.8 million shares in BYE from its conversion of a \$1.0 million convertible note.
11-Oct-18	The Weiss-Adlver et al #1 well was deemed non-commercial and was plugged and abandoned.
14-Mar-19	Metgasco was informed by BYE that the drilling of the Raptor exploration well on the South Marsh Island (SM74) license was likely to be delayed due to a later than expected hand-over of the WFD 350 rig from the preceding operator.
2-Jul-19	Metgasco executed the farm-out agreement including a Joint Operating Agreement with Vintage Energy Ltd in respect of its Cooper-Eromanga Basin asset ATP 2021.
11-Jul-19	The SM71 F Platform, SM58 E1 Well, SM69 E Platform and SM74 D14 Well were evacuated due to Tropical Storm Barry.
15-Jul-19	Melbana announced its conditional intention to make a takeover offer for 100% of the ordinary shares in Metgasco.
16-Jul-19	The securities of Metgasco were placed in a trading halt at its own request.

⁷ Metgasco's June 2020 quarterly activities report (page 2)

⁸ Metgasco's FY20 annual financial report (page 8)

Date	Details
18-Jul-19	Metgasco reached an agreement to conclude its financial exposure to the SM74 drilling program operated by BYE. Metgasco exercised the 10.0 million options it held over unissued BYE shares at A\$0.25 per security, with an expiry date of 21 July 2019.
29-Aug-19	Metgasco executed a binding farm-in agreement with Bridgeport (Cooper Basin) Pty Ltd. The agreement provided for a 25% non-operated interest in its Cooper/Eromanga Basin license ATP 2021.
9-Sep-19	Metgasco executed a binding farm-in agreement with Jade Energy Holdings subsidiary RCMA Australia Pty Ltd. The agreement provided for an option to farm-in, by drilling up to two exploration wells, in the L14 production license which is located in the Perth Basin Western Flank.
10-Sep-19	Significant prospective oil resources identified by L14 consortium in multi-sand exploration prospects. Also, a bidder statement was lodged by Melbana for an off-market takeover bid for Metgasco.
25-Sep-19	Metgasco announced that the takeover offer from Melbana materially undervalued shareholdings.
1-Oct-19	Vintage Energy Ltd, the license operator of Vali-1, signed off a Letter of Intent for the SLR 185 drilling rig from Schlumberger. Also, Metgasco's board proposed to undertake a capital return via an in-specie distribution of 30 million BYE shares to its shareholders.
3-Oct-19	Melbana lodged a supplementary bidder's statement.
16-Oct-19	Melbana lodged a secondary supplementary bidder's statement.
5-Nov-19	Melbana lodged a third supplementary bidder's statement.
6-Nov-19	Metgasco released a 'Second Supplementary Target's Statement' in response to the off-market all-scrip takeover bid made by Melbana for all the ordinary shares in Metgasco. The statement recommended shareholders to reject the offer because the all-scrip offer significantly undervalued their shareholdings.
7-Nov-19	Melbana extended the offer period under its takeover bid to 13 December 2019.
8-Nov-19	Metgasco announced concerns regarding the validity and status of Melbana's bid.
15-Nov-19	Metgasco executed a binding term sheet with Vintage Energy Ltd to fund 50% of Cervantes exploration well.
22-Nov-19	Metgasco announced the ATP2021 JV has executed a term sheet with a 90 day exclusivity period to negotiate a binding farm-in agreement with a subsidiary of Senex Energy Ltd for PRL 211 on the South Australian side of the Cooper/Eromanga basins.
5-Dec-19	Melbana further extended the offer period under its takeover bid for all the ordinary shares in Metgasco to 7:00pm (Sydney time) on 15 December 2019.
10-Dec-19	Metgasco announced the mobilisation of the Saxon Energy Services Ltd SLR-185 rig has been released from the Western Flank and is moving to the Vali-1 location and it is anticipated that the Vali-1 well expected to spud on approximately 15 December 2019.
7-Jan-20	Melbana extended the offer period to 31 January 2020. Also, Metgasco provided an update on Vali-1 ST1, in particular that the well was being drilled in the Patchawarra formation at a depth of 3,059m.
16-Jan-20	Metgasco announced that Vali-1 ST1 discovered gas in the primary Patchawarra Formation target.
20-Jan-20	Metgasco executed a re-stated L14 Western Flank farm-out agreement with RCMA Australia Pty Ltd and Vintage Energy Ltd for Cervantes.
23-Jan-20	Melbana declared takeover bid for all shares in Metgasco unconditional.
05-Feb-20	Melbana closed offer at 31 January 2020. Melbana received acceptances under the offer in respect of 27.81% of the ordinary shares in Metgasco.
24-Feb-20	Metgasco announced the ATP2021 JV executed a binding farm-in agreement for PRL 211. This binding farm-in agreement replaced the non-binding term sheet that was initially in place.
03-Mar-20	Metgasco announced an expert review increased Vali resources to 37.7 Bcf of gross 2C Contingent Resources in the Patchawarra Formation.
31-Mar-20	Metgasco provided an update on the impact of COVID-19, in particular the impact on oil demand and subsequent fall in share price.

Date	Details
23-Apr-20	Metgasco advised it received a request from Melbana to call a general meeting to consider changes in directors of the company.
29-Apr-20	Metgasco advised that the request from Melbana was considered valid and was taking necessary steps to convene a general meeting.
30-Apr-20	Metgasco released its March 2020 quarterly activity report where it stated, amongst other things, that during the March 2020 quarter, it sold 2,375,608 BYE shares to realise \$595,000 for working capital purposes. Metgasco also stated that it intended to regularly sell BYE shares to meet cash flow requirements throughout CY2020.
03-Jun-20	Metgasco provided an update on Vali-ST1, in particular that six-stage well stimulation would be commencing early July 2020.
23-Jun-20	Metgasco shareholders overwhelmingly voted against the appointment of the two directors nominated by Melbana.
08-Jul-20	Metgasco announced the ATP 2021 JV would commence stimulation of Vali-1 ST1 on 12 July 2020.
16-Jul-20	The securities of Metgasco were placed in a trading halt at its own request. Also, Metgasco announced the ATP 2021 JV advised the first fracture of the Vali-1 ST1 was completed.
20-Jul-20	Metgasco announced successful completion of share placement of \$1.375 million.
27-Jul-20	Metgasco announced the ATP 2021 JV had completed the six stage Vali-1 ST1 fracture stimulation.
29-Jul-20	Metgasco invited shareholders to participate in the share purchase plan.
30-Jul-20	Metgasco released its June 2020 quarterly activity report where it stated, amongst other things, that during the June 2020 quarter it sold 1.5 million BYE shares to realise \$210,000 for working capital purposes.
06-Aug-20	Metgasco announced the ATP 2021 JV had reported a good gas flow during flow-back of stimulation fluids and final gas flow testing, sampling and logging to commence in coming days at Vali-1 ST1.
13-Aug-20	Metgasco announced the ATP 2021 JV had commenced flow-test program at Vali-1 ST1.
21-Aug-20	Metgasco announced the ATP 2021 JV had completed the Vali-1 ST1 flow-test program.
09-Sep-20	Metgasco advised successful completion of the share purchase plan raising \$2.6 million from 104 million fully paid ordinary shares.
17-Sep-20	Metgasco announced that a development concept for the Vali Field has been completed and estimates a field life of around 20 years.
22-Sep-20	Metgasco released in FY20 annual financial report.
24-Sep-20	Metgasco issued a prospectus for attaching options for every three ordinary shares purchased under the placement or under share purchase plan this year.

Source: Metgasco's ASX announcements

4.2 Shareholding

4.2.1 There are currently 549,601,348 Metgasco shares issued.

4.2.2 Below are the 10 largest shareholders in Metgasco as at 9 October 2020 (provided to us on 12 October 2020):

Top 10 shareholders		
Name	Number of shares	%
Melbana Energy Limited	109,952,547	20.0%
BNP Paribas Nominees Pty Ltd	44,386,711	8.1%
Keybridge Capital Limited	22,838,515	4.2%
PW and VJ Cooper Pty Limited	11,253,551	2.0%
Fast Freeze International Limited	6,251,286	1.1%
Maeander Holdings Pty Ltd	6,085,000	1.1%
Kassa Corporation Pty Ltd	6,000,000	1.1%
Saxon Acquisitions Pty Ltd	5,843,546	1.1%
Keybridge Capital Limited	5,500,000	1.0%
J & A Vaughan Super Pty Ltd	5,474,704	1.0%
Top 10 shareholders	223,585,860	40.7%
Remaining shareholders	326,015,488	59.3%
Total shareholders	549,601,348	100.0%

Source: Metgasco

4.2.3 The tables above shows:

- (a) Melbana holds 20% of all shares issued in Metgasco;
- (b) the top 10 shareholders accounted for over 40% of shares issued and each held over 5 million shares; and
- (c) the top two shareholders had shareholdings greater than 5% and represented 28.1% of all shares issued.

4.2.4 On 24 September 2020, Metgasco issued a prospectus for attaching options for every three ordinary shares purchased under the placement or under share purchase plan this year.

4.3 Historical financial performance of Metgasco

4.3.1 Summarised below is the financial performance of Metgasco for the four years ended 30 June 2020:

Metgasco financial performance				
A\$'000	FY17A	FY18A	FY19A	FY20A
Finance income	831	1,017	378	6
Other income	411	2,280	245	51
Net revenue	1,242	3,297	623	57
Finance costs	(12)	(2)	(11)	(16)
Accounting, compliance, legal & professional costs	(433)	(210)	(128)	(234)
Investor relations	(140)	(216)	(131)	(100)
Consulting fees	(255)	(199)	(221)	(183)
Depreciation	-	(2)	(4)	(3)
Impairment of capitalised exploration costs	-	(684)	(10,240)	-
Exploration costs expensed	-	-	-	(55)
Directors fees	(322)	(352)	(178)	(155)
Employee costs	(274)	(221)	(369)	(597)
Rent and occupancy	(39)	(40)	(42)	(36)
Travel & accommodation	(20)	(56)	(54)	(18)
Other administrative	(190)	(233)	(266)	(220)
Fair value movement of exchange traded bonds	-	(62)	-	(68)
Unrealised loss on fair value movement of long-term investments	-	-	(1,627)	(5,494)
Realised loss on sale of long-term investments	-	-	(450)	81
Loss on fair value movement of derivative asset	(613)	-	(1,126)	(422)
Gain on sale of exchange traded bonds	-	-	-	-
Operating expenses	(2,298)	(2,277)	(14,847)	(7,520)
Net (loss)/profit before tax	(1,056)	1,020	(14,224)	(7,463)
Income tax expense	-	-	-	-
Net (loss)/profit after tax	(1,056)	1,020	(14,224)	(7,463)
<i>Items that will not be reclassified subsequently to profit and loss</i>				
Gain on fair value movement of listed securities	-	10,801	-	60
<i>Items that may be reclassified subsequently to profit and loss</i>				
Gain on fair value movement of exchange traded bonds	-	-	2	-
Total comprehensive (loss)/profit for the year	(1,056)	11,821	(14,222)	(7,403)

Source: Metgasco FY18, FY19 & FY20 annual/financial reports

4.3.2 The financial performance of Metgasco is consistent with that of an oil and exploration company which is yet to commence production. The table above shows:

- Metgasco has not recorded any income from operations;
- Metgasco has been loss making in every period except for FY18;
- in FY18, being the only period Metgasco was profitable, other income primarily included:
 - \$935,800 of unwinding and other finance income on a convertible note;
 - \$1,281,078 gain on fair value movement of derivative asset, being the 10 million options granted by BYE to Metgasco on 21 July 2016 which are recorded at fair value;
- in FY19, Metgasco reported a net loss after tax of \$14.2 million, which included the impairment of the Gulf of Mexico exploration costs of \$10.2 million; and
- in FY20, Metgasco reported a net loss after tax of \$7.5 million, which included an unrealised loss of \$5.5 million as a result of the decrease in BYE share price.

4.4 Cash flow statement

4.4.1 Summarised below is Metgasco's cash flow statements for the four years ended 30 June 2020:

Metgasco's cash flow statement				
A\$'000	FY17A	FY18A	FY19A	FY20A
Payments to suppliers and employees	(1,797)	(1,413)	(1,558)	(1,589)
Government grants	-	-	-	50
Interest and other income received	1,452	1,262	553	9
Finance costs paid	(12)	(2)	-	-
Net cash flows from operating activities	(357)	(153)	(1,005)	(1,530)
Expenditure on exploration, evaluation and decommissioning	(121)	(1,098)	(9,253)	(2,271)
(Purchase)/sale of short/long term investments	10,907	(4,831)	2,405	2,156
Security bond (advanced)/received	(24)	-	11	-
Secured convertible note facility	(8,000)	3,000	3,000	-
Proceeds on disposal of property, plant and equipment	15	-	-	-
Purchase of property, plant & equipment	(3)	(8)	-	-
Net cash flows used in investing activities	2,774	(2,937)	(3,837)	(115)
Share buyback	-	(330)	(132)	-
Return of capital	(9,962)	-	-	-
Net cash flows from financing activities	(9,962)	(330)	(132)	-
Net increase (decrease) in cash and cash equivalents held	(7,545)	(3,420)	(4,974)	(1,645)
Cash and cash equivalents at the beginning of the year	17,742	10,197	6,778	1,803
Cash and cash equivalents at the end of the year	10,197	6,777	1,804	158

Source: Metgasco FY18, FY19 & FY20 annual/financial reports

4.4.2 The movement in Metgasco's cash balance is consistent with that of an oil and exploration company which:

- (a) receives no cash from operating activities because it is yet to commence production; and
- (b) has a reducing cash balance as it increases expenditure on exploration.

4.4.3 The table above also shows:

- (a) in FY17 Metgasco subscribed to an \$8 million convertible note;
- (b) on 16 November 2016 Metgasco provided its shareholders a capital return of \$0.025 per share; and
- (c) the purchase of and conversion of the BYE convertible bond.

4.5 Financial position of Metgasco

4.5.1 Summarised below is Metgasco's financial position at 30 June 2017, 2018, 2019 and 2020:

Metgasco's financial position				
AS\$'000	Jun17A	Jun18A	Jun19A	Jun20A
Cash and cash equivalents	10,197	6,778	1,803	158
Short term investments	-	2,117	1,394	-
Investment in listed securities	-	-	4,500	5,522
Trade and other receivables	97	145	122	94
Secured convertible note	2,757	3,936	-	-
Total current assets	13,051	12,976	7,819	5,774
Exploration and evaluation expenditure	121	534	1,298	1,892
Plant and equipment	3	9	6	1
Other receivables	24	24	24	24
Secured convertible note	4,433	976	-	-
Investment in listed securities	-	13,453	7,197	-
Financial derivative assets	267	1,548	422	-
Total non-current assets	4,848	16,544	8,947	1,917
Total assets	17,899	29,520	16,766	7,691
Trade and other payables	(167)	(292)	(1,883)	(232)
Total current liabilities	(167)	(292)	(1,883)	(232)
Provisions	(10)	(15)	(22)	-
Non-current liabilities	(10)	(15)	(22)	-
Total liabilities	(177)	(307)	(1,905)	(232)
Net assets	17,722	29,213	14,861	7,459
Share capital	111,563	111,233	111,100	111,100
Financial assets at FVOCI reserve	-	-	(60)	-
Available for sale reserve	-	10,801	-	-
Accumulated losses	(93,840)	(92,819)	(96,179)	(103,642)
Total equity	17,723	29,215	14,861	7,458

Source: Metgasco FY18, FY19 & FY20 annual/financial reports

4.5.2 The table above shows:

- cash and cash equivalents has decreased over time as Metgasco increased expenditure on exploration;
- Metgasco's largest asset is its investments in BYE, with its second largest being its investment in exploration assets; and
- Metgasco has no debt.

