



## 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- Metgasco notes Melbana's announcement today advising that TOTAL has withdrawn from the Beehive project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 4<sup>th</sup>, 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.

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