



ASX / MEDIA RELEASE

ASX Code: MEL

10 October 2013

IMPORTANT LETTER TO SHAREHOLDERS ON RESOLUTIONS PROPOSED BY MINORITY SHAREHOLDER GROUP

Metgasco (ASX:MEL) today advises the following:

Dear Shareholder,

In a Notice of Meeting issued on 27 September 2013, the Metgasco Limited ("Metgasco" or "Company") Annual General Meeting was set down for 29 October 2013. By now you should have received information about that, including Resolutions to be put to shareholders.

As announced to the market on 30 September 2013, the Company subsequently received paperwork from a small group of minority shareholders ("Minority Shareholder Group") seeking the removal of two of your three current Non-executive Directors and replacing them with three of their own nominees.

Your Directors unanimously recommend that you **VOTE FOR** all of the previously announced 2013 AGM resolutions as outlined in the Notice of Meeting issued on 27 September 2013:

- adoption of Remuneration Report
- election of Mr Greg Short (Non-executive Director)
- re-election of Mr Nicholas Heath (Chairman)
- cancellation of forfeited shares
- award of shares to Mr Peter Henderson in his role as Managing Director.

In addition to indicating that they will not support the original resolutions, the Minority Shareholder Group has requisitioned three additional resolutions be put to shareholders at the AGM on 29 October 2013 seeking the election to the Board of their own nominees:

- Ms Glenda McLoughlin
- Mr Michael O'Brien
- Mr Stuart Glenn.

Your Directors unanimously recommend that you **VOTE AGAINST** the three Director appointment resolutions proposed by the Minority Shareholder Group.

Attachment 1 to this letter provides the reasons for your Directors' recommendations. Attachment 2 provides material submitted by the Minority Shareholder Group, and Attachment 3 provides a revised Notice of Meeting, with all resolutions included.

If you have any queries please call Peter Henderson, Managing Director, on +61-2 9923 9100, or call Ronn Bechler (Investor Relations) on +61-400 009 774 or email ronn.bechler@marketeye.com.au.

Yours sincerely,



Nicholas Heath
Chairman



Peter Henderson
Managing Director

For further information contact:
Peter J Henderson
Managing Director & CEO

Sean Hooper
Chief Financial Officer

Metgasco Limited ACN 088 196 383
Level 11, 2 Elizabeth Plaza, North Sydney NSW 2060
Tel: +61 2 9923 9100 Fax: +61 2 9923 9199
Web: www.metgasco.com.au

Attachment 1

Basis for Director Recommendations

Your Directors make their voting recommendations on the basis of the following:

- 1) The proposed resolutions represent an attempt by the Minority Shareholder Group to control the Board and take effective control of your Company.
- 2) Two of the three Directors proposed by the Minority Shareholder Group do not have the requisite experience to act as Directors of your Company and two of the three do not meet the ASX good corporate governance recommended standard of independence.
- 3) In contrast to your Board, the Minority Shareholder Group's proposed Directors have not provided any evidence that they have a strategic vision for your Company.
- 4) Your Board has planned the Company's work programme and controlled and managed costs. Despite being a small company, Metgasco has been one of the most active gas companies in NSW over the last two years.
- 5) Your Board has managed your company in the interests of all shareholders, retaining the potential of the assets in a difficult political and investment climate. To take action other than what your Board did when it suspended operations would have been irresponsible and would have seriously weakened the Company. Shareholders will benefit as the political and investment climate improves.
- 6) Shareholder value will be best preserved and grown by maintaining a stable and co-operative Board with the right skills and a cohesive vision of your Company's strategy.

The proposed resolutions represent an attempt by the Minority Shareholder Group to control the Board and take effective control of your Company

The Minority Shareholder Group is intending to opportunistically take effective control of your Company. If elected, the proposed board members will make up the majority of the board and will have the ability to control the ongoing strategy and policies of your Company.

The non-support for re-election of Nicholas Heath (Non-Executive Chairman) and election of Greg Short (Independent Non-Executive Director) will leave just one current Non-executive Director on the board and the Managing Director. Furthermore, given the stated unwillingness of these two existing directors to work on the Board with the three new proposed directors, the new directors will have complete control.

Even without the loss of the other two existing directors, should the Minority Shareholder Group succeed, they will control three of five Board seats and, as a result, control the Board and your Company.

Two of the three Directors proposed by the Minority Shareholder Group do not have the requisite experience to act as Directors of your Company and two of the three do not meet the ASX good corporate governance recommended standard of independence

Your Board does not believe that two of the proposed Directors nominated by the Minority Shareholder Group – Mr Michael O'Brien and Mr Stuart Glenn – have the requisite experience to act as Directors of your Company given their lack of prior Board roles with ASX-listed energy companies.

One of the three proposed Directors, Mr Michael O'Brien, has no prior experience in a Board capacity with an ASX-listed company, instead coming from an engineering background. As a result, he is unlikely to possess the necessary understanding to adequately perform the duties required of a Director of a publicly listed company.

Another of the three proposed Directors, Mr Stuart Glenn, has no prior experience in a Board capacity with an ASX-listed company or any experience in relation to oil and gas company management. It is assumed that he is to be the proposed Board's Independent Chairman. His current directorships appear to be private companies and therefore he too does not have sufficient experience and is unlikely to possess the necessary understanding to adequately perform the duties required of a Director of a publicly listed company. Further, the tenure of his previous board roles cast on his experience and suitability for a director position with Metgasco.