4.6 Metgasco's pro forma financial position at 30 September 2020

4.6.1 Summarised below is Metgasco's pro forma financial position at 30 September 2020 using cash flow movements subsequent to 30 June 2020 reported in Metgasco's FY20 annual financial report, capital raising documents and ASX announcements:

Metgasco's pro forma financial position

AS\$'000	30-Jun-20	Capital raising	Raising costs	Use of funds	Movement in BYE	At 30 Sep 2020
Cash and cash equivalents	158	3,975	(90)	(1,543)	-	2,500
Investment in listed securities	5,522	-	-	-	986	6,508
Trade and other receivables	93	-	-	-	-	93
Total current assets	5,773	3,975	(90)	(1,543)	986	9,101
expenditure	1,892	-	-	1,356	-	3,248
Plant and equipment	1	-	-	-	-	1
Other receivables	24	-	-	-	-	24
Total non-current assets	1,917	-	-	1,356	-	3,273
Total Assets	7,690	3,975	(90)	(187)	986	12,374
Trade and other payables	(232)	-	-	-	-	(232)
Total liabilities	(232)	-	-	-	-	(232)
Net assets	7,458	3,975	(90)	(187)	986	12,142
Share capital	111,100	3,975	-	-	-	115,075
Accumulated (losses)/gains	(103,642)	-	(90)	(187)	986	(102,933)
Total equity	7,458	3,975	(90)	(187)	986	12,142

Source: Metgasco ASX announcements and McGrathNicol analysis

4.6.2 We make the following comments in relation to the table above:

- (a) Metgasco has raised capital totalling \$3.975 million (before costs) as follows:
 - (i) on 20 July 2020, Metgasco completed a share placement of \$1.375 million;
 - (ii) on 9 September 2020, Metgasco completed a share purchase plan, raising a further \$2.6 million;
- (b) according to Metgasco's investor presentation "*Share Placement and SPP*" on 20 July 2020 the anticipated application of funds raised was as follows:
 - (i) \$1.0 million for Vali-1 stimulation, flow test and well completion;
 - (ii) \$1.6 million for production tie-in and commercialisation of Vali-1;
 - (iii) \$0.09 million (\$90,000) for costs of the capital raising
 - (iv) remainder on working capital, Perth Basin and Cooper Basin project development;
- (c) Metgasco reported \$187,000 spent on operating activities for the June 2020 quarter. This amount reflects the additional measures to conserve capital in the business due to COVID-19,⁹ including:
 - (i) the board and CEO reducing their salaries to 50% and the CFO to 70%; and
 - (ii) in May 2020, CEO Ken Aitken agreeing to defer a further 25% of his salary, and independent directors Mr Philip Amery and Dr Robert Willink volunteered to waive their already halved board fees to the end of July 2020; and

⁹ Metgasco's June 2020 quarterly activities statement

- (d) based on discussions with Metgasco, they are anticipating cash flow from operating activities for the September 2020 quarter at similar levels to the June 2020 quarter. We have therefore assumed cash outflow from operating activities of \$187,000 from 1 July to 12 October 2020;
- (e) we have estimated the closing cash balance to be circa \$2.5 million at 30 September 2020, with the remaining of the capital raising used on exploration and evaluation expenditure; and
- (f) we adjusted Metgasco's investment in BYE shares from 30 June 2020 to 30 September 2020 using BYE's closing share price at 30 September 2020 of 16.5 cents.

Movement in Metgasco's investment in BYE

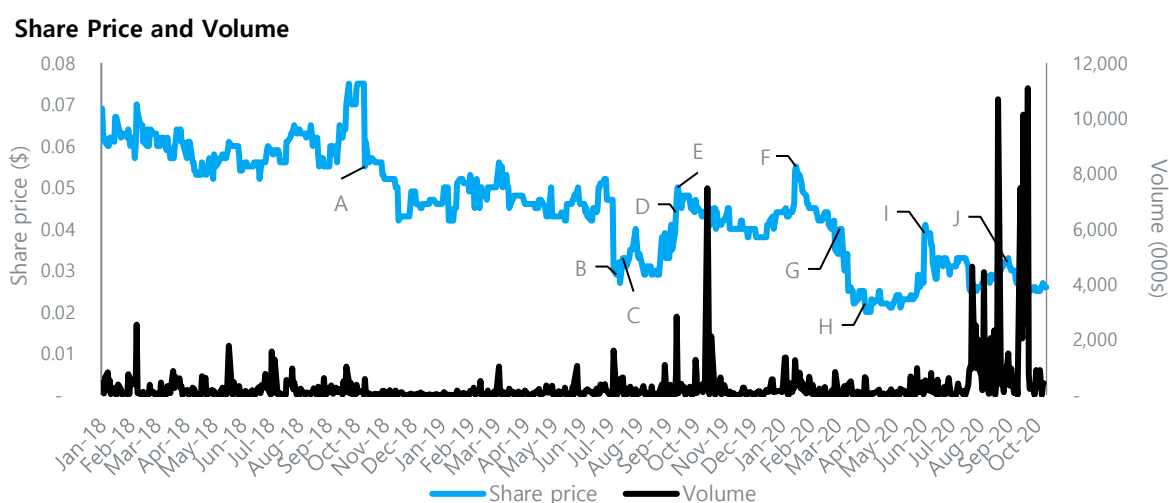
	Notation	
Number of BYE shares held at 30 September 2020 ('000)	A	39,440
Book value at 30 June 2020 - 39,440,321 BYE shares (\$'000)	B	5,522
BYE closing share price at 30 September 2020	C	0.165
Value of Metgasco's investment in BYE at 30 September 2020	D=A*C	6,508
Movement in Metgasco's investment in BYE	E=D-B	986

Source: McGrathNicol analysis

4.7 Trading history in Metgasco

Share price movements and volume traded

4.7.1 Below is Metgasco's closing share price and volume traded from 1 January 2018 to 12 October 2020:



Source: CapitalIQ

4.7.2 Events which have resulted in significant movements in Metgasco's share price include:

Metgasco share price and volume commentary

Event	Date	Commentary
A	11-Oct-18	Metgasco announces the Weiss-Adlver et al #1 well was deemed non-commercial and was plugged and abandoned. The share price declines by 27%.
B	05-Jul-19	Metgasco announces SM74 D-14 well was plugged and abandoned. The share price declines by 36%
C	15-Jul-19	Melbana announces its conditional intention to make a takeover offer for 100% of the ordinary shares in Metgasco. The share price increases by 22%
D	04-Sep-19	Metgasco releases its FY19 annual report and the share price increases by 18%.

Metgasco share price and volume commentary

E	10-Sep-19	Metgasco announces significant prospective oil resources had been identified by L14 consortium in multi-sand exploration prospects. In addition a bidder statement was lodged by Melbana for an off-market takeover bid for Metgasco. The share price increases by 13%.
F	16-Jan-20	Metgasco announces that Vali-1 ST1 discovered gas in the primary Patchawarra Formation target. The share price increased by 17%.
G	3-Mar-20	Metgasco announces an expert review increases Vali resources to 37.7 Bcf of gross 2C Contingent Resources in the Patchawarra Formation. The share price increased by 18% on 4 March 2020.
H	31-Mar-20	Metgasco provides an update on the impact of COVID-19, in particular the impact on oil demand and subsequent fall in share price. The share price fell by 12%.
I	3-Jun-20	Metgasco provides an update on Vali-ST1, in particular that six-stage well stimulation would be commencing early July 2020. The share price increased by 44%
J	21-Aug-20	Metgasco announces the ATP 2021 JV completed the Vali-1 ST1 flow-test program. The share price increased by 14%.

Source: Capital IQ, Metgasco's ASX announcements and McGrathNicol analysis

VWAP

4.7.3 VWAP is the volume weighted average price and identifies the average price of a stock by factoring in the volume of transactions at a specific price point and not simply based on the closing price. We consider a VWAP to be a more appropriate reflection of the share price of Metgasco than the closing share price because:

- it is a weighted average share price on a particular day, taking into account the volume of shares traded at different share prices on that day;
- it smooths the effects of illiquidity; and
- represents an observable price at which these shares are traded on an active market (i.e. ASX) between market participants, noting the relative illiquidity in the shares per (b) above.

4.7.4 Below is Metgasco's share trading and volume trading data for a range of periods over the last 12 months:

Metgasco share trading analysis at 12 October 2020

	Share price (A\$)			Volume traded (shares)			Average daily trade
	Low	Average close	High	VWAP	Total	% free float	
1 day	0.025	0.026	0.026	0.026	363,000	0.10%	363,000
1 week	0.025	0.026	0.027	0.026	1,498,170	0.53%	374,543
1 month	0.025	0.026	0.034	0.027	46,812,620	17.01%	2,463,822
2 months	0.025	0.028	0.034	0.028	70,601,110	25.78%	1,810,285
3 months	0.024	0.028	0.036	0.028	93,707,750	34.26%	1,561,796
6 months	0.021	0.028	0.044	0.028	103,403,140	37.87%	940,029
9 months	0.020	0.031	0.055	0.029	115,261,570	44.29%	753,344
12 months	0.020	0.033	0.055	0.032	137,224,330	53.59%	689,569

Source: CapitalIQ

4.7.5 The table above shows:

- the price of Metgasco shares declined from a high of 5.5 cents to 2.6 cents over the last 12 months;
- the VWAP has decreased from 3.2 cents to 2.6 cents over the last 12 months;
- the VWAP over the last month has stabilised to approximately 2.6 cents; and
- the volumes traded over the last year indicates that the Metgasco shares may lack liquidity.

5 Profile of BYE

5.1 Overview and recent history

- 5.1.1 BYE is an ASX listed company which engages in the development, exploration, and production of oil and gas properties. It holds working interests in various blocks located in the shallow waters off the Gulf of Mexico and Coastal Marshlands of Louisiana, the United States. Below is a chronology of BYE's recent events:

Date	Details
29-Jan-18	BYE announced their third successful oil well at SM71 (referred to as F3).
5-Mar-18	BYE provided an update on SM71, in particular the completion of the sand control operations at F2 and that they were on track to start production at SM71 mid-March 2018.
26-Mar-18	BYE announced the first oil production at SM71 (F1 and F2 wells). With this announcement BYE was elevated to 'producer status'.
4-Jul-18	BYE provided an update on SM71, in particular that the F2 well was experiencing reservoir pressure depletion, ceased production of hydrocarbons and has been 'shut in'.
19-Jul-18	BYE announced an agreement with Metgasco to farm into the SM74.
6-Aug-18	BYE announced that an independent report confirmed an almost threefold increase in reserves at SM71.
19-Sep-18	BYE provided an update on SM71, in particular that cumulative gross production of 641,737 barrels of oil and 556 million cubic feet of gas and that the recompletion of the F2 well from the B65 sand to the B55 sand was expected to commence during the last week of September 2018.
11-Oct-18	BYE announced that the 'Weiss-Adler No.1 well' was deemed uncommercial and was plugged and abandoned.
14-Feb-19	BYE announced that it has executed an agreement to acquire 100% working interest in the South Marshall Island Area Block 58 (SM58) Lease Block as well as a non-operated 53% working interest in the SM58 producing wellbore and the SM69 E Platform.
5-Jul-19	BYE provided an update on SM74 D14 well, in particular that BP1 and abandon operations begun.
29-Aug-19	BYE provided an update on SM58, in particular that 'porosity logging' confirms a substantial hydrocarbon column, the O Sand exhibited extremely good reservoir characteristics and a high rate completion expected.
17-Oct-19	BYE announced the prospective resources at SM58 increased by 0.7 Mboe to 14.0 Bcf.
6-Nov-19	BYE signed a term sheet for a US\$15 million loan facility to fund the construction of the production platform at SM58 with Crimson Midstream, a Carlyle Portfolio company.
15-Nov-19	BYE announced that it received firm commitment from institutional and sophisticated investors for a placement of ordinary shares in BYE to raise \$14.5 million. Also, a fully underwritten 1 for 18 pro-rata non-renounceable entitlement offer would also be offered to eligible shareholders to raise \$11.4 million.
25-Nov-19	BYE announced it intends to drill the SM71 F4 Well on a 100% basis.
4-Dec-19	BYE closed US\$15 million promissory note to Crimson Midstream to fund the construction of the production platform at SM58.
12-Dec-19	BYE announced the fully underwritten 1 for 18 pro-rata non-renounceable entitlement offer closed, raising approximately \$11.4 million (before costs).
14-Jan-20	BYE drew an additional US\$5 million under the initial US\$15 million promissory note to Crimson Midstream.
21-Jan-20	BYE provided an update on SM71 F4 well, in particular that the EOD 264 rig couldn't be towed safely to the SM71 F platform due to weather conditions
28-Jan-20	BYE provided an update on South Marsh Island projects, in particular that the EOD 264 rig was on location at F4, D5 Sand production surpassed 2 million barrels of oil with no water, the construction of the SM58 G Platform was on schedule for completion in June 2020 and a drilling contract was signed for a 2020 four well drilling program at SM58 and SM69.
28-Jan-20	BYE issued 2 million new ordinary shares at A\$0.27 per share to Douglas Battersby and Paul Young, both non-executive directors, as approved by the BYE's shareholders on 20 January 2020.
07-Feb-20	BYE provided an update on SM71, in particular that F4 was drilled to a depth of 3,577 feet.

Date	Details
13-Feb-20	BYE provided an update on SM71, in particular that F4 had reached a depth of 8,130 MD, LWD logs showed 91 net feet of measured depth hydrocarbon in the D5 Upper Sand and F4 was drilled 25% under budget.
04-Mar-20	BYE provided an update on SM71, in particular that F4 was complete and drilling operations had begun on F5.
17-Mar-20	BYE provided an update on SM71, in particular that F5 was drilled to a depth of 3,600 feet. Also, F4 was in production and flowing at a rate of 8.3 mmcfcpd.
23-Mar-20	BYE provided an update on SM71, in particular that F5 reached a total depth of 8,505 MD, LWD logs indicated 36 feet TVT net gas pay in the primary D5 Sand target, 12 feet TVT net oil pay in the I3 Sand and 12 feet TVT net oil pay in the J Sand.
30-Mar-20	BYE provided an update on the impact of COVID-19, in particular that BYE did not experience interruptions to company operations and had implemented various initiatives to comply with government directives.
31-Mar-20	BYE provided an update on the collapse of oil prices, in particular that oil production was curtailed to more closely align with previously hedged volumes and platform and pipeline installation was under review which could result in a delay of production start-up at SM58.
07-May-20	BYE provided an update on SM71, in particular that production increased to 2,900 bopd and 7.0 mmcfcpd due to a rally in oil prices.
15-May-20	The securities of BYE were placed in a trading halt at its own request.
19-May-20	BYE announced that A\$16 million was raised through a placement of 123.1 million new shares to fund commencement of production at BYE's SM58 project.
09-Jun-20	BYE provided an update on the SM58 G Platform, in particular that the installation process was beginning.
17-Jun-20	BYE announced that A\$13.8 million was raised through a placement of 106.3 million shares.
18-Jun-20	BYE provided an update on oil price risk management, in particular that additional 400 bopd financial hedge was added for the remainder of 2020 in the form of put options with a strike price of US\$39 per barrel on the WTI base price.
06-Jul-20	BYE announced the completion of the SM58 G Platform installation.
20-Jul-20	BYE provided an update on SM58, in particular that the drilling rig arrived for completed operations.
13-Aug-20	BYE provided an update on SM58, in particular that the company completed operations on the Upper O Sand in G1, the EOD 264 rig would begin drilling G2 and operations to lay oil and gas pipelines were complete.
24-Aug-20	BYE provided an update on SM58, in particular that G2 was drilled to 4,020 feet MD and that all operations were suspended due to forecast hurricane strength weather.
31-Aug-20	BYE provided an update on production status post Hurricane Laura, in particular that SM58 and 71 production platforms had only received minor damage.
01-Sep-20	BYE advised that it had not elected to not to renew the Grand Isle 95 lease for the fourth year of a five year term.
09-Sep-20	BYE provided an update on SM58, in particular that G1 was placed into production with initial controlled rates of 19.4 mmcfcpd and 37 bopd and G2 was nearing casing point above the Upper O sand.
15-Sep-20	BYE provided an update on Hurricane Sally, in particular that SM58 G2 drilling operations were curtailed and SM71 wells were shut in for the storm due to pipeline closures.
21-Sep-20	BYE provided an update on SM58, in particular that G2 was drilled to a final depth of 11,237 feet and was deemed non-commercial.
5-Oct-20	BYE provided an update on SM58 GT ST well. In particular that it reached a final total depth of 7,720MD/7,035 TVD feet, 280 gross feet of hydrocarbon was logged with LWD gamma ray/resistivity tools and no water contact has been observed within the interval. BYE also stated there was good mudlog shows with heavy gasses.

Date	Details
8-Oct-20	BYE provided an update on Hurricane Delta, in particular that the SM58 G2ST completion operations were suspended and drilling rig evacuated and the SM58 G and SM71 F production platforms were shut in and evacuated.

