



ASX / MEDIA RELEASE

ASX Code: MEL

6 November 2019

SECOND SUPPLEMENTARY TARGET'S STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should read all of the document. If you are in doubt as to what you should do, you should consult your investment, financial, taxation and other professional advisor.

Your Metgasco Directors continue to unanimously recommend that you

REJECT THE OFFER

Melbana's all-scrip offer significantly undervalues your shares.

TO REJECT MELBANA'S OFFER

DO NOTHING

In the meantime, should you have any queries, or wish to discuss any matters further, please contact our office on the numbers shown below.

The Board of Metgasco

Contact and further information:

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

For further information please contact:

Philip Amery
Chairman
+ 61 402 091180
philip.amery@metgasco.com.au

Ken Aitken
Chief Executive Officer
+61 2 9923 9100
ken.aitken@metgasco.com.au

Metgasco Ltd ACN 088 196 383
Level 12, 680 George Street, Sydney NSW 2000
Tel: +61 2 9923 9100 Fax: +61 2 9959 5387
info@metgasco.com.au
www.metgasco.com.au

Important Notices

This Second Supplementary Target's Statement (**Second Supplement**) has been prepared by Metgasco Limited (ACN 088 196 383) (**Metgasco**). It supplements, and should be read together with, Metgasco's Target's Statement dated 8 October 2019, and Metgasco's Supplementary Target's Statement dated 24 October 2019 in relation to the off-market all-scrip takeover bid made by Melbana Energy Limited (ACN 066 447 952) (**Melbana**) to acquire all of the shares in Metgasco (**Offer**).

A copy of this Second Supplement was lodged with ASIC on 6 November 2019. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplement.

The "Important Notes" section of the Target's Statement dated 8 October 2019 applies to this document and should be read in conjunction with it. Unless the context requires otherwise, defined terms in the Target's Statement have the same meaning in this Second Supplement. This Second Supplement prevails to the extent of any inconsistency with the Target's Statement.

Key Dates:

Announcement of Melbana's intention to make the Offer	15 July 2019
Bidder's Statement lodged and released	On or around 10 September 2019
Offer Period opens	On or around 24 September 2019
Date of 1 st Supplementary Bidder's Statement	3 October 2019
Target's Statement lodged and released	8 October 2019
Melbana's Extraordinary General Meeting held	14 October 2019
Announcement of Extension of Offer Period	15 October 2019
Date of 2 nd Supplementary Bidder's Statement	16 October 2019
Date of Supplementary Target's Statement	23 October 2019
Final day for Melbana to Waive conditions under the offer	24 October 2019
Second Announcement of Extension of Offer Period	24 October 2019
Offer Period closes	15 November 2019. Melbana has previously advised Offer Period closes of 1 November 2019 and 24 October 2019. It is possible Melbana may yet further extend the Offer Period close date.
Date of 3 rd Supplementary Bidder's Statement	5 November 2019
Date of 2 nd Supplementary Target's Statement	6 November 2019
Melbana Energy Shares issued and allotted to Metgasco shareholders (in the event the bid is successful)	No later than 21 days after the Offer Period closes (assuming all conditions of the Offer are satisfied or waived)

1. DIRECTORS' RECOMMENDATION REMAINS UNCHANGED: **REJECT**

On 8 & 24 October 2019 we wrote to shareholders advising that the Metgasco Directors unanimously recommend that shareholders reject Melbana Energy's wholly inadequate offer.

Since then, on 5 November Melbana have made an announcement in regards to its Beehive prospect advising that TOTAL has withdrawn from the farm-out and Santos exercised its option to acquire a 40% interest in the Permit. As a consequence of TOTAL's decision and pursuant to the terms of the Beehive option agreement, Santos' option is now modified such that it may now acquire an 80% interest in the Permit in return for funding 100% of the costs for an exploration well in the Permit area. Santos has until 4 December 2019 to exercise the modified option. If Santos does not exercise this modified option, Santos will not acquire any interest in the Permit and Melbana's interest in the Permit will remain at 100%

The significant risks associated with the Beehive prospect, as outlined in Metgasco's Target's Statement dated 8 October 2019, remain, and are arguably highlighted by a global E&P major such as TOTAL electing to withdraw from the project, despite having funded seismic acquisition and interpretation.

This development appears to defer any certainty on whether there is any commercial pathway forward for Beehive to December 4th, or potentially significantly longer.

After reviewing all subsequent releases by Melbana and based on the detailed analysis undertaken by Metgasco and your Directors' understanding of Melbana's business, your Directors' view remains that, until there is some measurable progress on Cuba, in the form of a binding farmout announcement with a reputable party, a formalised award of the Santa Cruz PSC, and certainty in relation to Beehive, the Board of Metgasco cannot amend its recommendation and affirms that the Melbana Offer, in its current form, remains wholly inadequate and materially undervalues your shareholding in Metgasco.

YOUR DIRECTORS CONTINUE TO UNANIMOUSLY RECOMMEND THAT YOU REJECT THE OFFER

CONSENTS:

BurnVoor Corporate Finance Limited ("Burnvoir") has given and not withdrawn its consent to being named in the Second Supplementary Target's Statement as financial adviser to Metgasco in the form and context in which it appears, as at the date of lodgement of the Second Supplementary Target's Statement with the Australian Securities and Investments Commission.

Burnvoir has not authorised or caused the issue of the Second Supplementary Target's Statement, and does not make, or purport to make, any statement in this Second Supplementary Target's Statement or any statement on which a statement in this Second Supplementary Target's Statement is based.