In addition, two of the three Directors proposed by the Minority Shareholder Group – Ms Glenda McLoughlin and Mr Michael O'Brien – do not meet the ASX good corporate governance recommended standard of independence, as they have been employed by Metgasco within the last three years.

Your Board questions whether any member of the Minority Shareholder Group or the proposed Directors understand the regulatory environment given they have not recently been dealing with State or Federal governments in relation to the increased regulation of the gas sector.

In contrast to your Board, the Minority Shareholder Group's proposed Directors have not provided any evidence that they have a strategic vision for your Company

The Minority Shareholder Group and their proposed Directors have not declared any specific intentions or outlined any strategy for the future growth of your Company. Their only stated intention should they become Directors of Metgasco is that "a refreshed Board will ensure enhanced financial discipline and re-focus the efforts of the Company on its core strengths." This is not a strategic vision for your Company.

The proposed Directors have also stated their intention to ensure the strategy of Metgasco is re-directed towards improving the performance of its share price and that the alignment of interests is towards ensuring that Metgasco achieves its full potential. This again is not a strategy.

The proposed Directors were invited to meet with your Board to understand, and where possible accommodate, their views. In particular your Board wanted to understand their strategic vision and how it would add value to your Company. The meeting took place with only one of the three proposed Directors attending and during the discussion, no alternative vision and strategy for your Company was tabled by the proposed Director.

Your Board does not recall any strategies identified by two of the proposed Directors of the Minority Shareholder Group that would have better managed Metgasco's operation or its community and government relations when they were employees of Metgasco.

Your Board has planned the Company's work programme and controlled and managed costs. Despite being a small company, Metgasco has been one of the most active companies in NSW over the last two years.

Over the past year, your Company was able to drill two wells and complete a seismic acquisition programme. Importantly, since mid-2012, significant advances were made in preparing for new petroleum assessment / production licences and developing plans to support a local compressed natural gas business in addition to gas sales to Richmond Dairies.

This progress was made despite an unprecedented NSW regulatory environment and opposition from environmental activists. Your Board also spent considerable time and resources pursuing a better regulatory environment and consulting with the community.

Metgasco's work program was not as active as planned, but few people predicted an effective 18 month moratorium initiated by the NSW Government after it came to office in March 2011. Your company was not alone in this respect. Other companies, including AGL, Santos, Dart and Apex were forced to substantially reduce and delay their work programs. AGL had to write down \$343 million and withdraw from its well advanced Camden project, while Santos' Pilliga program has been delayed and scaled down significantly.

As one of the most active gas companies in NSW, Metgasco bore the brunt of the anti-CSG lobby, with consequent security issues for key stakeholders including staff, contractors and landholders.

Your Board has been cost conscious throughout the period, reducing costs wherever possible while making sure that long term objectives were not compromised. Through disciplined cost management, during the 18 months prior to the March 2013 suspension decision, Metgasco managed to reduce its overhead and base operating costs by 15%, despite the additional staff and costs required to manage a larger community consultation program.

Your Board also took the opportunity to decommission a large number of wells that had no future value, would have required ongoing maintenance costs and represented a financial and operational liability to the Company.

Metgasco's cost performance and planning over the past two years has improved, not deteriorated.

Your Board has managed your company in the interests of all shareholders, retaining the potential of the assets in a difficult political and investment climate. To take action other than what your Board did when it suspended operations would have seriously weakened the Company. Shareholders will benefit when the political and investment climate improves.

Your Board has a focused strategy in place. This strategy is well-considered and takes into account the substantial regulatory challenges the Company has faced and continues to face, and the corresponding investment climate.

In February, 2013, the NSW Government unexpectedly announced a series of changes that included exclusion zones, a study by the NSW Chief Scientist and Engineer and a change in government department responsibilities. This was only five months after an effective 18 month moratorium had ended, new regulations announced and the industry given a green light to proceed. The February announcement damaged the investment community's confidence in Government support for the industry and it became clear to Metgasco that it was operating in an unacceptably uncertain regulatory environment. Regulatory approvals had been slow before this announcement and were likely to become increasingly slow and uncertain as a result, with the effect that our programs would be delayed and costs increase.

Within a few days of the announcement, an international party that Metgasco was seeking as a joint venture partner withdrew from negotiation and since then other parties have told Metgasco that they would not pursue business in NSW.

Immediately following the February announcement, Metgasco sought and obtained approval for reduced work programs and expenditures for its three exploration licences so that the value in the assets could be retained at a relatively low cost. Your Board then (13 March, 2013) made the difficult but responsible decision to suspend the Company's exploration and development program and reduce costs accordingly.

This suspension was a necessary and prudent measure to conserve cash. It was also justified given the imminent Federal election and the potential for ongoing field activity would trigger unfavourable political policy outcomes in the heightened sensitivity of a federal election campaign.

To have continued field expenditure following the February announcement and before the Federal election would have seriously weakened the value of your Company and its assets. This would simply have been irresponsible.

There is already evidence that the suspension decision was correct. The Company's exploration licences have been retained with substantially lower expenditure and work commitment requirements. With minimised overhead costs and greatly reduced expenditure commitments, the Company now has the financial flexibility to recommence new field activity when a more stable political, regulatory and investment environment for CSG activity exists.