Source: BYE ASX announcements and McGrathNicol analysis

5.2 BYE's properties at 30 June 2020

5.2.1 Summarised below are BYE's portfolio of properties at 30 June 2020:

BYE properties at 30 June 2020				
Properties	Operator	Interest WI/NRI (%)*	Lease expiry date	Lease area (km ²)
South Marsh Island				
Block 71	BYE	50.00/40.625	Production	12.16
Block 57	BYE	100.00/81.25	Jun-22	21.98
Block 59	BYE	100.00/81.25	Jun-22	20.23
Block 60	BYE	100.00/87.50	Jun-24	20.23
Block 58 (excluding E1 well)	BYE	100.00/83.33		
Block 58 (E1 well in S 1/2 of SE 1/4 of SE 1/4 and associated production infrastructure in NE 1/4 of NE 1/4 of SM69)	Ankor	53.00/44.17	Production	20.23
Block 69	BYE	100.00/77.33–80.33	Production	1.3
Block 74	BYE	100.00/81.25	Jun-22	20.23
Block 70	BYE	100.00/87.50	Jun-23	22.13
Eugene Island				
Block 62	BYE	100.00/87.50	Jun-23	20.23
Block 63	BYE	100.00/87.50	Jun-23	20.23
Block 76	BYE	100.00/87.50	Jun-23	20.23
Block 77	BYE	100.00/87.50	Jun-23	20.23
Main Pass				
Block 293	BYE	100.00/87.50	Oct-23	18.46
Block 305	BYE	100.00/87.50	Oct-23	20.23
Block 306	BYE	100.00/87.50	Oct-23	20.23
Grand Isle				
Block 95	BYE	100.00/87.50	Sep-22	18.37

Source: BYE FY20 annual financial report (page 11)

5.2.2 Below is an allocation of BYE's remaining reserves at 30 June 2020:

	Developed		Undeveloped		Total
	Oil Mbbl	Gas MMcf	Oil Mbbl	Gas MMcf	Boe Mboe
SM71					
Proved	1,334	951	658	390	2,216
Probable reserves	886	565	1,193	1,025	2,344
Possible reserves	-	-	1,275	963	1,436
Proved, Probable and Possible	2,220	1,516	3,126	2,378	5,996
SM58 (100% WI)					
Proved	-	-	4,682	23,884	8,663
Probable reserves	-	-	6,168	9,504	7,752
Possible reserves	-	-	3,931	5,053	4,773
Proved, Probable and Possible	-	-	14,781	38,441	21,188
SM58 E1					
Proved	174	149	468	849	808
Probable reserves	26	23	-	-	30
Possible reserves	-	-	-	-	-
Proved, Probable and Possible	200	172	468	849	838
E177					
Proved	-	-	744	32,295	6,127
Probable reserves	-	-	1,136	35,615	7,072
Possible reserves	-	-	2,626	18,691	5,741
Proved, Probable and Possible	-	-	4,506	86,601	18,940
Total					
Proved	1,508	1,100	6,552	57,418	17,814
Probable reserves	912	588	8,497	46,144	17,198
Possible reserves	-	-	7,832	24,707	11,950
Proved, Probable and Possible	2,420	1,688	22,881	128,269	46,962

Source: BYE 30 June 2020 reserves and resources report

5.3 Historical financial performance of BYE

5.3.1 Summarised below is the financial performance of BYE for the four years ended 30 June 2020:

BYE financial performance				
US\$'000	FY17A	FY18A	FY19A	FY20
Revenues from sale of oil and gas	-	11,743	38,572	24,369
Royalty expense	-	(2,199)	(7,248)	(2,966)
Net revenue	-	9,545	31,324	21,402
Lease operating costs	-	(944)	(2,626)	(3,407)
Amortisation of oil and gas properties	-	(864)	(4,636)	(5,509)
Cost of sales	-	(1,807)	(7,262)	(8,916)
Gross profit	-	7,737	24,062	12,486
FV adj. on embedded derivative element of convertible note	-	-	397	-
Recoupment of operator overheads	-	251	200	299
Corporate and administration costs	(1,503)	(1,671)	(2,874)	(2,507)
Impairment expense and dry hole expense	(1,242)	(1,747)	(12,916)	(5,398)
Share-based payments	(754)	(1,442)	(670)	(941)
Depreciation / amortisation of property, plant and equipment	(16)	(21)	(97)	(359)
Other expenses	(1,221)	(752)	(1,926)	(1,715)
Operating expenses	(4,736)	(5,382)	(17,885)	(10,621)
EBIT	(4,736)	2,356	6,177	1,865
Financial income	12	15	48	19
Financial expense	(634)	(1,072)	(507)	(1,816)
Net profit before tax	(5,358)	1,299	5,719	68
Income tax expense	-	-	-	-
Net profit after tax	(5,358)	1,299	5,719	68

Source: BYE FY18, FY19 and FY20 annual report/financial report

5.3.2 The table above shows:

- BYE recorded income from operations for the first time in FY18A;
- net revenue increased to US\$31.3 million (229%) in FY19A primarily due to FY19A being the first full year of production for the SM71 project compared to only three months of production in FY18A;
- net revenue decreased in FY20 as a result of lower realised oil and gas prices and lower production;
- cost of sales increased from US\$1.8 million in FY18A to US\$7.3 million in FY19A due to higher cash lease operating expenses and increased amortisation charges reflecting higher production for the SM71 project;
- cost of sales increased in FY20 due to a full year of SM58 E-1 well operating costs and lease amortisation;
- corporate and administration costs increased from US\$1.7 million in FY18A to US\$2.9 million to support increased production of the SM71 project;
- impairment expense and dry hole expense increased from US\$1.7 million to US\$12.9 million in FY19 due to the write off of unsuccessful exploration drilling expenses in relation to the Weiss-Adler, et. al. #1 well, on the Bivouac Peak leases and SM74 D14 well, on the SM74 lease, and relinquishment of VR232, VR251 and CI18 leases during the year;
- impairment expense for FY20 reflects the write-off of the drilling cost of the SM74 D14 well dry hole and the relinquishment of the Grand Isle 95 lease subsequent to 30 June 2020; and
- financial expense of US\$1.8 million in FY20, mainly due to BYE drawing down loans totalling US\$15 million in FY20.

5.4 Financial position of BYE

5.4.1 Summarised below is BYE's financial position at 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020:

BYE financial position				
US\$'000	Jun17A	Jun18A	Jun19A	Jun20A
Cash and cash equivalents	3,396	2,257	6,783	16,645
Trade and other receivables	1,026	6,208	5,069	1,851
Derivative financial instruments	-	-	-	215
Restricted cash and cash equivalents	-	-	4,377	-
Other	666	855	1,634	3,138
Total current assets	5,088	9,321	17,863	21,849
Exploration and evaluation assets	2,421	3,938	6,588	4,696
Oil and gas properties	5,897	26,175	27,192	75,192
Other	475	732	1,488	1,925
Right-of-use assets	-	-	-	989
Trade and other receivables	-	-	-	251
Property, plant and equipment	37	39	50	40
Other intangible assets	2	32	312	165
Total non current assets	8,832	30,916	35,630	83,258
Total assets	13,920	40,237	53,494	105,107
Trade and other payables	(2,054)	(3,927)	(8,925)	(4,545)
Provisions	(829)	(131)	(124)	(144)
Lease liabilities	-	-	-	(309)
Borrowings	(2,584)	(5,780)	(5,748)	(5,869)
Total current liabilities	(5,466)	(9,839)	(14,798)	(10,868)
Provisions	(128)	(1,184)	(1,984)	(5,080)
Lease liabilities	-	-	-	(1,042)
Borrowings	(3,998)	(707)	-	(14,066)
Non current liabilities	(4,126)	(1,891)	(1,984)	(20,188)
Total liabilities	(9,592)	(11,730)	(16,782)	(31,056)
Net assets	4,327	28,507	36,712	74,051
Issued capital	77,994	99,297	101,092	137,561
Foreign currency translation reserve	(288)	(153)	(131)	(147)
Cash flow hedge reserve	-	-	-	(124)
Share option reserve	3,253	4,694	5,364	6,305
Accumulated losses	(76,631)	(75,332)	(69,613)	(69,545)
Total equity	4,327	28,507	36,712	74,051

Source: BYE FY18, FY19 and FY20 annual report/financial report

5.4.2 The table above shows that at 30 June 2020:

- BYE had total assets of US\$105.1 million and total liabilities of US\$31.1 million resulting in net assets of US\$74.1 million (an increase of US\$37.4 million from 30 June 2019);
- BYE had US\$16.6 million in cash and cash equivalents;
- BYE's current trade and other receivables decreased to US\$1.9 million primarily consisting of oil and gas sales receivables of US\$1.6 million and joint operating arrangements receivables of US\$193,796 million;
- BYE's exploration and evaluation assets decreased to US\$4.7 million due to the reclassification of SM58 to "oil and gas properties" and impairment writes offs of during the year;

- (e) the most significant non-current asset held by BYE is oil and gas properties totalling US\$75.2 million, partially due to the reclassification of SM58 from "exploration and evaluation" and additions during the year;
- (f) trade and other payables consisted of trade payables of US\$4.2 million, oil and gas royalties payable of US\$303,448 and US\$41,615 of accrued interest on loans from related parties and other payables. Trade creditors are non-interest bearing and are usually settled on 30 day terms; and
- (g) during FY20 BYE drew down loans totalling US\$15 million from Crimson Midstream Operating, LLC with total borrowings outstanding as at 30 June 2020 of US\$19.9 million.

5.5 Cash flow statement

5.5.1 Summarised below is BYE's cash flow statement for the four years ended 30 June 2020:

BYE statement of cash flows				
US\$'000	FY17A	FY18A	FY19A	FY20A
Receipts from customers	-	7,746	39,368	25,798
Payments to suppliers and employees	(2,777)	(4,327)	(15,823)	(10,366)
Interest paid	(328)	(804)	(322)	(1,765)
Interest received	2	9	10	13
Net cash flows from operating activities	(3,103)	2,624	23,234	13,680
Payments for development of oil and gas properties	-	(20,770)	(5,119)	(50,934)
Payments for exploration and evaluation assets	(4,354)	(3,278)	(14,132)	(3,034)
Purchases of oil price hedge instruments designated at FVTOCI	-	-	-	(339)
Payments for intangible assets (software)	-	-	(366)	-
Payments for property, plant and equipment	-	(54)	(21)	(1)
Net cash flows used in investing activities	(4,354)	(24,101)	(19,639)	(54,307)
Proceeds from issues of ordinary shares	4,156	22,337	-	36,269
Proceeds from exercise of share options	-	-	344	1,742
Payment of equity raising costs	(203)	(1,034)	-	(1,506)
Redemption of convertible notes	-	(2,343)	(2,182)	-
Repayment of lease liabilities	-	-	-	(248)
Repayment of borrowings	-	-	(1,374)	(3,691)
Proceeds from borrowings	6,010	1,391	4,195	17,990
Other	-	-	-	-
Net cash flows from financing activities	9,963	20,351	984	50,557
Net increase (decrease) in cash and cash equivalents held	2,507	(1,126)	4,579	9,929
Cash and cash equivalents at the beginning of the year	883	3,396	2,257	6,783
FX impact on balance of cash held in foreign currencies	5	(13)	(53)	(68)
Cash and cash equivalents at the end of the year	3,396	2,257	6,783	16,645

Source: BYE FY18, FY19 and FY20 annual report/financial report

5.5.2 The table above shows:

- (a) proceeds from ordinary shares in FY20 of US\$36.3 million through a combination of two placements, an entitlement issue and share purchase plan;
- (b) proceeds of borrowing of circa US\$18.0 million;
- (c) during FY19, the consolidated entity repaid in full the secured convertible note to Metgasco, with a payment of US\$2.2 million;
- (d) during FY19, BYE received loans from directors and two shareholders totalling US\$4.2 million; and

- (e) BYE has invested heavily over the historical period primarily in oil and gas properties and exploration and excavation assets with investment activities totalling US\$24.1 million in FY18A, US\$19.6 million in FY19A and US\$54.3 million in FY20.

5.6 Effect of COVID-19 and oil and gas prices

- 5.6.1 In their FY20 annual financial report, BYE made the following comments relating to the impacts of COVID-19:¹⁰

"The decline in demand for oil across the world and the resulting price decline had a material adverse effect on the industry as well as [BYE's] revenues and cashflows.

...

During the year ended 30 June 2020 [BYE] has not experienced any COVID-19 related interruptions to the [BYE] operated SM71 platform in the Gulf of Mexico, or the construction and installation of [BYE's] SM58 G platform.

[BYE's] office in Lafayette, Louisiana based worked in line with recommendations of Louisiana State, which included a stay-at-home period. [BYE's] Australian-based team worked as advised by the Australian government(s), to comply with COVID-19 regulations.

During drilling operations for the SM71 F5 well, the Company and Enterprise Offshore Drilling instituted temperature screening processes for any person boarding the rig via either the shorebase or through air transportation. [BYE] also provides a daily COVID-19 update to the Bureau of Safety and Environmental Enforcement ('BSEE') which is accomplished with the use of BSEE approved code detailing the screening processes in effect and any occurrence of illness on a [BYE] operated facility. There have been no reportable incidents on either the SM71 F platform or the EOD 264 drilling rig."

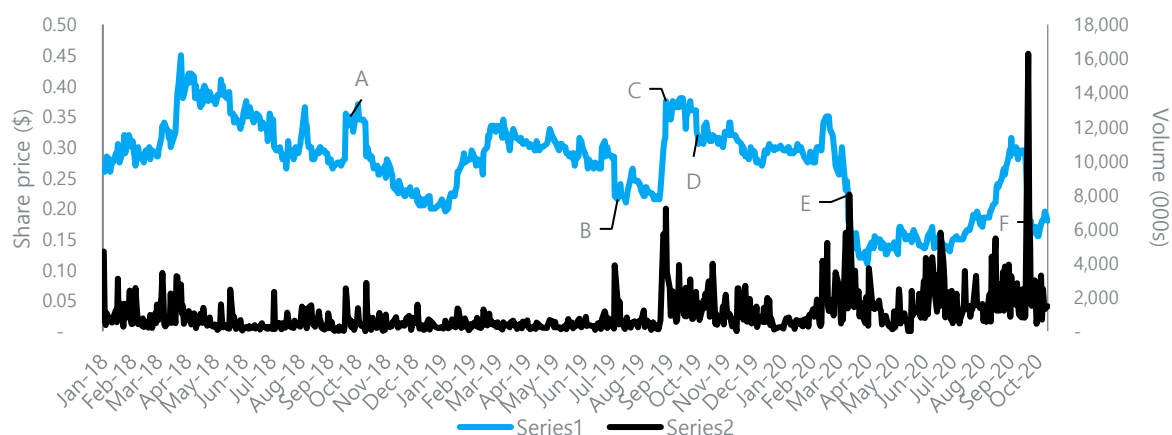
5.7 Shareholding

- 5.7.1 As at the date of this report there were 1,040,295,102 ordinary BYE shares issued. There were 1,023,549,331¹¹ ordinary shares issued at 30 June 2020. Subsequent to 30 June 2020, BYE issued 16,745,771 ordinary shares at A\$0.13 per share to directors and/or their associates.
- 5.7.2 Metgasco currently owns 38,879,621 BYE shares.

5.8 Trading history in BYE

Share price movements and volume traded

- 5.8.1 Summarised below is BYE's closing share price and volume traded from 1 January 2018 to 12 October 2020:



Source: CapitalIQ

¹⁰ BYE FY20 annual financial report (page 6)

¹¹ BYE FY20 annual financial report (page 52)

5.8.2 Events which have resulted in significant movements in BYE's share price include:

BYE share price and volume commentary

Event	Date	Commentary
A	19-Sep-18	BYE provides an update on SM71, in particular that cumulative gross production of 641,737 barrels of oil and 556 million cubic feet of gas and that the recompletion of the F2 well from the B65 sand to the B55 sand was expected to commence during the last week of September 2018. The share price increases by 27%.
B	05-Jul-19	BYE provides an update on SM74 D14 well, in particular that BP1 and abandon operations had begun. The share price decreases by 23%.
C	29-Aug-19	BYE provides an update on SM58, in particular that 'porosity logging' confirmed a substantial hydrocarbon column, the O Sand exhibits extremely good reservoir characteristics and a high rate completion expected. The share price increases by 19%
D	01-Oct-19	Metgasco announces the proposed in-specie distribution of BYE shares to Metgasco shareholders. The share price decreases by 10%.
E	23-Mar-20	BYE provides an update on SM71, in particular that F5 reached a total depth off 8,505 MD, LWD logs indicated 36 feet TVT net gas pay in the primary D5 Sand target, 12 feet TVT net oil pay in the I3 Sand and 12 feet TVT net oil pay in the J Sand. The share price decreased by 22%.
F	21-Sep-20	BYE provides an update on SM58, in particular that G2 was drilled to a final depth of 11,237 feet and was deemed non-commercial. The share price decreases by 33%.