This Supplement contains statements which are made in, or based on statements made in, documents lodged with the ASIC or the ASX. As required by the class order, any Metgasco shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by calling Metgasco on +61 2 9923 9100.

In addition, as permitted by the ASIC Corporations (Consents to Statements) Instrument 2016/72, this Supplement may contain trading data sourced from the ASX and Bloomberg provided without their consent.

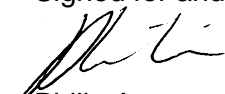
DATE OF SUPPLEMENTARY TARGET'S STATEMENT

This Supplement is dated 6 November 2019, being the date on which it was lodged with the ASIC.

AUTHORISATION

This Supplement has been approved by a resolution passed by the Metgasco Directors. All your Directors voted in favour of the resolution.

Signed for and on behalf of Metgasco Limited:



Philip Amery
Chairman

2. APPENDIX: ANNOUNCEMENT BY METGASCO



ASX / MEDIA RELEASE

ASX Code: MEL

5 November 2019

METGASCO SHAREHOLDER UPDATE: MELBANA BEEHIVE ANNOUNCEMENT

- Metgasco notes Melbana's announcement today advising that TOTAL has withdrawn from the Beehive project
- Santos (the exercising party) has given notice to exercise its option to acquire a 40% interest in the project
- The significant risks associated with the Beehive prospect, as outlined in Metgasco's target statement, remain and are arguably highlighted by a global E&P major such as TOTAL electing to withdraw from the project, despite having funded seismic acquisition and interpretation
- This development appears to defer any certainty on whether there is any commercial pathway forward for Beehive to December 4th, or potentially significantly longer
- Should the exercising party not take up its new 80% option and the farm-out process re-start, the timeframe and likelihood of progress surrounding Beehive is unknown
- Metgasco's board continues to unanimously recommend that shareholders reject Melbana's wholly inadequate offer

REJECT THE MELBANA OFFER

Melbana's conditional offer significantly undervalues your shares

TO REJECT MELBANA'S OFFER

DO NOTHING

Metgasco Limited (ASX: MEL, or "the Company") notes Melbana Energy Ltd ("Melbana", ASX: MAY, or "the Bidder")'s ASX release of 5/11/19.

The Company obviously wishes Melbana well with its endeavours but believes it is important Metgasco shareholders fully appreciate the risks associated with the Bidder's portfolio.

As advised in the Target's Statement, Metgasco believed at that time (8 October) that there were four potential outcomes in relation to Beehive. The second option, that of only one party electing to take up a 40% interest, has now come to pass. That exercising party has now been granted a new option to acquire an 80% interest, exercisable up to 4 December.

There is no guarantee the exercising party will take up the option, nor that new parties can be introduced either by 4 December or otherwise in time to enable Melbana to meet to meet its drilling commitment due 21 December 2020.

Melbana is otherwise unfunded to advance the project and does not appear capable of raising sufficient funds for drilling on its own account.

Accordingly, Metgasco considers it highly likely, notwithstanding Melbana's comments, that, in the event the new option is not taken up by the exercising party, a further extension may be granted.

The overall impression gained from observing the Beehive process to date is one of continuing uncertainty regarding a clear commercial path forward for the project capable of realising value for shareholders.

This is before considering the very significant steps to commercialisation required to be funded by Melbana, even in the event of full farm-out and drilling success.

The Metgasco Board continues to have difficulty ascribing value to the Beehive asset in its current state.

Given the lack of an identified farm-in partner in relation to Cuban PSC Block 9 as well as **the lack of existence** of the purported Santa Cruz "Incremental Oil Recovery PSC", Metgasco considers that any commercial potential attaching to Beehive, **even on a fully farmed-out basis**, is already **amply reflected** in Melbana's current ~\$18.8m market capitalisation.

Indeed, given Melbana's disclosed ~\$2.7m cash balance per its most recent quarterly statement, its forward obligations in Cuba and ongoing working capital needs, the Board of Metgasco can find little explanation for the current market capitalisation of Melbana, other than possible continuing speculative interest in Beehive.

By way of contrast, the significant intrinsic value represented by Metgasco's:

- i. Substantial holding in Byron Energy (currently in excess of \$14m),
- ii. Significant Perth Basin L14 prospect (held under option and the subject of current farm-out negotiations),
- iii. Cooper Basin portfolio, which includes a fully free-carried interest in the Vali-1 well, expected to spud in December this year, and
- iv. Cash resources, technical team and relatively low cost operating structure

is, in the view of the Metgasco board, compelling.

Contact and further information:

Metgasco welcomes shareholder communication and invites all interested shareholders to make contact at any time. It is being advised in relation to the Bid by Burnvoir Corporate Finance, whose details are also noted below.

For further information contact:

Philip Amery
Chairman
+ 61 402 091180
philip.amery@metgasco.com.au

Ken Aitken
Chief Executive Officer
+61 2 9923 9100
ken.aitken@metgasco.com.au

Metgasco Ltd ACN 088 196 383

Level 12, 680 George Street, Sydney NSW 2000
Tel: +61 2 9923 9100 Fax: +61 2 9959 5387
info@metgasco.com.au
www.metgasco.com.au

Financial Advisor

BurnVair Corporate Finance
Level 12, 28 O'Connell Street,
Sydney NSW 2000
Tel +61 2 8078 6400