There is an increasing awareness of gas shortages in NSW and significantly higher prices. There is also clear evidence in Queensland of the benefits CSG is bringing to local communities as well as the royalty payments and employment benefits Queensland as a whole is enjoying. As a result, Metgasco's Board is confident that the NSW regulatory and investment environment will improve significantly over the next few years, increasing the value of its CSG reserves and conventional potential will improve over time. While near term field activity might seem attractive, shareholders should not be confused: field activity and adding value are not necessarily the same thing. Increased activity and expenditure in 2013 would have destroyed value, not created it.

Metgasco's recent announcement that it intends to drill its conventional well, Rosella E01, next year is in response to the improving political and regulatory landscape following the recent Federal election. With a more supportive Federal Government in place and both sides of federal politics actively supporting gas development in NSW, your Board sees momentum building and believes the time is now right to pursue the conventional potential. Your Board hopes that steps to improve the regulatory environment for CSG in NSW will proceed promptly, and that NSW will be seen as an attractive state for investment, allowing Metgasco to kick-start CSG activities as well.

At the same time as suspending operations in NSW, your Board has been considering opportunities outside the State to diversify the Company's asset base. Any decision to pursue interests in different states will need to be justified on its merits and should not conflict with the goal to maximise the value of the Company's Clarence-Moreton Basin assets. Indeed, a more diversified exploration and development portfolio could improve the chances of realising value from the Clarence Moreton Basin.

Shareholder value will be best preserved and grown by maintaining a stable and co-operative Board with the right skills and a cohesive vision for MEL's strategy.

Your Board encompasses a wide range of skills and extensive experience in the industry and in the directorship of similar companies. In particular, your Directors offered for re-election have a number of key attributes and important skills which they bring to your Board.

Nicholas Heath, your Chairman, has more than 35 years' experience in Petroleum Engineering, Operations Management and gas and oil marketing. He has broad experience in Australian and international energy markets, and has been a member of your Board since 4 October 2006. He was appointed Chairman in 2010, and has seen the company through a period of unprecedented regulatory uncertainty. He was awarded the Reg Sprigg Gold Medal which recognises an "individual's outstanding service in promoting the Australian oil and gas exploration and production industry's objectives."

Greg Short has only recently been appointed to your Board, and brings valuable experience in taking oil and gas start-up ventures from exploration through to development and production as a geoscientist and manager with over 40 years' experience in the upstream oil and gas industry.

Should the Minority Shareholder Group be successful in removing these two Non-executive Directors and replacing them with three of their own nominees, neither of your remaining two Directors are prepared to remain with Metgasco.

In addition, with only a small corporate team, **you should be concerned about the flow-on effect to Metgasco staff.** The proposed Directors have given no indication as to how they would staff the Company.

Metgasco Board recommendation

The actions by the Minority Shareholder Group are an unnecessary distraction to the Metgasco Board and Management. They interfere with the planning and management of the business and are not in the best interests of shareholders.

Your Board unanimously recommends that you:

- **VOTE FOR all of the previously announced original AGM resolutions, and**
- **VOTE AGAINST the three Director appointment resolutions proposed by the Minority Shareholder Group.**

Your vote counts.

You are encouraged to take an active interest in this important meeting and to provide your proxy votes in favour of the existing AGM resolutions and against the resolutions proposed by the Minority Shareholder Group if you are unable to attend the meeting in person.

You should not allow a minority of vested interests to take effective control of your Company.

27 September 2013

The Shareholders

Metgasco Limited

Dear Fellow Shareholders

Over the past months a number of significant shareholders in Metgasco Ltd (the "Company" or "Metgasco") have expressed their disappointment in the performance of our Company to the CEO and Board of Metgasco. This group of shareholders includes the founders of the Company, shareholders who have supported the Company since listing in December 2004, shareholders located in the Northern Rivers region and proposed local gas customers of Metgasco.

Over the past two and a half years two highly dilutive capital raisings have been undertaken and almost 200 million new shares have been issued. **These capital raisings at historically low prices have diluted shareholders of the company by over 50%.** No tangible progress has been made by the Company with the proceeds from these capital raisings despite over \$27 million being spent by the Company in this period. Most recently (25 July 2013) the Board of the Company decided to reward this performance by **the issue of over 10 million shares to employees at a price 20% below the current trading price of the shares.**

This group of shareholders has supported the Company through difficult circumstances. However, activist opposition and government dithering does not excuse the Company's total lack of direction, high spending levels, inadequate planning and an inability to communicate with shareholders.

This group of fellow shareholders is very concerned that there is no strategy for the Company going forward evidenced by the confused letter sent to shareholders by the Company dated 9 September 2013.

Today these shareholders have given notice to the Company of resolutions that they propose to move at the next general meeting of Metgasco and have requested that a meeting be convened by Metgasco to consider these resolutions.

The Proposing Shareholders have nominated three directors to the Board of Metgasco with the intention of ensuring that the strategy of the Company is re-directed towards improving the performance of Metgasco so as to enhance its share price. **The interests of the Proposing Shareholders are wholly aligned with other shareholders of the Company which is to ensure that Metgasco achieves its full potential.** We do not represent the interests of any other corporate third party.

Notice of Resolutions from Minority Shareholder Group

At the forthcoming general meeting the Proposing Shareholders intend to vote in the following manner.

- The Proposing Shareholders will not support the re-election of Mr Nicholas Heath.
- The Proposing Shareholders will not support the election of Mr Greg Short.
- The Proposing Shareholders will not support the Remuneration Report.
- The Proposing Shareholders will not support the award of shares for the performance of Mr Peter Henderson in his role as Managing Director.