Source: Capital IQ, BYE ASX announcements and McGrathNicol analysis

5.8.3 Summarised below is BYE's share trading and volume trading data over a range of periods over the last year:

BYE share trading analysis at 12 October 2020

A\$	Share price				Volume traded		
	Low	Average close	High	VWAP	Total	% free float	Average daily trade
1 day	0.180	0.180	0.195	0.190	1,466,630	0.21%	1,466,630
1 week	0.180	0.184	0.195	0.188	7,585,450	1.10%	1,517,090
1 month	0.155	0.202	0.297	0.195	56,536,120	8.17%	2,692,196
2 months	0.155	0.233	0.315	0.226	109,000,890	15.76%	2,534,904
3 months	0.150	0.214	0.315	0.214	143,293,940	20.71%	2,171,120
6 months	0.125	0.181	0.315	0.187	239,959,400	39.81%	1,889,444
9 months	0.105	0.201	0.360	0.201	345,614,390	61.45%	1,819,023
12 months	0.105	0.225	0.360	0.215	406,767,870	77.68%	1,620,589

Source: CapitalIQ

5.8.4 The table above shows:

- BYE's share price has decreased from a high of 36.0 cents to 19.5 cents over the last 12 months;
- the share trading data for 1-day, 1-week and 1-month VWAP periods indicate a share price of approximately 19.0 cents; and
- the trading volumes in BYE shares (with over 1 million traded on a daily basis) suggest BYE is a liquid stock.

6 Industry overview

6.1 Overview

- 6.1.1 Metgasco and BYE both operate within the Global Oil and Gas Exploration and Production industry, as defined by IBISWorld.¹²
- 6.1.2 This industry includes companies involved in the production of crude petroleum, mining and extraction of oil from oil shale and oil sands, the production of natural gas, sulphur recovery from natural gas and the recovery of hydrocarbon liquids.
- 6.1.3 According to IBISWorld crude oil is estimated to account for 74.8% of the revenue generated in 2019, with natural gas accounting for the remaining 25.2%.¹³

6.2 Key drivers and their outlook

- 6.2.1 IBISWorld notes the following key external drivers of performance for the Global Oil and Gas Exploration and Production industry:

The world price of crude oil

- 6.2.2 According to IBISWorld:¹⁴

"The price of oil is determined by the forces of supply and demand, and has a history of high volatility. The relatively constant demand for oil means that higher prices tend to increase revenue. The world price of crude oil is expected to decline in 2019, posing a potential threat to the industry."

- 6.2.3 According to BYE:¹⁵

"West Texas Intermediate (WTI), the USA marker price, dropped from US\$61.17 on 2 January 2020 to US\$20.28 on 1 April 2020. The crude oil price decline started in early March 2020 after Saudi Arabia initiated a price war with Russia and accelerated after the COVID-19 outbreak around the world. The WTI spot price actually crashed to an unprecedented minus US\$36.98 on 20 April 2020."

Following large cuts in production by OPEC and non-OPEC producers, prices gradually improved reaching US\$39.27 on 30 June 2020 for WTI spot."

The world price of natural gas

- 6.2.4 According to IBISWorld:

*"High natural gas prices benefit related exploration and drilling companies. When prices are high, industry operators realize greater revenue from natural gas sales. The world price of natural gas is expected to decline in 2019. Unfortunately for industry operators, natural gas is in a constant state of oversupply due to difficulty in reducing production. The world price of natural gas is expected to decline in 2019"*¹⁶

- 6.2.5 According to BYE:¹⁷

"While COVID-19 has had less of an impact on USA natural gas prices, COVID-19 has significantly curtailed industrial use of natural gas. In addition, volumes flowing to LNG export plants have dropped substantially due to weak international demand associated with the COVID-19 imposed lockdowns. Moreover, increasing downward pressure on European and Asian gas prices have made American fuel less competitive, lowering LNG

¹² IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 4)

¹³ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 7)

¹⁴ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 9)

¹⁵ BYE FY20 annual financial report (page 6)

¹⁶ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 9)

¹⁷ BYE FY20 annual financial report (page 6)

demand in the process. All of this comes at a time when the commodity was already struggling with weak consumption because of a warmer-than-expected winter 2019-2020.

The Henry Hub natural gas mmbtu spot price was US\$2.42 on 28 June 2019, declining to US\$1.76 on 30 June 2020.”

Gross domestic product of the BRIC nations (i.e. Brazil, Russia, India and China):

6.2.6 According to IBISWorld:

“The rapid industrialization of Brazil, Russia, India and China (BRIC) has greatly increased global demand for oil and gas, which has also increased prices. Conversely, any slowdown in these economies would cause oil and gas prices to tumble, negatively affecting this industry. GDP of the BRIC nations is expected to increase in 2019.”¹⁸

Industrial production index of Organisation for Economic Co-operation and development (OECD) countries.

6.2.7 According to IBISWorld:

“The industrial production index measures industrial production of the 34 countries that make up the Organisation for Economic Co-operation and Development (OECD), including the United States, Germany, Japan and Australia. Typically, rising levels of industrial production bolsters demand for energy inputs, such as crude oil and natural gas. In 2019, the industrial production index of OECD countries is anticipated to increase, representing a potential opportunity for the industry.”¹⁹

6.3 Competitive landscape

6.3.1 IBISWorld notes that:²⁰

- (a) competition is high and increasing, with businesses competing based on price, cost of extraction and other fuel alternatives;
 - (i) internal competition, being the cost of extraction, differs throughout the world given the varying difficulty of extractions;
 - (ii) competition between oil and gas is limited due to the products serving different markets, rather oil experiences limited but increasing external competition from biodiesel and ethanol, which is used as a replacement transport fuel;
- (b) there is a low level of market concentration with the top four companies accounting for an estimated 29.7% of total revenue;
 - (i) Saudi Aramco which is the largest player in the industry generated \$356 billion in 2018, representing 21.7% market share;
 - (ii) other major players include Exxon Mobile Corporation, National Iranian Oil Company, PetroChina Company Limited and Public Joint Stock Company Gazprom;
- (c) barriers to entry in the industry are high and steady. The low market concentration indicates a high degree of competition, and as such a large number of companies are vying for a supply of natural resources globally; and
- (d) established relationships internationally and locally, in particular with governments, poses significant barriers for new players in the market. This industry requires significant initial capital costs for exploration, machinery and acquiring production and exploration permits.

¹⁸ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 9)

¹⁹ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 10)

²⁰ IBISWorld Industry Report 'Global Oil & Gas Exploration & Production' dated February 2020 (page 31)

6.4 Performance and Outlook

- 6.4.1 The Global Oil and Gas Exploration and Production industry is in the mature phase of its economic life cycle. Industry revenue has fluctuated over the past five due to the high volatility in the price of crude oil.

Oil

- 6.4.2 The International Energy Agency reduced its forecast for 2020 oil demand by 8.4 million bpd year to 91.7 million barrels per day. It cited a "treacherous" path ahead amid weakening market sentiment and an upsurge in the number of coronavirus cases reported across the globe.

- 6.4.3 Based on an article from CNBC, the International Energy Agency expects:²¹

"...the recovery in oil demand to decelerate markedly in the second half of 2020, with most of the easy gains already achieved..."

"The economic slowdown will take months to reverse completely, while certain sectors such as aviation are unlikely to return to their pre-pandemic levels of consumption even next year."

Gas

- 6.4.4 According to the International Energy Agency:²²

"After a 4% drop in 2020, natural gas demand is expected to progressively recover in 2021 as consumption returns close to its pre-crisis level in mature markets, while emerging markets benefit from economic rebound and lower natural gas prices. The impact of the 2020 crisis is, however, expected to have repercussions on the medium-term growth potential, resulting in about 75 bcm of lost growth over the forecast period, 2019 to 2025. This forecast expects an average growth rate of 1.5% per year during this period.

...

We have adjusted this year's forecast to account for Covid-19 resulting in expected global natural gas demand reaching over 4 370 bcm annually in 2025, or an average annual growth rate of 1.5% per year for the 2019-25 period, compared to initial forecast which assumed an average growth rate of 1.8% per year over the same period.

Even if most of the 2020 losses are to be recovered in 2021, the Covid-19 crisis has longer-lasting impacts on natural gas demand growth. This results in about 75 bcm/y of lost growth over the forecast period – more than the equivalent of incremental demand for 2019."

²¹ <https://www.cnbc.com/2020/09/15/oil-prices-iaa-cuts-2020-demand-outlook-amid-rising-coronavirus-cases.html>

²² <https://www.iea.org/reports/gas-2020/2021-2025-rebound-and-beyond>

7 Valuation approach and methodology

7.1 Valuation date

7.1.1 We have performed our valuations at 12 October 2020.

7.2 Premise of value

7.2.1 APES 225 *Valuation Services* requires a valuation report to clearly communicate the premise of value adopted in a valuation.²³ There are two basic premises of valuation for a business:

- (a) a going concern premise holds that the business is a sustainable enterprise and the valuation method should have regard to the future economic benefits associated with the business; or
- (b) an orderly liquidation or an orderly realisation of assets premise holds that it is more economic to realise the assets and liabilities of the business than continue to operate, which means a valuation based on future earnings would not be appropriate in this context.

7.2.2 For this report we have adopted a going concern premise in valuing Metgasco and BYE shares.

7.3 Standard of value

7.3.1 Our valuations have been prepared on the basis of fair value. Fair value has a special meaning in connection with Chapter 6 of the Corporations Act, which relates to takeovers. Pursuant to section 667C of the Corporations Act:

“(1) To determine what is fair value for securities for the purposes of this Chapter:

(a) first, assess the value of the company as a whole; and

(b) then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk, and voting and distribution rights, of the classes); and

(c) then allocate the value of each class pro rata among the securities in that class (without allowing a premium or applying a discount for particular securities in that class).

(2) Without limiting subsection (1), in determining what is fair value for securities for the purposes of this Chapter, the consideration (if any) paid for securities in that class within the previous 6 months must be taken into account.”

7.3.2 Consequently, for purposes of the takeover provisions of the Corporations Act, fair value is equal to the relevant proportionate interest in the value of the company as a whole. Such a value would commonly differ from the market value, which is likely to reflect a minority discount.

²³ APES 225 *Valuation Services*, paragraph 5.2(i)

7.4 Valuation methods

Asset based methods

- 7.4.1 Asset based methods estimate the fair value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:
- (a) net assets on a going concern basis;
 - (b) orderly realisation of assets; and
 - (c) liquidation of assets.
- 7.4.2 The net assets method is based on the value of the assets of the business less certain liabilities. This valuation methodology involves deriving the value of a company by reference to the value of its assets on a going concern basis. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.
- 7.4.3 The orderly realisation of assets method estimates fair value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable value for the assets.
- 7.4.4 The liquidation of assets method is similar to the orderly realisation of assets method except for the fact that the liquidation of assets method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.
- 7.4.5 These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable, not actively trading or a significant proportion of a company's assets are liquid.

Market based methods

- 7.4.6 Market based methods estimate a company's fair value by considering the market price of transactions in its shares or the value and valuation metrics of comparable companies and transactions. Market based methods include:
- (a) capitalisation of maintainable earnings;
 - (b) analysis of a company's recent share trading history; and
 - (c) industry specific methods.
- 7.4.7 The capitalisation of maintainable earnings method estimates fair value by multiplying the company's future maintainable earnings by an appropriate capitalisation earnings multiple. An appropriate earnings multiple is derived from price earnings multiples and market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures and growth profiles.
- 7.4.8 The most recent share trading history provides strong evidence of the fair value of the shares in a company where they are publicly traded in an informed and liquid market.
- 7.4.9 Industry specific methods estimate value using industry benchmarks. These methods generally provide less persuasive evidence on the value of a company as they may not account for company specific factors. Industry specific methods should only be used as a cross check to the primary valuation methodology.

Discounted cash flow method

- 7.4.10 The discounted cash flow (**DCF**) method estimates value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least five years or for projects with finite lives. The DCF method is commonly used to value early stage companies with volatile (and negative cash flows) or projects with a finite life.

7.5 Selection of Methodologies

7.5.1 In selecting our methodology, we have considered:

- (a) Metgasco reporting historical losses and not generating revenue from operations;
- (b) Metgasco's current share price, reflecting the value on a minority interest basis and liquidity;
- (c) BYE's current share price, reflecting the value on a minority interest basis and liquidity;
- (d) each non-associated shareholder's interest in Metgasco and BYE (if the Proposed Transaction were to proceed), which in our view represents a minority interest; and
- (e) access to publicly available valuation benchmarks, comparable company information and comparable company transactions.

7.5.2 We have adopted the net asset methodology to calculate the equity value per share of Metgasco due to:

- (a) the net asset methodology being commonly used in valuing businesses:
 - (i) which do not produce positive annual cash flows, generally due to the establishment of the business. Metgasco is currently loss making and not generating any revenue;
 - (ii) whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. A large portion of Metgasco's value is its investment in BYE;
- (b) it not being appropriate to adopt the capitalisation of maintainable earnings method as this method only produces a reliable valuation where the business has stable positive earnings and operates into perpetuity, which is not the case for Metgasco which is loss making; and
- (c) it not being appropriate to use the DCF methodology as there are no reliable forecasts available.

7.5.3 We have adopted a value of cents per BYE share based on the VWAP at 12 October 2020. The value per BYE share is used to calculate:

- (a) Metgasco's equity investment in BYE; and
- (b) the value per share Metgasco shareholders would receive from the in-specie distribution.

8 Valuation if the Proposed Transaction did not proceed

8.1 Overview

- 8.1.1 In this section we set out assessment of the value per share of Metgasco assuming that the Proposed Transaction did not proceed. In this scenario, Metgasco's retains 38,879,621 BYE shares.

8.2 Process

- 8.2.1 The steps in assessing the value per Metgasco share are as follows:
- (a) adopted Metgasco's pro forma book value of equity at 30 September 2020;
 - (b) included the proceeds from the sale of 560,700 BYE shares in October 2020;
 - (c) adjusted Metgasco's investment in BYE to reflect its value at 12 October 2020;
 - (d) calculated the adjusted equity value of Metgasco; and
 - (e) divided the adjusted equity value of Metgasco by the total number of shares on issue.

8.3 Value per Metgasco share

- 8.3.1 Below is our assessment of the value per Metgasco share if the Proposed Transaction did not proceed:

Transaction doesn't go ahead			
	Notation	Units	
Metgasco's pro forma book value of equity at 30 September 2020	A	\$'m	12.142
<u>Adjustments:</u>			
1. Remove value of 39.4m BYE shares held by Metgasco at 30 September 2020	B	\$'m	(6.508)
2. Add sales proceeds from sale of 560,700 BYE shares in October 2020	C	\$'m	0.100
3. Value of 38.9m BYE shares held by Metgasco at 12 October 2020			
Number of shares	D	m	38.880
BYE VWAP	E	\$	0.190
Value of BYE shares held at 12 October 2020	F=D*E	\$'m	7.387
Metgasco adjusted equity value	G=A-B+C+F	\$'m	13.121
Number of Metgasco shares	H	m	549.601
Value per share Metgasco share	I=G/H	\$	0.024

Source: McGrathNicol analysis

- 8.3.2 The share trading analysis in section 4.7.4 shows Metgasco shares traded between 2.0 cents and 5.5 cents in the last 12 months. Additionally, in the month to 12 October 2020 shares traded between 2.5 cents and 3.4 cents per share. Although we have identified relative illiquidity, the value calculated using the net asset methodology is slightly below the lower end of this range, notwithstanding it will not capture any special value.

9 Valuation if the Proposed Transaction proceeded

9.1 Overview

9.1.1 In this section we set out assessment of the value per share of Metgasco assuming that the Proposed Transaction proceeded. In this scenario:

- (a) Metgasco would own 18,879,621 BYE shares;
- (b) Metgasco shareholders would receive one BYE share for every 27.5 Metgasco shares held; and
- (c) Metgasco shareholders would have a potential tax liability for the BYE share transferred.

