

5 September 2016

Re: General Meeting, 12 September 2016

Dear Shareholders,

You will have received recently, a Notice of Meeting for a General Meeting of Metgasco Limited ("Metgasco" and "the Company") shareholders, to be held at 10.00am on Monday, 12 September 2016, at Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060. A number of important resolutions are being put to you, the shareholders of Metgasco. These resolutions are important for you as individual shareholders, as well as for the future of the Company.

Your right to have a say / Your right to vote

The Board would like to encourage you to exercise your right to participate in the Company's decision making by attending the meeting, voting online or returning your proxy form by either email, fax or post, as outlined in the Notice of Meeting dated 8 August 2016.

Irrespective of the size of your individual shareholding, every vote counts and is important in determining the future of your Company.

Online voting is available at the Company's registry, www.registrydirect.com.au.

Any shareholders with questions or requiring assistance are encouraged to call the Company on (02) 9923 9100.

Your Directors' Recommendation

Each Director and the Board as a whole, have carefully considered each resolution and believe that it is in the best interests of all shareholders and the Company that all resolutions be approved.

We would like to outline again why we believe each of the resolutions are in the best interests of all shareholders and the Company.

Resolution 1 - Approval of the cancellation of forfeited shares

In the past, a limited number of shares were issued to previous staff members. These shares were subject to performance hurdles that were not met. The interest in those shares therefore never vested and the individuals did not acquire the right to keep those shares. It is simply a matter of housekeeping to cancel those shares.

Resolution 2 - Approval of Capital Return to shareholders

This is the key resolution being put to the shareholders at the meeting. Since listing in December 2004, Metgasco has not paid any dividend or distribution to shareholders. While the Board believes the current strategy adopted will result in a prosperous future for Metgasco, the Board also believes it is appropriate at this time, to offer all shareholders a partial return of capital.

As previously outlined, the Company is evaluating a number of promising exploration opportunities in the oil & gas sector that could present very attractive returns. The Company's goal has been, and continues to be, seeking opportunities that provide healthy near term cash flows paired with the opportunity for exciting longer term growth.

The transaction with Byron Energy (ASX:BYE) comprising the issuance of convertible notes, the farm-in into the Bivouac Peak exploration and certain other rights to Metgasco has the potential to provide both attractive near term cash flow, as well as the long term growth from exciting exploration assets.

The Byron transactions and the other opportunities currently under review, are expected to provide the basis for the healthy growth of our Company, as well as regular returns to shareholders.

The Board has carefully considered the current and future cash and capital requirements of Metgasco. We would like to share some of the key considerations with our shareholders:

- Rigorous cost reduction and cost control, paired with careful investment of the Company's cash resources, have resulted in a sustainable business and we now expect a positive cash flow.
- The convertible notes arrangement with Byron will return attractive financing and interest payments to Metgasco, while also returning the cash to Metgasco within no more than three years (unless Metgasco elects to convert to equity).
- The farm-in into the Bivouac Peak exploration requires a reasonably modest capital investment of approx. A\$2m, predominately in 2017, when significant returns will be flowing from the convertible notes. If successful, production from Bivouac Peak is predicted to start generating returns from 2018 onwards.
- The acquisition of attractive positions in the most promising opportunities currently under review, would not require or warrant investment of all of Metgasco's current assets.
- If and when the Byron transactions and one or more of the other opportunities commence generating returns to Metgasco, the return on capital will be significantly enhanced given Metgasco will be a business with a lower capital base. This will ideally boost the appeal of our shares to the broader market and enhance total shareholder returns.
- The partial return of capital allows those shareholders who wish to reduce their exposure to do so, while at the same time, allowing shareholders who wish to increase their exposure to Metgasco's future to have an opportunity to reinvest their capital return at a more attractive level.

Resolution 3 - Approval of On-Market Share Buy-Back

Resolution 3 is to provide additional capacity for the Company to implement other capital management strategies, such as the ability to buy back a further 10% of the Company's shares on the market.

Approval of this resolution does not mean the Company will indeed expend its capital to buy back its shares. However, it provides the Board with the flexibility to do so if it believes it is appropriate and in the interests of shareholders.

Resolution 4 - Approval of Renewal of the Proportionate Takeover Provision

This resolution is to reinstate a provision contained in the Company's Constitution that requires shareholder consent before a proportional takeover bid can proceed, given that such a bid may result in control of the Company passing to the bidder without offering all shareholders an equal opportunity to benefit from such takeover at a price reflecting an appropriate control premium. The Corporations Act requires this mechanism to be activated every three years. This renewal has not been in place for some time now. It is the Board's view that it is in the best interests of all shareholders to reinstate this protection.

The Directors would once again like to encourage all shareholders to make use of their right to vote. Your Directors are committed to pursuing long term, sustainable and profitable growth for the benefit of all Metgasco shareholders.

Yours sincerely,

For and on behalf of each of the Metgasco Directors



Alexander Lang
Executive Chairman