The Proposing Shareholders seek the election to the Board of the following:

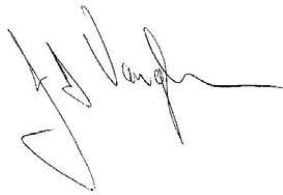
- Ms Glenda McLoughlin
- Mr Michael O'Brien
- Mr Stuart Glenn

Summary biographies of these nominees are attached.

Metgasco needs to be focussed and determined at the Board level. The Proposing Shareholders expect that a refreshed Board will ensure enhanced financial discipline and re-focus the efforts of the Company on its core strengths.

We urge you to support this initiative to revitalise the Board of Metgasco.

Yours faithfully



John Vaughan

On behalf of the Proposing Shareholder Group

Notice of Resolutions from Minority Shareholder Group

Biographies

Glenda McLoughlin, BEc, MBA, FAICD

Ms McLoughlin was an executive director and chief financial officer of Metgasco since the Company listed on the ASX in December 2004 until her resignation on 29 February 2012. During this time she was responsible for all of the Commercial operations of the company. Ms McLoughlin has over thirty years experience in energy industry working in companies and investment banking. Before being involved in the founding of Metgasco she was the Head of the Utilities and Infrastructure Group of Barclays Capital, the investment banking division of Barclays Bank plc. Prior to this Ms McLoughlin was a Vice President of international investment bank Morgan Stanley based in Melbourne and Singapore.

Ms McLoughlin brings strengths in commercial negotiations, a sound understanding of governance practices and a deep understanding of the potential of Metgasco.

Mr Michael O'Brien

Mick O'Brien has forty years' experience as a professional engineer in operations and project development roles in the oil and gas and minerals industries, both on behalf of the owner and contractor. He has more than 20 years in senior roles with project delivery teams for oil, gas and minerals projects across Australia and overseas.

The most recent role was Chief Operations Officer with Metgasco. Prior to this Mick spent 10 years with WorleyParsons as Queensland Manager – Coal Seam Methane and General Manager Pipelines and Terminals (QLD). Previously Mick worked for Santos Ltd in both South Australia and Queensland.

In addition Mick worked for five years with a construction contractor and has undertaken regulatory roles with state government departments.

Mick has extensive experience with complex contract negotiation and contract claim settlement.

Mr Stuart Glenn, Bachelor of Environmental Science,

Mr Glenn was previously the Chief Operating Officer and President of Parsons Brinkerhoff (Australia Pacific, Asia and Southern Africa). He has strong technical skills in the development of energy and infrastructure projects in the energy and mining sectors in Australia and internationally. Mr Glenn has held senior management roles in Brambles companies, Cleanaway, Cockburn Corporation and Gardner Perrott.

Mr Glenn is currently Chairman of Fyfe Alliance Pty Ltd and a Non Executive Director of Sage Group Holdings and SGS Economics and Planning.

NOTE: This letter was received by the Metgasco Board on 27th September 2013 and reflects the views of a Minority Shareholder Group. The letter has **NOT** been endorsed by and is **NOT** supported by your Directors

Notice of Resolutions from Minority Shareholder Group

NOTICE OF RESOLUTIONS TO BE PUT TO THE COMPANY'S ANNUAL GENERAL MEETING

27 September 2013

Directors and Company Secretary
Metgasco Limited
Level 11, 2 Elizabeth Plaza
North Sydney NSW 2060

The undersigned shareholders ("**Proposing Shareholders**") listed on the following page are the registered holders of greater than 5% of the voting shares in Metgasco Limited ACN 088 196 383 (**Company**).

Pursuant to the Company's constitution and Section 249N of the *Corporations Act 2001* (Cth) ("*Corporations Act*") the Proposing Shareholders who as at midnight on 26 September 2013 held greater than 5% of the votes which may be cast at a general meeting of the Company, hereby propose to move at the next general meeting of the Company each of the following resolutions:

Resolution 1 Appointment of Glenda McLoughlin as a director of the Company	That Glenda McLoughlin having given her consent to act, be appointed as a director of the Company.
Resolution 2 Appointment of Michael O'Brien as a director of the Company	That Michael O'Brien having given his consent to act, be appointed as a director of the Company.
Resolution 3 Appointment of Stuart Glenn as a director of the Company	That having given his consent to act as a director, Stuart Glenn be appointed as a director of the Company .

The Company must give its members notice of these resolutions at the same time, or as soon as practicable afterwards as it gives notice of the next general meeting.

Under Section 249D of the *Corporations Act 2001* (Cth) that the Proposing Shareholders being members of the Company with at least 5% of the votes that may be cast at a general meeting of the Company, requests the directors of the Company to call and arrange to hold a general meeting within two months after the date of this notice and that each of the resolutions set out above is to be proposed at the meeting as an ordinary resolution.

Signed by the Proposing Shareholders

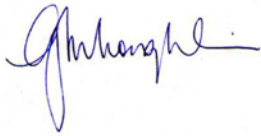
Notice of Resolutions from Minority Shareholder Group

Proposing Shareholders as at 27 September 2013

David Johnson



Glenda McLoughlin

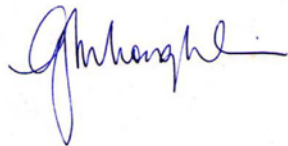


Signed for and on behalf of J&A Vaughn Super Fund held by Dansar Pty Ltd and shares held for and on behalf of J&A Vaughn Super Fund by Daleford Way Pty Ltd.