9.2 Process

9.2.1 The steps in assessing the value per Metgasco share are as follows:

- (a) adopted Metgasco's pro forma book value of equity at 30 September 2020;
- (b) included the proceeds from the sale of 560,700 BYE shares in October 2020;
- (c) adjusted Metgasco's investment in BYE to reflect 18,879,621 BYE shares at 12 October 2020;
- (d) calculated the adjusted equity value of Metgasco;
- (e) divided the adjusted equity value by the total number of shares on issue;
- (f) added the value of BYE share transferred per Metgasco share, 19 cents divided by 27.5 (representing the number of Metgasco shares for one BYE share); and
- (g) deducted the potential tax liability per Metgasco share.

9.3 Value per Metgasco

9.3.1 Below is our assessment of the value per Metgasco share if the Proposed Transaction proceeded before any potential tax payable:

Transaction goes ahead			
	Notation	Units	
Metgasco's pro forma book value of equity at 30 September 2020	A	\$'m	12.142
<u>Adjustments:</u>			
1. Remove value of 39.4m BYE shares held by Metgasco at 30 September 2020	B	\$'m	(6.508)
2. Add sales proceeds from sale of 560,700 BYE shares in October 2020	C	\$'m	0.100
3. Value of BYE shares held by Metgasco at 12 October 2020			
Number of shares	D	m	18.880
BYE VWAP	E	\$	0.190
Value of BYE shares held	F=D*E	\$'m	3.587
Metgasco adjusted equity value	G=A-B+C+F	\$'m	9.321
Number of Metgasco shares	H	m	549.601
Value per share Metgasco share	I=G/H	\$	0.017
1 day VWAP or BYE	E	\$	0.190
# BYE shares each Metgasco shareholder will receive per Metgasco share [1 for 27.5]	J=1/27.5		0.036
Value BYE share per a Metgasco share	K=E*J	\$	0.007
Total value to shareholders (before tax) per Metgasco share	L=I+K	\$	0.024
Tax payable	M	\$	-
Total value to shareholders (after tax) per Metgasco share	N=L-M	\$	0.024

Source: McGrathNicol analysis.

10 Evaluation of the Proposed Transaction

10.1 Summary conclusions

10.1.1 In our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders.

10.1.2 Our approach to forming this conclusion and our reasons are set out below.

10.2 The Proposed Transaction is unfair

10.2.1 In forming our opinion on whether or not the terms of the Proposed Transaction is fair we have compared:

- (a) our assessed value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction did not proceed (where Metgasco retains all BYE shares currently owned); and
- (b) the aggregate of our assessed:
 - (i) value of Metgasco per share on a minority interest basis assuming that the Proposed Transaction proceeded (where Metgasco transfers 20 million BYE shares currently owned to Metgasco shareholders);
 - (ii) value per share of the BYE shares transferred to Metgasco shareholders, where Metgasco shareholders receive approximately one BYE share for every 27.5 Metgasco shares held; and
 - (iii) tax payable per share (being a deduction).

10.2.2 Adopting a price per BYE share of 19 cents, being the 1-day VWAP at 12 October 2020, the Proposed Transaction is fair because the assessed value to Metgasco shareholders if the Proposed Transaction occurs is equal to the value if it did not occur.

Comparison of the value per Metgasco share (\$)

	Notation	Currently	Proposed Transaction
Value per Metgasco share before tax	A	0.024	0.017
Value of BYE share transferred per Metgasco share	B	n/a	0.007
Tax payable per Metgasco share	C	n/a	-
Value per Metgasco share after tax	D=Sum (A-C)	0.024	0.024

Source: McGrathNicol analysis.

10.2.3 Metgasco's independent tax advice, prepared by EY, indicates that the assessed cost base for the 20 million BYE shares to be transferred is \$4,831,676. This represents approximately 24.16 cents per BYE share.²⁴ If BYE's share price were greater than 24.16 cents per share at the date of the in-specie distribution, there would be a portion of the distribution treaded as an unfranked dividend and there may be taxation consequences for Metgasco shareholders. The Proposed Transaction would, due to potential tax implications, then be unfair but still reasonable as this has limited, if any, impact on our assessment of reasonableness outlined below.

10.3 The Proposed Transaction is reasonable

10.3.1 In assessing if the Proposed Transaction is reasonable we first considered whether the Proposed Transaction is fair. According to Regulatory Guide 111 a proposal is considered to be "reasonable" if it is fair. The Proposed Transactions is therefore reasonable because it is fair.

10.3.2 Additionally, we compared the potential advantages and disadvantages to the non-associated shareholders should the Proposed Transaction proceed.

10.3.3 In our view, the advantages to Metgasco shareholders outweigh the disadvantages if the Proposed Transaction proceeded. The Proposed Transaction is therefore reasonable regardless of whether the Proposed Transaction was fair or unfair. For example, adopting a BYE share price of 29 cents results in a potential tax payable of

²⁴ Calculated as \$4,831,676 divided by 20,000,000

\$0.001 per Metgasco share,²⁵ which makes the Proposed Transaction unfair. In our view, this amount is outweighed by the advantages the Metgasco shareholders enjoy by receiving BYE shares.

10.3.4 The key advantages to Metgasco shareholders should the Proposed Transaction proceed include:

- (a) shareholders will have a direct investment in BYE, a profitable business in production stage, opposed to only having an indirect interest in Metgasco, a company which is in the exploration stage which is currently loss making;
- (b) shareholders are likely to receive dividends from the BYE shares transferred in the near future because BYE has become profitable, whereas they are less likely to receive a dividend from Metgasco because Metgasco is loss making and continuing to invest money in its exploration assets;
- (c) the distribution provides agency to Metgasco shareholders in that they will personally exercise control over the BYE shares to be distributed, as opposed to holding only indirect benefit through their shareholding in Metgasco;
- (d) BYE shares are generally widely traded with greater liquidity than Metgasco shares;
- (e) under the Proposed Transaction every shareholder is treated equally, and the non-associated shareholders would have the same outcome as Metgasco's largest shareholder, with the difference being potential tax consequences depending on shareholders personal circumstances;
- (f) those shareholders wishing to increase their exposure to BYE's Gulf of Mexico portfolio will, on distribution, hold a direct interest in that company, whereas those shareholders primarily wishing for exposure to Metgasco's Australian exploration assets will hold a more focused investment; and
- (g) the Board of Metgasco believes that Metgasco's market valuation does not reflect the intrinsic value of its exploration asset portfolio when taking into account the substantial proportion of its value represented by the look-through value of its BYE holding. Distributing a portion of this holding may enable Metgasco's value to be more readily appreciated by the market.

10.3.5 The key disadvantages to Metgasco shareholders should the Proposed Transaction proceed include:

- (a) depending on shareholders individual circumstances, and BYE's share price on the date of the distribution, there may be a taxation consequence in respect of the distribution of the BYE Shares to the shareholders that may have an impact on the assessment of fairness of the Proposed Transaction. Details of the possible general taxation effect of the transaction are set out in section 11.6 of the Notice of Meeting;
- (b) shareholders will become holders of BYE shares and the objectives and interests of BYE may not align with those of a given shareholder;
- (c) shareholders are likely to incur additional transaction costs if they wish to dispose of their new investment in BYE (e.g. brokerage costs). Such brokerage costs would likely be incurred in the event Metgasco sells BYE shares;
- (d) there may be incremental costs to facilitate the transfer of shares; and
- (e) while Metgasco will remain well funded following the distribution (based on current cash and current value of Metgasco's remaining BYE shareholding), the reduction in financial assets on Metgasco's balance sheet may result in future capital raising/s being required sooner than otherwise may be the case.

²⁵ Adopting the highest marginal rate of tax

11 Glossary

AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES	Accounting Professional & Ethical Standards
APES 225	Accounting Professional & Ethical Standards 225 Valuation Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BYE	Byron Energy Limited
CA ANZ	Chartered Accountants Australia and New Zealand
Corporations Act	Corporations Act 2001
DCF	Discounted Cash Flow
FSG	Financial Service Guide
FY##	Financial year ended 30 June 20##
GI95	Grand Isle Block 95
Mboe	Millions of barrels of oil equivalent
McGrathNicol	McGrathNicol Transaction Advisory Pty Ltd
Melbana	Melbana Energy Limited
Metgasco	Metgasco Ltd
Proposed Transaction	Metgasco's proposed capital return via an in-specie distribution of 20 million BYE shares to its
RG	ASIC Regulatory Guide
RG 111	ASIC Regulatory Guide 111 "Content of expert's reports"
RG 112	ASIC Regulatory Guide 112 "Independence of Expert's Reports"
RG 76	ASIC Regulatory Guide 76 "Related party transactions"
SM58	South Marshall Island Area Block 58
SM71	South Marshall Island Area Block 71
SM74	South Marshall Island Area Block 74
WTI	West Texas Intermediate

12 Qualifications, Declarations and Consents

12.1 Qualifications

- 12.1.1 McGrathNicol provides transactions advisory services in relation to due diligence, sale assistance, transaction management and valuation services, including the preparation of company and business valuations and the provision of independent advice and expert's reports. Our financial services guide is attached at Appendix A.
- 12.1.2 Mr. Andrew Fressl, B.Com, CA, F.Fin is jointly responsible for this report. Andrew has over 20 years' experience advising public and private clients on their corporate finance transactions and has specific expertise in relation to acquisition and vendor due diligence, sell-side advisory and valuations. Andrew is also an accredited Business Valuation Specialist with the Chartered Accountants Australia and New Zealand (**CA ANZ**).
- 12.1.3 Mr. David Barnaby, B.Com, CA, F.Fin is jointly responsible for this report. David has over 20 years' experience in relevant corporate advisory matters, including valuations. David Barnaby is an authorised representative of McGrathNicol Transaction Advisory Pty Ltd pursuant to its Australian Financial Services Licence (under Part 7.6 of the Corporations Act).

12.2 Compliance with Accounting standards

- 12.2.1 This report was prepared in compliance with Accounting Professional & Ethical Standards (**APES**) 225 Valuation Services ("**APES 225**"), and is deemed by APES 225 to be a Valuation Engagement. A summary of the types of valuation engagements prescribed under APES 225 is set out in Appendix B.

12.3 Independence

- 12.3.1 Prior to accepting this engagement, McGrathNicol considered its independence with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" (**RG 112**). McGrathNicol has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. McGrathNicol is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.
- 12.3.2 Except for these fees, McGrathNicol will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

12.4 Consent and other matters

- 12.4.1 Our report is to be read in conjunction with the Explanatory Memorandum in which this report is included, and is prepared for the exclusive purpose of assisting the shareholders. This report should not be used for any other purpose.
- 12.4.2 McGrathNicol consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Memorandum.
- 12.4.3 This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.
- 12.4.4 The decision of whether or not to approve the Proposed Transaction is a matter for each shareholder based on their own views of value of each fund and expectations about future market conditions, risk profile and investment strategy. If shareholders are in doubt about the action they should take, they should seek their own professional advice.

12.5 Information relied on and limitations

- 12.5.1 This report includes all references to information utilised, the valuation approaches and methodologies adopted, assumptions relied upon and conclusions reached.
- 12.5.2 In preparing this report, we relied on information provided by the management of Metgasco set out at Appendix C.
- 12.5.3 An important part of the information used in forming an opinion as to fairness and reasonableness is comprised of the opinions and judgement of Metgasco management. This type of information was evaluated through analysis, inquiry and review. However, such information is often not capable of external verification or validation and has not been independently verified.
- 12.5.4 We did not perform an audit of the information provided, however, evaluated the information through analysis and discussions with Metgasco management. McGrathNicol does not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose. The information we relied on was not independently verified.
- 12.5.5 McGrathNicol has no reason to believe any material facts have been withheld. Should we become aware that information we have relied upon is materially misstated or of any factors that alter our assumptions, we reserve the right to alter our valuation and conclusions.
- 12.5.6 Should circumstances change, or if new information becomes available post the date of this report, we reserve the right to amend our calculations.
- 12.5.7 To the extent that there are tax and legal issues relating to assets, properties or business interests or issues relating to compliance with applicable laws, regulations, and policies, McGrathNicol:
- (a) assumes no responsibility and offers no tax and legal opinion or interpretation on any issue; and
 - (b) has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.
- 12.5.8 This report has been prepared for the shareholders. It should not be disclosed to any other party without our consent in writing. It may not otherwise be reproduced in whole or in part or supplied to any other party, without our consent in writing. We do not assume any responsibility or liability for any losses suffered by the shareholders, their investment managers, the investment manager's shareholders, their advisers or any unauthorised user, as a result of circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

A Financial services guide

A.1 Purpose of this guide

- A.1.1 This Financial Services Guide (**FSG**) provides you with important information to assist you in deciding how to use our Report. It provides you with information about us, the financial services we offer, our dispute resolution process and how we are remunerated.
- A.1.2 We act on behalf of Metgasco Limited, to whom this report is addressed.; Where you are not the addressee we are required to issue you this FSG under the Corporations Act and the terms of our Australian Financial Services Licence (**AFSL**) as a result of our client providing you with a copy of our Report.

A.2 Financial services we are authorised to provide

- A.2.1 We are authorised to provide general financial product advice in relation to securities, and to arrange for another person to issue, apply for, acquire, vary or dispose of securities to retail and wholesale clients.

A.3 General financial product advice

- A.3.1 Our Report provides general financial product advice only. In preparing this Report, we have not taken into account your personal circumstances including financial situation or needs. You should consider whether any advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.
- A.3.2 We provide no financial services directly to retail clients and receive no remuneration from retail clients for financial services. We do not provide any personal retail financial product advice to retail investors nor do we provide market-related advice to retail investors. You were provided with a copy of our Report because of your connection to the matters in respect of which we have been engaged to report.

A.4 Remuneration for our services

- A.4.1 Our fees have been agreed with our client on a fixed fee or a time cost basis, and we may also be reimbursed for our out of pocket expenses. Our fees for this engagement are estimated to be \$64,000 plus GST. We will not receive any other commission, fee or benefit in connection with the provision of the Report.
- A.4.2 The remuneration provided to our directors, authorised representatives and the partners, officers and employees of our associated entities is based on their overall performance and contribution over the course of a financial year. No commissions are paid in respect of the provision of financial product advice.

A.5 Associations and relationships

- A.5.1 McGrathNicol is a group of independent entities operating in association. We and our associated entities do not have any formal associations or relationships with any entities that are issuers of financial products but may provide professional services to issuers of financial products in the ordinary course of business.

A.6 Complaints process

- A.6.1 If you have any concerns regarding our Report, please let us know. If you wish to lodge a formal complaint, you may do so in writing to: The Risk and Professional Practice Partner, McGrathNicol, GPO Box 9986, Sydney NSW 2000 or complaint@mcgrathnicol.com. We will respond to your complaint promptly.
- A.6.2 If you are not satisfied with our response or the steps we have taken to resolve your complaint, you may contact the Australian Financial Complaints Authority (**AFCA**). AFCA provides free advice and assistance to consumers to assist them to resolve complaints relating to the financial services industry. AFCA can be contacted on 1800 931 678 or GPO Box 3, Melbourne VIC 3001, or info@afca.org.au. Further details may be obtained from www.afca.org.au.

A.7 Compensation arrangements

- A.7.1 We hold professional indemnity insurance that covers the services we provide. This insurance as required by section 912B of the Corporations Act 2001 (Cth).
- A.7.2 McGrathNicol Transaction Advisory Pty Ltd, ABN 83 160 621 054, AFSL 436347 of Level 12, 20 Martin Place, Sydney, NSW 2000.

B APES 225 – Types of valuation services

B.1 Valuation Engagement

- B.1.1 Valuation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time. Where a Member has entered into a Valuation Engagement but during the course of performing the Valuation Engagement the Member becomes aware of a limitation or restriction that, if it had been known at the time the Engagement or Assignment was entered into, would have made the Engagement or Assignment a Limited Scope Valuation Engagement then the Valuation Engagement will become a Limited Scope Valuation Engagement.

B.2 Indicative Valuation Engagement

- B.2.1 Indicative Valuation Engagement or Limited Scope Valuation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted. The scope of work is limited or restricted where the Member is not free, as the Member would be but for the limitation or restriction, to employ the Valuation Approaches, Valuation Methods and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material.
- B.2.2 A limitation or restriction may be imposed by the Client or Employer or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the Engagement or Assignment or may arise or become known during the course of a Valuation Engagement.