John Vaughn (*Director Name*)

Signed for and on behalf of Maxa Pty td



Glenda McLoughlin (*Director Name*)

Notice of Resolutions from Minority Shareholder Group

Signed for and on behalf of Allagai Holdings Pty Ltd



Glenda McLoughlin (*Director Name*)

Signed for and on behalf of Fast Freeze International Pty Ltd – Trading as Richmond Dairies



Mr Chris Sharpe (Director)

Notice of Resolutions from Minority Shareholder Group

Compliance with the Constitution of Metgasco

Nomination of Mr Stuart Glenn

Pursuant to Sn 7.1 and 7.2 of the Company's constitution Mr Stuart Glenn consents to his nomination:



Mr Stuart Glenn

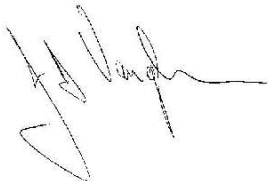
Mr Stuart Glenn is nominated as a candidate for election to the Board by Shareholder Member Ms Glenda McLoughlin and Seconded by Mr John Vaughn of Dansar Pty Ltd.

I nominate Mr Stuart Glenn as a candidate for election to the Board of Metgasco



Ms Glenda McLoughlin

I second the nomination of Mr Stuart Glenn as a candidate for election to the Board of Metgasco



Mr John Vaughn of Dansar Pty Ltd

Notice of Resolutions from Minority Shareholder Group

Nomination of Ms Glenda McLoughlin

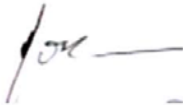
Pursuant to Sn 7.1 and 7.2 of the Company's constitution Ms Glenda McLoughlin consents to her nomination:



Ms Glenda McLoughlin

Ms Glenda McLoughlin is nominated as a candidate for election to the Board by Shareholder Member Mr Michael O'Brien and Seconded by Mr John Vaughn.

I nominate Ms Glenda McLoughlin as a candidate for election to the Board of Metgasco



Mr Michael O'Brien

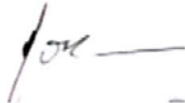
I second the nomination of Ms Glenda McLoughlin as a candidate for election to the Board of Metgasco



Mr John Vaughn on behalf of Dansar Pty Ltd

Nomination of Mr Michael O'Brien

Pursuant to Sn 7.1 and 7.2 of the Company's constitution Mr Michael O'Brien consents to his nomination:



Mr Michael O'Brien

Mr O'Brien is nominated as a candidate for election to the Board by Shareholder Member by Mr David Johnson and Seconded by Mr John Vaughn.

I nominate Mr Michael O'Brien as a candidate for election to the Board of Metgasco

Notice of Resolutions from Minority Shareholder Group



Mr David Johnson

I second the nomination of Mr Michael O'Brien as a candidate for election to the Board of Metgasco



Mr John Vaughn on behalf of Dansar Pty Ltd

REPLACEMENT NOTICE OF ANNUAL GENERAL MEETING

to be held at 11:00 am on Tuesday, 29 October 2013 at
Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060

Shareholders who have elected not to receive a printed copy of the Company's 2013 Annual Report may obtain a copy from the Company's website www.metgasco.com.au under "Investor Centre".

**Registered Office:
Metgasco Ltd
ACN 088 196 383
Level 11, 2 Elizabeth Plaza
North Sydney NSW 2060**

NOTE: This notice supersedes the previous Notice of Annual General Meeting issued on 27 September 2013.

It includes three additional resolutions and should be read in its entirety.

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AGENDA

On 27 September 2013 notice was given that the Annual General Meeting (“the Meeting”) of Metgasco Limited (“the Company”) will be held at 11:00 am on Tuesday, 29 October 2013 at Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060. This replacement notice includes a number of additional resolutions and additional information for Shareholders.

ORDINARY BUSINESS

Consideration of Financial Report

To consider the Financial Report and the reports of the Directors and Auditors for the year ended 30 June 2013.

Neither the Corporations Act 2001 nor the Company’s Constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given the opportunity to ask questions or make comments on the reports and statements at the meeting.

Resolution 1 Adoption of Remuneration Report

To consider and, if thought fit, pass the following non-binding resolution:

“That the Remuneration Report required by section 300A of the Corporations Act, as contained in the Directors’ Report of the Company for the year ended 30 June 2013, be adopted, details of which are set out in the explanatory notes to resolution 1 in the notice of meeting.”

Your Directors unanimously recommend that you VOTE FOR Resolution 1 Adoption of Remuneration Report.

Resolution 2 Election of Mr Gregory Short

To consider, and if thought fit, pass the following ordinary resolution:

“That Mr Gregory Short, who was appointed a Director to fill a casual vacancy during the year, retires in accordance with the Constitution and being eligible, offers himself for election, be elected as a Director of the Company, details of which are set out in the explanatory notes to resolution 2 in the notice of meeting.”

Your Directors unanimously recommend that you VOTE FOR Resolution 2 Election of Mr Gregory Short.

Resolution 3 Re-election of Mr Nicholas Heath as a Director

To consider and, if thought fit, pass the following ordinary resolution:

“That Mr Nicholas Heath, being a Director of the Company, retires by rotation in accordance with the Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company, details of which are set out in the explanatory notes to resolution 3 in the notice of meeting.”

Your Directors unanimously recommend that you VOTE FOR Resolution 3 Re-election of Mr Nicholas Heath as a Director.

SPECIAL BUSINESS

Resolution 4 Cancellation of Forfeited Shares

To consider and, if thought fit, pass the following ordinary resolution:

“To reduce the Company’s share capital by cancellation of 3,574,161 shares currently on issue to former employees which have lapsed under the Company’s Employee and Officers’ Equity Plan, details of which are set out in the explanatory notes to resolution 4 in the notice of meeting.”

Your Directors unanimously recommend that you VOTE FOR Resolution 4 Cancellation of Forfeited Shares.

Resolution 5 Approval of Issue of Shares to Mr Peter Henderson in accordance with Listing Rule 10.11

To consider, and if thought fit, pass the following ordinary resolution:

“That approval be given, pursuant to ASX Listing Rule 10.11, for the issue of 4,326,400 ordinary fully paid shares as part of the Long Term Incentive scheme to Mr Peter Henderson or his nominee, details of which are set out in the explanatory notes to resolution 5 in the notice of meeting.”

Your Directors unanimously recommend that you VOTE FOR Resolution 5 Approval of Issue of Shares to Mr Peter Henderson in accordance with Listing Rule 10.11.

ADDITIONAL RESOLUTIONS PROPOSED BY THE MINORITY SHAREHOLDER GROUP

These following resolutions have **NOT been endorsed** by and are **NOT supported** by your Directors

Your Directors unanimously recommend that you **VOTE AGAINST the three Director appointment resolutions outlined below** that have been proposed by the Minority Shareholder Group

Resolution 6 Election of Ms Glenda McLoughlin

To consider, and if thought fit, pass the following ordinary resolution:

“That Ms Glenda McLoughlin be appointed as a Director of the Company with immediate effect.”

Your Directors unanimously recommend that you VOTE AGAINST Resolution 6 Election of Ms Glenda McLoughlin.

Resolution 7 Election of Mr Michael O’Brien

To consider, and if thought fit, pass the following ordinary resolution:

“That Mr Michael O’Brien be appointed as a Director of the Company with immediate effect.”

Your Directors unanimously recommend that you VOTE AGAINST Resolution 7 Election of Mr Michael O’Brien.

Resolution 8 Election of Mr Stuart Glenn

To consider, and if thought fit, pass the following ordinary resolution:

“That Mr Stuart Glenn be appointed as a Director of the Company with immediate effect.”

Your Directors unanimously recommend that you VOTE AGAINST Resolution 8 Election of Mr Stuart Glenn.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read "N J V Geddes". The signature is written in a cursive style with a horizontal line underneath.

N J V Geddes
Company Secretary

VOTING EXCLUSIONS

In accordance with the Corporations Act 2001 and the Australian Securities Exchange Listing Rules, the Company makes the following statement:

The Company will disregard any votes cast on:

Resolution 1 – Adoption of Remuneration Report

By:

- a) A member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- b) A closely related party of such a member.

However, a person described above may cast a vote on the resolution if:

- The person does so as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution; and
- The vote is not cast on behalf of a person described in subparagraphs (a) or (b) above; or
- The vote is cast by the Chairman, as the nominated proxy for a person who is permitted to vote, with express authorisation given to the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel of the Company.

Resolution 5 - Approval to issue shares to Mr Peter Henderson in accordance with Listing Rule 10.11

By:

- a) Mr Peter Henderson; and
- b) Any of his associates (within the meaning of the Corporations Act 2001)

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY MEMORANDUM

These Explanatory Notes have been prepared for the shareholders of Metgasco Limited to provide information about the items of business to be considered at the Annual General Meeting of shareholders to be held on Tuesday, 29 October 2013.

With the exception of Resolution 1, all of the resolutions to be voted on are ordinary resolutions. Resolution 1 is a non-binding resolution. An ordinary resolution requires a simple majority of votes cast by shareholders entitled to vote on the resolution in order for it to be carried.

If appropriate, and if time permits, the Chairman will discuss significant issues raised by shareholders prior to the meeting and will invite questions and comments from shareholders on these key issues and any other matters relevant to the business that shareholders would like to raise at the meeting.

In addition, a reasonable opportunity will be given to members present at the meeting to ask the Company's auditor, Grant Thornton, questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor. If you would like to submit a written question to Grant Thornton before the Meeting on any of the foregoing matters, please send your question to the Company Secretary, Nick Geddes, at ngeddes@austcosec.com.au before 21 October 2013.

If you have a more general issue or question that you would like discussed at the Meeting, please write to the Company Secretary, Nick Geddes, at the above address.

Resolution 1 – Adoption of the Remuneration Report

Consistent with section 250R of the Corporations Act, the Company submits to shareholders for consideration and adoption, by way of a non-binding resolution, its Remuneration Report for the year ended 30 June 2013.

The Remuneration Report is a distinct section of the annual Directors' Report which deals with the remuneration of Directors and executives (which includes senior management) of the Company. The Remuneration Report can be located in the Company's Annual Report on pages 9 to 14. The annual report is available online at www.metgasco.com.au under "Investor Centre".

As set out in the Remuneration Report, consistent with the March decision to suspend field operations, Directors decided on a 20% cut in Non-Executive Director fees from April, 2013. Furthermore, at a Board meeting on July 23, 2013, consideration was given to STI awards based on 2012/2013 performance. Given the sharp deterioration of the Company's share price following suspension of field activities in March 2013, the Company made no STI awards to any staff for performance in 2012/2013.

The resolution is advisory only and does not bind the Company or its directors. However, the Board will consider the outcome of the vote and comments made by shareholders at the meeting on the remuneration report when reviewing the Company's remuneration policies. If 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director/CEO) must stand for re-election. The Company encourages all shareholders to vote on Resolution 1 (Adoption of Remuneration Report).