B.3 Calculation Engagement

- B.3.1 Calculation Engagement means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member and the Client or Employer agree on the Valuation Approaches, Valuation Methods and Valuation Procedures the Member will employ. A Calculation Engagement generally does not include all of the Valuation Procedures required for a Valuation Engagement or a Limited Scope Valuation Engagement.
- B.3.2 Under APES 225 we are required to state that if we become aware during the course of performing the valuation of a limitation or restriction that could have a material impact on the estimate of value, then the engagement will become a Limited Scope Valuation Engagement.

C Information relied upon

C.1 Metgasco information

- C.1.1 Metgasco's website: <http://www.metgasco.com.au/>
- C.1.2 Metgasco's annual report/annual financial statements for FY18, FY19 and FY20
- C.1.3 Metgasco's ASX announcements (including investor presentations and quarterly activities statements)
- C.1.4 CapitalIQ for share price and volume data
- C.1.5 Discussions with Metgasco management
- C.1.6 Metgasco's independent tax advice
- C.1.7 Metgasco top shareholder listing at 9 October 2020

C.2 BYE information

- C.2.1 BYE's website: <http://www.byronenergy.com.au/>
- C.2.2 BYE's annual report/annual financial statements for FY18, FY19 and FY20
- C.2.3 BYE's ASX announcements
- C.2.4 CapitalIQ for share price and volume data

C.3 Other information

- C.3.1 IBISWorld Report "B0351-GL – Global Oil & Gas Exploration & Production" (February 2020)
- C.3.2 <https://www.iea.org/reports/gas-2020/2021-2025-rebound-and-beyond>
- C.3.3 <https://www.cnbc.com/2020/09/15/oil-prices-iea-cuts-2020-demand-outlook-amid-rising-coronavirus-cases.html>

SCHEDULE 2 – METGASCO PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020 POST IN-SPECIE DISTRIBUTION

A\$'000					
	30-Jun-19	Change to 31-Dec-19	31-Dec-19	Change to 30-Jun-20	30-Jun-20
Cash and cash equivalents	1,803	(1,366)	437	(279)	158
Short term investments	1,394	(1,394)	0	0	0
Investment in listed securities	4,500	8,495	12,995	(7,473)	5,522
Trade and other receivables	122	(57)	65	29	94
Total current assets	7,819	5,678	13,497	(7,723)	5,773
Exploration and evaluation expenditure	1,298	107	1,405	487	1,892
Plant and equipment	6	(2)	4	(3)	1
Other receivables	24	0	24	0	24
Investment in listed securities	7,197	(7,197)	0	0	0
Financial derivative assets	422	(422)	0	0	0
Total non-current assets	8,947	(7,514)	1,433	484	1,917
Total Assets	16,766	(1,836)	14,930	(7,239)	7,690
Trade and other payables	(1,883)	2,167	284	(516)	(232)
Total Current liabilities	(1,883)	2,167	284	(516)	(232)
Provisions	(22)	46	24	(24)	0
Non-current liabilities	(22)	46	24	(24)	0
Total liabilities	(1,904)	2,212	308	(540)	(232)
Net assets	14,862	376	15,238	(7,780)	7,458

SCHEDULE 3 - BYRON FINANCIAL INFORMATION AS AT 30 JUNE 2020

		Consolidated	
	Note	2020 US\$	2019 US\$
Assets			
Current assets			
Cash and cash equivalents	21(b)	16,644,701	6,783,320
Trade and other receivables	6	1,851,462	5,068,725
Derivative financial instruments	16	214,990	-
Restricted cash and cash equivalents		-	4,377,250
Other	7	3,137,974	1,633,986
Total current assets		21,849,127	17,863,281
Non-current assets			
Exploration and evaluation assets	8(a)	4,695,861	6,587,670
Oil and gas properties	8(b)	75,191,591	27,192,032
Other (refundable bonds)	7	1,925,000	1,488,177
Right-of-use assets	9	988,700	-
Trade and other receivables	6	251,365	-
Property, plant and equipment	11	40,476	50,162
Other intangible assets	12	165,329	312,188
Total non-current assets		83,258,322	35,630,229
Total assets		105,107,449	53,493,510
Liabilities			
Current liabilities			
Trade and other payables	13	4,545,285	8,925,339
Provisions	14	144,462	124,361
Lease liabilities	10	309,440	-
Borrowings	15	5,868,817	5,747,990
Total current liabilities		10,868,004	14,797,690
Non-current liabilities			
Provisions	14	5,080,192	1,984,062
Lease liabilities	10	1,042,002	-
Borrowings	15	14,066,230	-
Total non-current liabilities		20,188,424	1,984,062
Total liabilities		31,056,428	16,781,752
Net assets		74,051,021	36,711,758
Equity			
Issued capital	17	137,560,738	101,091,750
Foreign currency translation reserve	18	(146,640)	(131,466)
Cash flow hedge reserve	18	(123,570)	-
Share option reserve	18	6,305,069	5,364,398
Accumulated losses		(69,544,576)	(69,612,924)
Total equity		74,051,021	36,711,758

SCHEDULE 4 - KEY RISK FACTORS FACING BYRON

1. Risks relating to the Company's industry, business and financial condition

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to the Company and the oil and gas industry could materially impact the Company's future performance and results of operations. Below is a list of known material risk factors that should be reviewed when considering buying or selling Byron's shares. These are not all the risks that the Company faces and other factors currently considered immaterial or unknown may impact future operations.

2. Oil and natural gas price risk

The Company's revenues, profitability and future growth depend significantly on crude oil and natural gas prices. Oil and natural gas prices are volatile and low prices could have a material adverse impact on cash flow and on Byron's business. Among the factors that can cause these fluctuations are: (i) changes in global supply and demand for oil and natural gas; (ii) the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; (iii) the price and volume of imports into the USA of foreign oil and natural gas; (iv) political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activity; (v) the level of global oil and gas exploration and production activity; (vi) weather conditions; (vii) technological advances affecting energy consumption; (viii) USA domestic and foreign governmental regulations and taxes; (ix) proximity and capacity of oil and gas pipelines and other transportation facilities; (x) the price and availability of competitors' supplies of oil and gas in captive market areas; (xi) the introduction, price and availability of alternative forms of fuel to replace or compete with oil and natural gas; (xii) import and export regulations for LNG and/or refined products derived from oil and gas production from the USA; (xiii) speculation in the price of commodities in the commodity futures market; (xiv) the availability of drilling rigs and completion equipment; and (xv) the overall economic environment.

3. Financing risk

Byron's business plan, which includes participation in seismic data purchases, lease acquisitions and the drilling of exploration and development prospects, has required and is expected to continue to require capital expenditures. Byron may require additional financing to fund its planned growth. This additional financing may be in the form of equity, debt or a combination thereof. Byron may also obtain capital by farming out part of its working interest in one or more of its oil and gas properties. Byron's ability to raise additional capital will depend on the results of its operations and the status of various capital and industry markets at the time it seeks such capital. Accordingly, additional financing may not be available on acceptable terms, if at all. In the event additional capital resources are unavailable, Byron may be required to curtail its exploration and development activities. It is difficult to quantify the amount of financing Byron may need to fund its planned growth in the longer term. The amount of funding Byron may need in the future depends on various factors, including but not limited to: (i) the Company's financial condition; and (ii) the success or otherwise of its exploration and development program. Further, the availability of such funding may depend on various factors, including but not limited to, the liquidity of the Company's shares at the time the Company seeks to raise funds and the prevailing and forecast market price of oil and natural gas. If Byron raises additional funds through the issue of equity securities, this may dilute the holdings of existing shareholders. If Byron obtains additional capital by farming out part of its working interest in one or more of its oil and gas properties, the Company's share of reserves, future production and therefore oil and/or gas revenues, if any, from those properties will be reduced.

4. Third party pipelines and operators risk

Byron may from time to time, depend on third party platforms and pipelines that provide processing and delivery options from its facilities. As these platforms and pipelines are not owned or operated by Byron, their continued operation is not within Byron's control. Revenues in the future may be adversely affected

if Byron's ability to process and transport oil or natural gas through those platforms and pipelines is impaired. If any of these platform operators ceases to operate their processing equipment, Byron may be required to shut in the associated wells, construct additional facilities or assume additional liability to re-establish production.

5. Oil and gas reserves estimation risk

There are numerous uncertainties in estimating crude oil and natural gas reserves and their value, including many factors that are beyond the control of the Company. It requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities of reserves. In order to prepare these estimates, Byron's independent third party petroleum engineers must project production rates and timing of development expenditures as well as analyse available geological, geophysical, production and engineering data, and the extent, quality and reliability of this data can vary. The process also requires economic assumptions relating to matters such as natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Actual future production, natural gas and oil prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and pre-tax net present value of reserves. In addition, estimates of proved reserves may be adjusted to reflect production history, results of exploration and development, prevailing natural gas and oil prices and other factors, many of which are beyond the Company's control and may prove to be incorrect over time. As a result, estimates may require substantial upward or downward revisions if subsequent drilling, testing and production reveal different results. Furthermore, some of the producing wells included in the Company's reserve report have produced for a relatively short period of time. Accordingly, some of the Company's reserve estimates are not based on a multi-year production decline curve and are calculated using a reservoir simulation model together with volumetric analysis. Any downward adjustment could indicate lower future production and thus adversely affect the Company's financial condition, future prospects and market value.

6. Oil and gas reserves and depletion risk

Byron's future oil and natural gas production depends on its success in finding or acquiring new reserves. If Byron fails to replace reserves, its level of production and cash flows will be adversely impacted. Production from oil and natural gas properties decline as reserves are depleted, with the rate of decline depending on reservoir characteristics. Byron's total proved reserves will decline as reserves are produced unless it can conduct other successful exploration and development activities or acquire properties containing proved reserves, or both.

7. Oil and gas drilling risk

Drilling for crude oil, natural gas and natural gas liquids are high-risk activities with many uncertainties that could adversely affect the Company's business, financial condition or results of operations.

The drilling and operating activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for crude oil, natural gas and natural gas liquids can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenues to return a profit. In addition, Byron's drilling and producing operations may be curtailed, delayed or cancelled as a result all other factors, including, unusual or unexpected geological formations and miscalculations; pressures; fires; explosions and blowouts; pipe or cement failures; environmental hazards; such as natural gas leaks; oil spills; pipeline and tank ruptures; encountering naturally occurring radioactive materials and unauthorised discharges of toxic gases, brine, well stimulation and completion fluids. or other pollutants into the surface and subsurface environment; loss of drilling fluid circulation; title problems; facility or equipment malfunctions; unexpected operational events; shortages of skilled personnel; shortages or delivery delays of equipment and services; compliance with environmental and other regulatory requirements; natural disasters; and adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life; severe damage to or destruction of property natural resources and equipment, pollution, environmental contamination, clean-up responsibilities, loss at wells, repairs to resume operations; and regulatory fines or penalties.

8. Operating risk

The oil and natural gas business, including production activities, involves a variety of operating risks, including: blowouts, fires and explosions; surface cratering; uncontrollable flows of underground natural gas, oil or formation water; natural disasters; pipe and cement failures; casing collapses; stuck drilling and service tools; reservoir compaction; abnormal pressure formation; environmental hazards such as natural gas leaks, oil spills, pipeline and tank ruptures or unauthorised discharges of brine, toxic gases or well fluids; capacity constraints, equipment malfunctions and other problems at third part operated platforms, pipelines and gas processing plants over which Byron has no control; repeated shut-ins of Byron's well bores could significantly damage the Company's well bores' required workovers of existing wells that may not be successful.

If any of the above events occur, Byron could incur substantial losses as a result of injury or loss of life; reservoir damage; severe damage to and destruction of property or equipment; pollution and other environmental and natural resources damage: restoration, decommissioning or clean-up responsibilities; regulatory investigations and penalties; suspension of our operations or repairs necessary to resume operations.

Offshore operations are subject to a variety of operating risks peculiar to the marine environment, such as capsizing and collisions. In addition, offshore operations, and in some instances operations along the Gulf Coast, are subject to damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production. As a result, the Company could incur substantial liabilities that could reduce the funds available for exploration, development or leasehold acquisitions, or result in loss of properties.

If Byron was to experience any of these problems, it could affect well bores, platforms, gathering systems and processing facilities, any one of which could adversely affect its ability to conduct operations. In accordance with customary industry practices, Byron maintains insurance against some, but not all, of these risks. Losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The Company may not be able to maintain adequate insurance in the future at rates we consider reasonable, and particular types of coverage may not be available. An event that is not fully covered by insurance could have a material adverse effect on the Company's financial position and results of operations.

9. Execution risk (drilling and operating programs)

Shortages or increases in the cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect Byron's operations which could have a material adverse effect on its business, financial condition and results. Where Byron is the operator it assumes additional responsibilities and risks. As the designated operator, Byron, under the BOEM regulations, will be required to post bonds for exploration and development activities as well as for production activities and future decommissioning obligations. There is the risk that the Company may not be able to obtain sufficient bonding and may have to collateralise obligations with cash. If the Company was unable to provide such bonds, it would not be able to proceed with its operating plans. In addition, as the designated operator Byron will have to demonstrate the required oil spill financial responsibility ('OSFR') under the Oil Pollution Act of 1990. The OSFR is based on worst-case oil-spill discharge volume. Byron expects to demonstrate OSFR requirement through the purchase of OSFR insurance coverage, a method of demonstrating OSFR acceptable to the BOEM. If the Company was unable to demonstrate OSFR as required.

10. Geographic concentration risk

The geographic concentration of Byron's properties in the shallow waters in the GOM means that some or all of the properties could be affected by the same event should the Gulf of Mexico experience severe weather, delays or decreases in production, changes in the status of pipelines, delays in the availability of transport and changes in the regulatory environment.

Because all of the Company's properties could experience the same condition at the same time, these conditions could have a relatively greater impact on results of operations than they might have on other operators who have properties over a wider geographic area.

11. Climate change risk

Climate change continues to attract considerable public, governmental and scientific attention. As a result, various proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases ('GHG'). Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have an adverse effect on the Company's business, financial condition and results of operations.

While the United States or America Congress has not taken any legislative action to reduce emissions of GHGs, many states have established GHG cap and trade programs. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is reduced each year in an effort to achieve the overall GHG emission reduction goal. Additionally, the USA is one of almost 200 nations that, in December 2015, agreed to the Paris Agreement, an international climate change agreement in Paris, France that calls for countries to set their own GHG emissions targets and be transparent about the measures each country uses to achieve its GHG emissions targets. The Paris Agreement entered into force on 4 November 2016. However, in August 2017, the U.S. State Department officially informed the United Nations of the intent of the USA to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The USA's adherence to the exit process is uncertain and/or the terms on which the USA may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time.

The Company's oil and gas asset carrying values may be affected by any resulting adverse impacts to reserve estimates and the Company's inability to produce such reserves may also negatively impact its financial condition and results.

The growth of alternative energy supply options, such as renewables and nuclear, could also present a change to the energy mix that may reduce the value of oil and gas assets.

The physical effects of climate change on the Company's assets may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. These effects could have an adverse effect on the Company's business, financial condition and results of operations.

12. Competition risk

Competition in the oil and natural gas industry is intense which may make it more difficult for Byron to acquire further properties, market oil and gas and secure trained personnel. There is also competition for capital available for investment, particularly since alternative forms of energy have become more prominent. Most competitors possess and employ financial, technical and personnel resources substantially greater than those available to Byron. As a result increased costs of capital could have an adverse effect on Byron's business.

13. Environmental risk

The natural gas and oil business involves a variety of operating risks, including but not limited to (i) blowouts, fires and explosions; (ii) surface cratering; and (iii) uncontrollable flows of underground natural gas, oil or formation water and natural disasters. If any of the above events occur, Byron could incur losses as a result of injury or loss of life, reservoir damage, damage to and destruction of property or equipment, pollution and other environmental damage, clean-up responsibilities and regulatory investigations and penalties.

The operation of our future oil and gas properties will be subject to numerous federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection.

Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal fines and penalties and the imposition of injunctive relief. Accidental releases or spills may occur in the course of the operations of our properties, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons.

Among the environmental laws and regulations that could have a material impact on the oil and natural gas exploration and production industry and the Company's business are the following: Waste Discharges, Air Emissions and Climate Change, Oil Pollution Act, National Environmental Policy Act, Worker Safety, Safe Drinking Water Act, Offshore Drilling, Hazardous Substances and Wastes and Protected and Endangered Species.