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the meeting is appointed as your proxy and you have not directed the Chairman how to vote on Resolution 1 by signing and returning the Proxy Form, the Shareholder is considered to have provided an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Resolution 2 – Election of Mr Gregory Short

Pursuant to the Constitution Mr Gregory Short will retire and seek election.

Mr Short was appointed to the Board as a Director on 6 August 2013.

Mr Short is a petroleum geoscientist and company director with over 40 years worldwide experience in the oil and gas upstream industry.

Mr Short worked for 33 years for Esso/ExxonMobil; initially as a production and operations geologist in Australia and Malaysia, rapidly advancing to supervisory and management positions. In the 1980's he managed Production Geoscience for Esso Australia through major developments of several Gippsland Basin oil and gas fields. This was followed by 15 years overseas in management assignments that included Exxon Exploration Manager positions for USA, Europe, Chad and Nigeria and Geoscience Director in Angola.

Mr Short's assignments and experience allowed him to develop a strong technical grounding in exploration development and production geoscience, exploration operations, Joint Venture management, Government relations, budgeting, contract and project management and people management and motivation. From a technical perspective, he has extensive experience in a number of extremely productive hydrocarbon basins, dealing with exploration and development of oil and gas in clastic and carbonate reservoirs in many different structural and stratigraphic environments.

Significantly his career included participating in and/or managing large, very successful, oil and gas exploration, development and production projects in Australia, Malaysia, Chad, Nigeria and Angola. Mr Short spent many years managing large, complex projects with multi million dollar budgets, large staff and tight deadlines.

Mr Short retired from Esso/ExxonMobil in 2006 and continues working in the industry. He now serves as a non-executive director on the boards of ASX listed companies; MEO Australia Limited, Pryme Energy and Po Valley Energy.

The Board supports the election of Mr Short.

Resolution 3 – Re-election of Mr Nicholas Heath as a Director

Pursuant to the Constitution and the ASX Listing Rules, Mr Heath will retire by rotation and seeks re-election.

Mr Heath has over 35 years experience in the petroleum industry in technical, operational and commercial roles with the ExxonMobil group of companies. He was previously Director of ExxonMobil Australia Pty Ltd with functional responsibility for Gas & Power Marketing.

Mr Heath began his career with Esso Australia working in various engineering assignments involved with the early development and commissioning of Esso's Gippsland basin oil and gas fields offshore Victoria. In 1985 he became Esso's Production Manager for the Gippsland operations at a time of peak activity and record oil production. In 1987 following a major acquisition by Esso, Mr Heath became the Managing Director of Delhi Petroleum Pty Ltd with operations in central Australia. After oil and gas marketing assignments overseas and following the merger of Exxon and Mobil, Mr Heath became a Director of ExxonMobil Australia Pty Ltd. Mr Heath served as Chairman of the Australian Petroleum and Production Association which awarded him the Reg Sprigg Gold Medal and honorary life membership. For many years he was Chairman of APPEA's Energy Policy Committee and industry representative on many energy advisory groups to government.

The Board supports the re-election of Mr Heath.

Resolution 4 – Cancellation of Forfeited Shares

3,574,161 shares previously issued to employees under the Company's Employee and Officers Equity Plan have been forfeited in terms of the plan.

In order to give effect to the forfeiture, these shares must be cancelled by an ordinary resolution of shareholders under Section 258(D) of the Corporations Act 2001.

The cancellation will have the following impact on the Company's capital:

Current Issued Capital – 451,348,141

Issued Capital following cancellation – 447,773,980

Resolution 5 – Approval to issue shares to Mr Peter Henderson in accordance with Listing Rule 10.11

The Board is recommending that Members approve the grant of 4,326,400 fully paid ordinary shares in the capital of the Company to Peter Henderson or his nominee.

The proposed grant of 4,236,400 fully paid ordinary shares is in lieu of cash payments and was made under the terms of the Metgasco Long Term Incentive Scheme which has been approved by shareholders. The Long Term Incentive shares were granted by the Board on the recommendation of the Remuneration Committee on 23 July 2013. The Long Term Incentive shares are subject to the following terms:

- Three year trading lock (or "restricted period") until 23 July 2016;
- LTI award shares will be forfeited if the employee leaves the Company between the date of issue and the end of restricted period;
- The shares will be forfeited if the employee is terminated between the date of grant and the end of restricted period (subject to Board discretion);
- The Company's share price must exceed different levels for the shares to vest:
 - 1/3 of the shares will vest if a volume weighted average price (VWAP) of \$0.14 or more was reached during any period of 30 days commencing immediately after the date of grant and the End of the Restricted period;
 - A further 1/3 of the shares will vest if a volume weighted average price (VWAP) of \$0.17 or more was reached during any period of 30 days commencing immediately after the date of grant and the End of the Restricted period;
 - The final 1/3 of the shares will vest if a volume weighted average price (VWAP) of \$0.20 or more was reached during any period of 30 days commencing immediately after the date of grant and the End of the Restricted period;

those shares that do not satisfy the conditions above will not vest;

- In the event that the Company is subject to a change of control the event of change of control will be deemed to be the end of the restricted period.

The issue of shares to Mr Henderson is subject to Shareholder approval and will be priced at a valuation of \$0.053 per share on that date in line with the previous 30 days VWAP closing on 22 July 2013.

If approved, Mr Henderson will not be required to pay cash consideration for the Shares but the Shares will comprise a component of Mr Henderson's remuneration. Remunerating directors in this manner reduces the cash cost to the Company and aligns the reward to senior management with those to shareholders. As set out in the Annual Report, 21 out of a total of 27 staff were made redundant following the suspension of field activities in March, 2013. With the need to ensure that the remaining staff members were incentivised to continue in their employment, the Company chose to continue its LTI award program as an important component of its retention plan. The share price hurdles were established to align the interests of shareholders and the need to retain critical senior staff. At the time of the award, the Company's shares had been trading at about \$0.05.

As Mr Henderson is a Director of the Company, ASX Listing Rule 10.11 requires shareholder approval for the proposed issue of shares. If shareholder approval is given under ASX Listing Rule 10.11, the shares will be issued within one month of the meeting at nil consideration. The shares will rank equally with existing shares on issue in the Company save for the trading lock and hurdles described above. No funds will be raised for the issue of these shares.

If Shareholders approve the issue of Shares under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1 so that the Shares would not be taken into account in determining whether a future share issue will result in the 15% cap imposed by ASX Listing Rule 7.1 being exceeded.

Recommendation for Resolutions 1 to 5

The Directors support the retention of the current Board and the issue of shares to Mr Peter Henderson with the conditions as described above and Your Directors unanimously recommend that you **VOTE FOR** Resolutions 1 to 5.

The Chairman intends to vote in favour of Resolutions 1 to 5. If a Shareholder appoints the Chairman of the Annual General Meeting as proxy and does not direct the Chairman how to vote on one or more of Resolutions 1 to 5 then, if that Shareholder is entitled to vote on that Resolution, the Chairman will vote in favour of that Resolution.

Resolutions 6 to 8 – Appointment of Directors proposed by the Minority Shareholder Group

The Minority Shareholder Group has nominated the following persons to be appointed as Directors:

- Ms Glenda McLoughlin
- Mr Michael O'Brien
- Mr Stuart Glenn

For further information about Resolutions 6 to 8, please refer to the material submitted by the Minority Shareholder Group provided with this replacement notice of meeting.

Recommendation for Resolutions 6 to 8

The Directors do not support the appointment as Directors of the individuals nominated by the Minority Shareholder Group.

The Directors unanimously recommend that you **VOTE AGAINST** the three Director appointment resolutions (Resolutions 6 to 8) proposed by the Minority Shareholder Group

The Chairman intends to vote against Resolutions 6 to 8. If a Shareholder appoints the Chairman of the Annual General Meeting as proxy and does not direct the Chairman how to vote on one or more of Resolutions 6 to 8 then, if that Shareholder is entitled to vote on that Resolution, the Chairman will vote against of that Resolution.

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on the member's behalf. If the member is entitled to cast two or more votes at the Meeting, the member may appoint not more than two proxies to attend and vote on the member's behalf.
2. If a member appoints two proxies, each proxy should be appointed to represent a specified proportion or number of the member's votes. In the absence of such a specification, each proxy will be entitled to exercise half the votes.
3. A proxy need not be a member of the Company.
4. To appoint a proxy (or two proxies), a proxy form must be signed by the member or the member's attorney duly authorised in writing. If the member is a corporation, the proxy form must be signed either under the corporation's common seal (if any) or under the hand of its attorney or officer duly authorised.
5. To be effective, a proxy form (and, if it is signed by an attorney, the authority under which it is signed or a certified copy of the authority) must be received by the Company not later than 48 hours prior to the Meeting. Proxy forms and authorities may be sent to the Company by post, personal delivery or fax:

Computershare Investor Services Pty Limited

Street address: Level 4, 60 Carrington Street, Sydney NSW 2000

Mailing address: GPO Box 242, Melbourne VIC 3001

Fax: (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555

Web: www.investorvote.com.au and follow the instructions provided.

Provided that members who forward their proxy forms by fax are required to make available the original executed form of the proxy for production, if called upon so to do at the Meeting.

For custodians – who are subscribers of Intermediary Online, please submit your votes electronically via www.intermediaryonline.com

6. A corporate shareholder entitled to attend and vote at the Meeting may appoint a body corporate representative to attend and vote for the shareholder. Also, as noted previously, a body corporate may be appointed as a proxy.

Metgasco Limited will accept the original appointment, a certified copy of the appointment or a certificate from the company giving notice of the appointment as satisfactory evidence of the appointment.

You can lodge your body corporate representative appointment document before the AGM or present the document at the registration desk at the meeting.

7. For the purposes of the Annual General Meeting, persons on the register of members as at 7.00pm on Friday, 25 October 2013 will be treated as members. This means that if you are not the registered holder of a relevant share at that time you will not be entitled to vote in respect of that share.
8. **Proxy Form – If you have previously lodged a proxy form and choose to vote again, your original proxy form will be disregarded.**

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11.00 am AEDT on Sunday 27 October 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Metgasco Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Metgasco Limited to be held at Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060 on Tuesday 29 October 2013 at 11.00 am AEDT, and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 5 (except where I/we have indicated a different voting intention below) even though Items 1 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1 and 5 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business

	For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Mr Gregory Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Nicholas Heath as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

4 Cancellation of Forfeited Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of Issue of Shares to Mr Peter Henderson in accordance with Listing Rule 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Requisitioners' Proposed Resolutions

	For	Against	Abstain
6 Appointment of Glenda McLoughlin as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Appointment of Michael O'Brien as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Appointment of Stuart Glenn as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of items 1 to 5 and Against on items 6 to 8.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____