14. Oil and gas transport and processing risk

All of Byron's oil and natural gas is transported through gathering systems, pipelines and processing plants. Transportation capacity on gathering system pipelines and platforms is occasionally limited and at times unavailable due to repairs or improvements being made to these facilities or due to capacity being utilised by other natural gas or oil shippers that may have priority transportation agreements. If the gathering systems, processing plants, platforms or Byron's transportation capacity is materially restricted or is unavailable in the future, the Company's ability to market its oil and/or natural gas could be impaired and cash flow from the affected properties could be reduced, which could have a material adverse effect on its financial condition and results of operations. Further, repeated shut-ins of Byron's wells could result in damage to its well bores that would impair its ability to produce from these wells and could result in additional wells being required to produce existing reserves.

15. Exchange rate risk

The functional currency of Byron is Australian dollars and the functional currency of its USA-based subsidiaries is United States dollars. Byron has historically presented its financial statements in United States dollars, as the United States dollar is viewed as the best measure of performance for Byron because oil and gas, the dominant sources of revenue, are priced in United States dollars and its oil and gas operations are located in the USA with costs incurred in United States dollars.

As all Byron's operating assets are in the USA, the Company's presentation currency, the currency in which it reports its financial results, will be United States dollars. Accordingly, an Australian dollar investment in the Company is exposed to fluctuations between the Australian dollar and the United States dollar exchange rate. In particular, as most of the Company's capital and operating expenses will be in United States dollars any appreciation/depreciation in the Australian dollar against the United States dollar will effectively decrease/increase the quantum of those costs for shareholders. In addition, the Company's revenue is derived from United States dollar oil and gas sales. Any appreciation/depreciation of the Australian dollar against the United States dollar will effectively reduce/increase the value of that revenue for shareholders.

Adverse exchange rate variations between the Australian dollar and the United States dollar may impact upon cash balances held in Australian dollars. Since most of Byron's operations are conducted in United States dollars, Byron generally maintains a substantial portion of its cash balances in United States dollar accounts. From time to time the Company may have substantial cash deposits in Australian dollar accounts. Until these funds are converted into United States dollars, the United States dollar value of the deposits will change as the exchange rate between the two currencies fluctuates.

16. Key management risk

To a large extent, the Company depends on the services of its senior management. The loss of the services of any of the senior management team, could have a negative impact on the Company's operations. Byron does not maintain or plan to obtain for the benefit of the Company any insurance against the loss of any of these individuals.

17. Regulatory risk

Byron's oil and gas operations in the Gulf of Mexico, USA are subject to regulation at the US Federal, State and local level and some of the laws, rules and regulations that govern operations carry substantial penalties for non-compliance. Rules and regulations affecting the oil and gas industry are under constant review for amendment or expansion. In addition to possible increased costs, the imposition of Increased regulatory based procedures may result in delays in being able to initiate or complete drilling programs.

The Company does not currently have in place any foreign exchange hedging arrangements. However, foreign exchange hedging strategies will be reviewed by the Company from time to time, implementation of any strategy will depend, inter alia, upon the foreign exchange hedging options available to the Company from time to time, the cash cost of entering into hedging transactions and the Company's capacity to pay for such costs.

18. Other risks

There are a number of other risks which may impact on the operating and financial performance of the Company, including but not limited to:

18.1 Seismic risks

3D seismic data and visualisation techniques only assist geoscientists and geologists in identifying subsurface structures and hydrocarbon indicators. They do not allow the interpreter to know if hydrocarbons are present or producible economically.

18.2 Lease termination risk

The failure to timely effect all lease-related payments could cause the leases to be terminated by the BOEM.

18.3 Profitability and impairment write-downs risk

Byron may incur no-cash impairment charges in the future, which could have a material adverse effect on its results of operations for the periods in which such charges are taken.

18.4 Working interest partners' risk

If partners are not able to fund their share of costs, it could result in the delay or cancellation of future projects, resulting in a reduction of Byron's reserves and production, which could have a materially adverse effect on its financial condition and results of operations.

18.5 Bonding risk

As an operator, Byron is required to post surety bonds of US\$200.000 per lease for exploration and US\$500.000 per lease for developmental activities as part of its general bonding requirements, as well as the posting of additional supplemental bonds to cover, among other things, decommissioning obligations. A failure by an operator to post required supplemental bonding or other financial assurances required by the BOEM could result in the BOEM assessing monetary penalties or requiring any operations on an operator's federal lease to be suspended or cancelled or otherwise subject an operator to monetary penalties. Any one or more such actions imposed on us could materially adversely affect Byron's financial condition and results of operations.

18.6 Asset retirement obligations (AROs) risk

Byron is required to record a liability for the present value of AOs to plug and abandon inactive, non-producing wells, to remove inactive or damaged platforms, facilities and equipment and to restore land and seabed when production finishes. Estimating future costs is uncertain because most obligations are many years in the future, regulatory requirements will change and technologies are evolving which may make it more expensive to meet these obligations.

18.7 Insurance risk

In accordance with industry practice Byron maintains insurance against some, but not all, of the operating risks to which its business is exposed. Byron will not be insured against all potential risks and liabilities. Future insurance coverage for the oil and gas industry could increase in cost and may include higher deductibles or retentions. In addition, some forms of insurance may become unavailable in the future or unavailable on terms that are economically acceptable.

18.8 Cyber-security risk

The oil and gas industry is increasingly dependent on digital technologies to conduct certain exploration, development, production, processing and distribution activities. The industry faces various security threats, including cyber-security threats. Cyber-security attacks in particular are increasing. Although to date Byron, has not experienced any material losses related to cyber-security attacks, it may suffer such losses in the future. If any of these events were to materialise, they could lead to losses of intellectual property and other sensitive information essential to the Company's business and could have a material adverse effect on its business prospects, reputation and financial position.

18.9 Level of indebtedness risk

Byron's debt level and the covenants in current or future agreements governing the Company's debt including the Secured Promissory Note ('Promissory Note') issued to Crimson Midstream Operating, LLC, could negatively impact the Company's financial condition, results of operations and business prospects. Byron's level of indebtedness could affect its operations in several ways, including the following:

- a significant portion or all of cash flows, when generated, could be used to service indebtedness;
- a high level of indebtedness could increase vulnerability to general adverse economic and industry conditions; and

- the covenants contained in the Promissory Note will inter-alia limit ability to borrow additional funds and dispose of assets.

18.10 Hedging activities risks

To achieve more predictable cash flows and to reduce exposure to adverse fluctuations in the prices of oil and natural gas, the Company has and may in the future enter into hedging arrangements for a portion of oil and natural gas production, including, forward sale agreements and derivatives such as puts, collars and fixed-price swaps. Changes in the fair value of derivative instruments are recognised in earnings. Accordingly, earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Derivative arrangements also expose the Company to the risk of financial loss in some circumstances, including when:

- production is less than the volume covered by the derivative instruments;
- the counter-party to the derivative instrument defaults on its contract obligations; or
- there is an increase in the differential between the underlying price and actual prices received in the derivative instrument.

In addition, hedging arrangements may limit the benefit the Company could receive from increases in the prices for oil and natural gas and may expose the Company to cash margin requirements on certain cases.

18.11 Epidemic or outbreak of an infectious disease risk

The Company faces risks related to epidemics, outbreaks or other public health events that are outside of its control and could significantly disrupt operations and adversely affect its financial condition. For example, the recent outbreak of COVID-19, which has spread across the globe and impacted financial markets and worldwide economic activity, may adversely affect the Company's operations or the health of its workforce by rendering employees or contractors unable to work or unable to access the Company's facilities for an indefinite period of time. In addition, the effects of COVID-19 and concerns regarding its global spread have and could continue to negatively impact the domestic and international demand for crude oil and natural gas, which could contribute to price volatility, impact the price Byron receives for oil and natural gas and materially and adversely affect the demand for and marketability of its production.

18.12 Share market investment risk

The Company's shares are quoted on the ASX, where their price may rise or fall. The shares carry no guarantee in respect of profitability, dividends or return of capital, or the price at which they may trade on the ASX. The value of the shares will be subject to the market and hence a range of factors outside of the control of the Company and the directors and officers of the Company. Returns from an investment in the shares may also depend on general share market conditions, as well as the performance of the Company.

Historically, the stock market has experienced significant price and volume fluctuations. Stock market volatility and volatility in commodity prices has had a significant impact on the market price of securities issued by many companies, including companies in the oil and gas industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of the Company's shares could fluctuate based upon

factors that have little or nothing to do with Byron, and these fluctuations could materially reduce its share price.

The Company's Board of directors presently intends to retain all of our earnings for the expansion of the business; therefore, there are no plans to pay regular dividends. Any payment of future dividends will be at the discretion of the Board of directors and will depend on, among other things, earnings, financial condition, capital requirements, level of indebtedness, and other considerations that the board of directors deems relevant.

Future sales or the availability for sale of substantial amounts of the Company's shares in the public market could adversely affect the prevailing market price of Byron's shares and could impair its ability to raise capital through future issues of equity securities.

GLOSSARY

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time as observed in Sydney, Australia.

Annual Report means the Metgasco Annual Financial Report for the year ended 30 June 2020.

ASIC means the Australian Securities and Investments Commission.

ASIC Determination means the Corporations (Coronavirus Economic Response) Determination (No. 3) 2020.

ASIC Instrument means the ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.

Board means the current board of directors of the Company.

Byron means Byron Energy Limited ACN 113 436 141.

Byron Constitution means the constitution of Byron.

Byron Share means a fully paid ordinary share in the capital of Byron.

Byron Shareholder means the holder of a Byron Share.

Company or Metgasco means Metgasco Ltd ACN 088 196 383.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Dividend Component means the amount of the In-Specie Distribution that is determined by the Australian Taxation Office to be a dividend for tax purposes.

Eligible Shareholder means an eligible shareholder who is issued New Shares pursuant to the Placement or the SPP.

Explanatory Statement means the explanatory statement accompanying the Notice.

In-specie Distribution has the meaning given in section 1 of the Explanatory Statement.

In-specie Distribution Prospectus means the prospectus for the offer of the Byron Shares issued pursuant to the In-specie Distribution dated at the date of this notice of meeting.

Independent Expert means McGrathNicol Transaction Advisory Pty Ltd.

Independent Expert's Report or IER means the report by the Independent Expert accompanying the Notice.

Key Management Personnel / KMP means the key management personnel as described in the Remuneration Report.

Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

Meeting means the meeting of the Shareholders convened by the Notice.

New Shares means the Shares offered and issued pursuant to the Placement and the SPP.

Notice of Meeting or Notice means this notice of general meeting.

Option means an option to subscribe for an unissued Share.

Option Holder means a holder of an Option.

Options Prospectus means the prospectus for the offer of the Attaching Options dated 23 September 2020.

Placement means the placement of New Shares as announced by the Company on 24 July 2020.

Placement Shares means the 55,000,000 New Shares issued to sophisticated and professional investors pursuant to the Placement.

Proxy Form means the proxy form accompanying the Notice.

Record Date means the time and date for determining a Shareholder's right to participate in the In-specie Distribution, being 5pm (AEDT) on Friday, 18 December 2020.

Relief Waiver means the ASX Class Waiver Decision – Temporary Extra Placement Capacity dated 31 March 2020 (as updated).

Remuneration Report means the 2020 remuneration report available in the Annual Report.

Resolution means the ordinary resolution set out in this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Share Registry means Link Market Services Limited ACN 083 214 537.

SM58 means Byron's South Marshall Island block 58 lease.

SM71 means Byron's South Marshall Island block 71 lease, which it operates in joint venture with Otto Energy Limited ACN 101 585 737.

Spill Meeting means an extraordinary general meeting of the Company which must be held within 90 days of the passing of Resolution 3 if at least 25% of votes cast in respect of Resolution 3 are cast against adoption of the Remuneration Report

SPP means the Company's share purchase plan dated 29 July 2020.

SPP Shares means the 103,999,914 New Shares issued to Shareholders pursuant to the SPP.

Substantial Shareholders means Melbana Energy Limited ACN 066 447 952 and Keybridge Capital Limited ACN 088 267 190.

WST means Australian Western Standard Time.

Unless otherwise indicated, references to time are references to Perth time.

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Registered Office:

Metgasco Ltd ABN 24 088 196 383

Level 2, 30 Richardson Street

West Perth WA 6005

Telephone: +61 8 6245 0060

Email: info@metgasco.com.au

Metgasco Share Registry

Link Market Service Limited

Level 12, 250 St Georges Terrace

Perth WA 6000

Telephone: +61 8 1300 554 474

Email: registrars@linkmarketservices.com.au

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

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am (WST) on Saturday, 12 December 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6



X99999999999

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 and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

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 Annual General Meeting of the Company to be held at 10:00am (WST) on Monday, 14 December 2020 (the Meeting) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/MEL20> (refer to details in the Notice of Meeting).

Important for Resolution 2: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman intends to vote all undirected proxies IN FAVOUR of Resolutions 1, 2, 4, 5, 6, and 7 and AGAINST Resolution 3. If a Shareholder appoints the Chairman of the Annual General Meeting as proxy and does not direct the Chairman as to how to vote on the resolution then, if that Shareholder is entitled to vote on that resolution, the Chairman will vote in the manner described above.

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 ☒.

Resolutions

	For	Against	Abstain*
1 Re-election of John Patton as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board Recommendation: The Board recommends shareholders vote AGAINST resolution 3.			
3 Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Note – Resolution 3 will only be put to the Annual General Meeting if at least 25% of votes cast on Resolution 2 (Remuneration Report) are “against” that Resolution. If less than 25% of the votes cast on Resolution 2 are against that Resolution, then there will be no second strike and Resolution 3 will not be put to the Annual General Meeting.			
4 Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of prior issue of Options to Blue Ocean Equities Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of the proposed issue of Attaching Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval for an equal reduction of capital and in-specie distribution of Byron Shares	<input 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 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)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

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).

MEL PRX2001N



Metgasco Ltd (Company)
ACN 088 196 383

SHORT FORM PROSPECTUS

For an offer to transfer up to 20 million fully paid ordinary shares in Byron Energy Limited to Shareholders of Metgasco Limited pursuant to a capital reduction by way of the In-specie Distribution, being the subject of the Resolution in the Notice of Meeting for the Meeting to be held on 14 December 2020.

THIS DOCUMENT IS A SHORT FORM PROSPECTUS ISSUED IN ACCORDANCE WITH SECTION 712 OF THE CORPORATIONS ACT. THIS PROSPECTUS DOES NOT OF ITSELF CONTAIN ALL THE INFORMATION THAT IS GENERALLY REQUIRED TO BE SET OUT IN A DOCUMENT OF THIS TYPE BUT REFERS TO PARTS OF OTHER DOCUMENTS LODGED WITH ASIC, THE CONTENTS OF WHICH ARE THEREFORE TAKEN TO BE INCLUDED IN THIS PROSPECTUS.

THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION ABOUT THE CAPITAL REDUCTION AND IN-SPECIE DISTRIBUTION AND SHOULD BE READ IN ITS ENTIRETY. AFTER READING THIS PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, FINANCIAL ADVISER, TAXATION ADVISER, OTHER INDEPENDENT PROFESSIONAL ADVISER OR THE SHARE REGISTRY IF YOU HAVE ANY QUESTIONS.

THE COMPANY CONSIDERS AN INVESTMENT IN THE BYRON SHARES THAT WILL BE DISTRIBUTED AND TRANSFERRED UNDER THIS PROSPECTUS AND THE RESOLUTION, TO BE SPECULATIVE.

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1. IMPORTANT NOTICE

1.1 General

This Prospectus is dated 6 November 2020 and a copy of this Prospectus was lodged with ASIC on that date. ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Byron Shares may be offered or transferred on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This Prospectus, including the Notice of Meeting which is incorporated by reference into this Prospectus, is important and should be read in its entirety. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser immediately. This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act (and is subject to the continuous disclosure regime under the Listing Rules) and certain matters may reasonably be expected to be known to Shareholders and professional advisers whom Shareholders may consult.

Defined terms and abbreviations used in this Prospectus are set out in the glossary contained at section 6 of this Prospectus.

1.2 Short form prospectus

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means this Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in the Notice of Meeting lodged with ASIC on the same date as this Prospectus.

In referring to the Notice of Meeting, the Company:

- (a) identifies the Notice of Meeting as being relevant to the offer of Byron Shares under this Prospectus and containing information for Shareholders and their professional advisers that is necessary to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to the Byron Shares; and
 - (ii) the assets and liabilities, financial position and performance, profits and losses and prospects of Byron;
- (b) refers Shareholders and their professional advisers to section 3 of this Prospectus which summarises the material information in the Notice of Meeting deemed to be incorporated in this Prospectus;

- (c) informs Shareholders and their professional advisers that they are able to obtain, free of charge, a copy of the Notice of Meeting by contacting the Company at its registered office during normal business hours during the period of the Offer; and
- (d) advises that the information in the Notice of Meeting will be primarily of interest to Shareholders and their professional advisers or analysts.

1.3 Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australian and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Shareholders who are resident in countries other than Australia and New Zealand should consult professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such offer.

Special notice to New Zealand resident investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Australia) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. The Corporations Act 2001 (Australia) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

This Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to the changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

1.4 Statements of past performance

Past performance and pro forma financial information included in this Prospectus is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance or condition. Investors should note that past performance, including past Share price performance of the Company cannot be relied upon as an indicator of (and provides no guidance as to) the Company's future performance including future Share price performance. The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

1.5 Forward looking statements

This Prospectus contains forward-looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Any forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Accordingly, such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned against placing undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

1.6 Company website

Any references to documents included on the Company's website are provided for convenience only and none of the documents or other information available on the Company's website are incorporated by reference in this Prospectus.

To view annual reports, shareholder information and company information about the Company's announcements, background information on the Company's operations and historical information, visit the Company's website <http://www.metgasco.com.au/announcements>.

1.7 Currency

Unless otherwise stated, the currency referred to in this Prospectus is Australian dollars.

1.8 Privacy

The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Company's issued securities and for associated actions.

The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its shareholders) and compliance by the Company with legal and regulatory requirements. A Shareholder has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the corporate directory set out on the last page of this Prospectus.

1.9 Enquiries

Before making a decision about the In-specie Distribution, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

2. THE OFFER

2.1 Terms and conditions of the Offer

The terms and conditions of the Offer are set out in the Notice of Meeting accompanying this Prospectus.

In broad terms, the Notice of Meeting includes the Resolution pursuant to which Metgasco proposes an equal reduction of capital (of an amount assessed by the Directors) to be satisfied by the In-specie Distribution and transfer of up to 20 million Byron Shares to be held by Metgasco to Shareholders registered as such on the Record Date in proportion to their respective holdings of Shares as at that date.

The In-specie Distribution will only proceed if Metgasco obtains Shareholder approval for the In-specie Distribution pursuant to the Resolution.

Under ASIC Regulatory Guide 188, the issue of the Notice of Meeting with the Resolution constitutes an offer by Metgasco of the transfer of the Byron Shares to be distributed and transferred to eligible Shareholders pursuant to Chapter 6D of the Corporations Act and accordingly Metgasco has prepared this Prospectus to accompany the Notice of Meeting.

Shareholders with an address outside Australia and New Zealand at the Record Date (**Ineligible Shareholders**) should note that the In-specie Distribution of the Byron Shares to overseas Shareholders under the Capital Reduction will be subject to legal and regulatory requirements in their relevant overseas jurisdictions.

Shareholders who have a registered address outside Australia and New Zealand as at the date of this Prospectus are able to update their registered address on Metgasco's share register prior to the Record Date by contacting the Company's Share Registry, on +61 1300 666 437 or Metgasco's Company Secretary. If a Shareholders' registered address remains outside Australia and New Zealand as at the Record Date that Shareholder may be treated as an Ineligible Shareholder for the purposes of the Offer.

The Byron Shares are able to be traded on the ASX and have been admitted to quotation on the ASX. As the return of capital is being represented and satisfied by the In-specie Distribution and security prices of the Byron Shares may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the reduction of capital.

Refer to section 1.3 above with respect to the offer being made to Shareholders registered in New Zealand pursuant to the Financial Markets Conduct Act 2013.

2.2 Effect of the Offer on the Company

The effect of the Offer on the Company will be:

- (a) the Company ceasing to own up to 20 million Byron Shares issued to it; and
- (b) assuming the full 20 million Byron Shares are distributed, the Shareholders that are registered on the Record Date will receive 1 Byron Share for every 27.5 Shares held.

The financial effect of the Offer is reflected in the pro forma financial information for Metgasco in Schedule 2 of the Notice of Meeting.

The effect on the In-specie Distribution on Byron is reflected in the condensed, consolidated statement of financial position for Byron as at 30 June 2020 contained in Schedule 3 of the Notice of Meeting.

2.3 Action required by Shareholders

No action is required to be taken by Shareholders under this Prospectus. Should Shareholder approval be obtained for the Resolution, the Byron Shares will be distributed and transferred to eligible Shareholders in accordance with the terms of the Resolution and Metgasco's constitution, whether you voted for or against the Resolution or did not vote at all (or did not attend the Meeting).

In accordance with ASIC Corporations (Capital Reductions and Reconstructions - Technical Disclosure Relief) Instrument 2017 /242, no application form is required to be completed or returned to participate in the proposed In-specie Distribution and transfer of Byron Shares under the Capital Reduction and no application form is included in or accompanies this Prospectus.

If you have any queries regarding this Prospectus, please contact the Company Secretary on +61 8 6245 0060.

3. NOTICE OF MEETING INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS

3.1 Short Form Prospectus

This Prospectus is a short form prospectus prepared in accordance with section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. However, it incorporates by reference information contained in the Notice of Meeting that has been lodged with ASIC.

3.2 Included information

The Notice of Meeting contains all information that Shareholders require in relation to the Capital Reduction and the Notice of Meeting in its entirety is deemed to be incorporated in this Prospectus. The material provisions of the Notice of Meeting are summarised below in section 3.3 and will primarily be of interest to Shareholders and their professional advisers or analysts.

The Notice of Meeting will be dispatched to all Shareholders with this Prospectus. In addition, the Notice of Meeting will be made generally available during the Application Period by being posted on the Company's website (<http://www.metgasco.com.au/>).

3.3 Notice of Meeting – summary of material provisions of Notice of Meeting

In accordance with Section 712 of the Corporations Act, set out below is a summary of the information contained in the Notice of Meeting that is deemed to be incorporated in this Prospectus to assist Shareholders and their professional advisers for the purposes of making an informed investment decision in relation to the Byron Shares.

The sections referred to in this section 3.3 are references to sections in the Notice of Meeting.

(a) Items of business and business section

This section sets out the proposed resolution, and the recommendations of the Metgasco Directors in respect of, the Capital Reduction.

(b) Indicative timetable section

This section sets out the key dates for the Capital Reduction.

(c) Section 6.1 – background of the In-specie Distribution

This section provides an overview of the Company and its investment in Byron, the Capital Reduction and In-specie Distribution, and the commercial objectives of the Capital Reduction.

(d) Section 6.2 – overview of Byron

This section provides an overview of Byron and its board.

(e) **Sections 6.3, 6.4, 6.7, 6.14 and 7.1 – capital reduction and In-specie Distribution**

These sections provide information on the In-specie Distribution including the legal procedure required to be followed by the Company and the effect of the In-specie Distribution on the Shareholders (including the disadvantages and advantages, trading and tax implications).

Section 7.1 includes a statement by the Directors that they believe the In-specie Distribution is fair and reasonable to Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors.

(f) **Section 6.5 and Schedule 1 – Independent Expert's report**

This section outlines the purpose of the Independent Expert's report, a copy of which can be found at Schedule 1.

(g) **Sections 6.6 and Schedule 2 and Schedule 3 – pro forma financial information**

These sections and schedules to the Notice of Meeting contain the unaudited pro forma statement of financial position of the Company and a condensed, consolidated statement of financial position for Byron as at 30 June 2020. Both assume the completion of the In-specie Distribution.

(h) **Section 6.8 – disclosure to ASX**

Provides that the Company and Byron are subject to regular reporting and disclosure requirements as ASX listed entities.

(i) **Section 6.9 and Schedule 4 – risk factors**

This section and Schedule 4 set out the general and specific risk factors which may affect Byron and the value of its securities.

(j) **Sections 6.10 and 6.11 – additional information**

These sections provide additional information in respect of the In-specie Distribution, including the current capital structure of the Company, the current capital structure of Byron and the effect of completion of the Capital Reduction.

(k) **Section 6.12 – overseas Company Shareholders**

This section provides that overseas Shareholders (other than those located in New Zealand) may not in fact be issued Byron Shares and in that case instead these may be sold by the Company on their behalf.

(l) **Section 6.13 – information concerning Byron shares**

This section gives a summary of the more significant rights attaching to the Byron Shares to be distributed and transferred to the Shareholders pursuant to the In-specie Distribution.

(m) **Section 6.14 – taxation**

This section provides a brief summary of the Australian taxation consequences for Shareholders who receive Byron Shares in respect of the In-specie Distribution based on applicable taxation law as at the date of the Notice of Meeting.

This summary is not intended, and should not be relied upon, as specific taxation advice to any particular Shareholder. The comments in the summary are of a general nature only, may not apply to a Shareholders' specific circumstances and cannot be relied upon for accuracy or completeness. Each Shareholder should seek and rely on its own professional taxation advice, specific to its particular circumstances, in relation to the taxation consequences of the proposed Capital Reduction.

(n) **Section 7.2 – Directors' interests and recommendations**

This section sets out the interests held by the Directors at the date of the Meeting and also the number of Byron Shares they are likely to have an interest in if the Capital Reduction and In-specie Distribution occurs. This section also sets out the Directors' recommendation that Shareholders vote in favour of Capital Reduction and In-specie Distribution.

A copy of the Notice of Meeting accompanies this Prospectus.

4. ADDITIONAL INFORMATION

4.1 Interests of Byron Directors

Details of the interests of Byron Directors can be found on the ASX announcement platform for Byron. The Board is not aware of any Directors of Byron holding shares in Metgasco.

4.2 Remuneration of Byron Directors

Details of the remuneration of Byron Directors can be found in Byron's 2020 Annual Report to Shareholders (lodged with the ASX on 30 September 2020).

For details of the Byron Board, please refer to section 6.2 (Byron Board) of the Notice of Meeting.

4.3 Interests of experts and others

Other than as set out below or elsewhere in this Prospectus or the Notice of Meeting, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the Offer or the preparation of this Prospectus holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in the Offer and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with the Offer.

Marque Lawyers have acted as lawyers to the Company in relation to the Offer. The Company estimates it will pay Marque Lawyers approximately \$40,000 (exclusive of GST) in respect of these services.

McGrathNicol have acted as the Independent Expert in relation to the Offer. The Company estimates it will pay McGrathNicol approximately \$64,500 (exclusive of GST) in respect of these services.

EY have acted as the Company's tax advisors in relation to the Offer. The Company estimates it will pay EY approximately \$37,000 (exclusive of GST) in respect of these services.

4.4 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Byron Shares), the Directors, the persons named in the Prospectus with their consent as proposed directors, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Marque Lawyers have given their written consent to being named as the legal adviser to the Company in this Prospectus. Marque Lawyers have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

McGrathNicol have given their written consent to being named as the Independent Expert in this Prospectus. McGrathNicol has given their written consent to the inclusion in this Prospectus of the Independent Expert's Report and to the inclusion of statements made by it, or statements said to be made by it in the form and context in which they are included. McGrathNicol have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

EY have given their written consent to being named as the Company's tax advisors in this Prospectus. EY have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

4.5 Substantial Byron shareholders

As at the date of this Prospectus, Byron is a publicly listed company.

Based on information known at the date of this Prospectus, it is anticipated that the following persons will hold 5% or more of the Byron Shares on issue following implementation of the Capital Reduction and In-specie Distribution:

	Name of substantial holder	Number of Byron Shares held	% of total
1.	Douglas Battersby	50,796,719	6.35%

4.6 ASX continuous disclosure

Details of documents lodged by Byron with ASX since the date of lodgement of Byron's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Announcement title	Date of announcement
SM58 G2ST Well Results	5 October 2020
SM58 and SM71 Operation Update Hurricane Delta	8 October 2020
SM58 and SM71 Update Post Hurricane Delta	13 October 2020
Letter to Shareholders from the CEO	13 October 2020

Annual Report to shareholders	26 October 2020
Appendix 4G and Corporate Governance Statement	26 October 2020
Notice of Annual General Meeting/Proxy Form	26 October 2020
SM58 and SM71 Operations Update re Hurricane Zeta	29 October 2020
SM58 and SM71 Operations Update Post Hurricane Zeta	30 October 2020
Quarterly Activities and Cashflow Report	30 October 2020
SM58 Operations Update SM58 G2ST First Production	2 November 2020

4.7 Expenses of the Offer

The total expenses of the In-specie Distribution are estimated to be \$145,027 constituting of fees for taxation advice, legal fees and ASIC fees and other expenses.

4.8 Litigation

As at the date of this Prospectus, Byron is not involved in any legal proceedings and the Metgasco Directors are not aware of any legal proceedings pending or threatened against Byron.

4.9 Dividend policy

Byron has not paid a dividend this year. Metgasco does not expect Byron to declare any dividends in the near future as its focus will primarily be on exploring and developing its projects.

Any future determination as to the payment of dividends by Byron will be at the discretion of the Byron directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of Byron, future capital requirements and general business and other factors considered relevant by the Byron directors. No assurances can be given by the Directors in relation to the payment of dividends by Byron or that franking credits may attach to any dividends.

5. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors on 6 November 2020.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Signed for and on behalf of the Company:

A handwritten signature in black ink, appearing to read 'Philip Amery', written over a horizontal line.

Philip Amery

Chairman

Dated: 6 November 2020

6. GLOSSARY

AEDT	Australian Eastern Daylight Time as observed in Sydney, Australia.
Application Period	the period commencing on the date of this Prospectus and ending on the date that the Meeting is held.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.
Board	the current board of directors of the Company.
Business Day	has the same meaning given to it in the Listing Rules.
Byron	Byron Energy Limited ACN 113 436 141.
Byron Director	a current director of Byron.
Byron Share	a fully paid ordinary share in the capital of Byron.
Byron Shareholder	the holder of a Byron Share.
Capital Reduction	the equal reduction of capital of the Company proposed to be satisfied by the In-specie Distribution and transfer to eligible Shareholders (in proportion to their holdings of Shares) of up to 20 million Byron Shares.
Company or Metgasco	Metgasco Ltd ACN 088 196 383.
Constitution	the constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	a current director of the Company.
Eligible Shareholders	<p>are those holders of Shares who:</p> <ul style="list-style-type: none">(a) are registered as a holder of Shares as at 5pm AEDT on the Record Date; and(b) have an address on the Company's share register in Australia or New Zealand; and(c) are not located in the United States and are not US Persons and not acting for the account of or benefit of US Persons; and <p>do not hold Shares as a result of post Record Date transactions.</p>

Explanatory Statement	the explanatory statement accompanying and forming part of the Notice of Meeting.
Ineligible Shareholder	a Shareholder who does not satisfy the criteria of an Eligible Shareholder.
In-specie Distribution	the proposed in-specie distribution and transfer of up to 20 million Byron Shares by Metgasco to Eligible Shareholders.
Listing Rules	the official listing rules of ASX as amended, varied, modified or waived from time to time.
Meeting	the annual general meeting of the Company's Shareholders convened by the Notice.
Notice of Meeting or Notice	the notice of Meeting and Explanatory Statement of the Company for the Meeting.
Offer	the offer of Byron Shares to Shareholders pursuant to the Notice of Meeting.
Prospectus	this short form prospectus dated 6 November 2020 and lodged with ASIC on that date, prepared in accordance with section 712 of the Corporations Act.
Record Date	the time and date for determining a Shareholder's right to participate in the In-specie Distribution, being 5pm (AEDT) on 18 December 2020.
Register	the register of the Company's Shareholders.
Relevant Interest	has the same meaning as given to it in sections 608 and 609 of the Corporations Act.
Resolution	Resolution 7 of the Notice of Meeting to be put to Shareholders at the Meeting to approve the Capital Reduction.
Share	a fully paid ordinary share in the capital of the Company.
Share Registry	Link Market Services Limited ACN 083 214 537.
Shareholder	a registered holder of a Share.

CORPORATE DIRECTORY

Registered Office:

Metgasco Ltd ABN 24 088 196 383

Level 12, 680 George Street
Sydney NSW 2000

Telephone: +61 2 9923 9100

Facsimile: +61 2 9959 5387

Email: info@metgasco.com.au

Metgasco Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Telephone: +61 2 8280 7100

Email: info@linkmarketservices.com.au