



Metgasco Limited

ACN 088 196 383

NOTICE OF GENERAL MEETING

Metgasco Limited hereby gives notice that a General Meeting of Shareholders will be held on
Monday, 12 September 2016 at 10.00am AEST
at Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060

Notice is hereby given that a General Meeting ("**Meeting**") of Metgasco Limited ACN 088 196 383 will be held at:

Location	Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060
Date	Monday, 12 September 2016
Time	10.00 am

Items of Special business

1. Approval of the cancellation of forfeited shares ("**Forfeited Shares**")

To consider and, if thought fit, pass the following Resolution 1 as an **ordinary resolution**:

"To reduce the Company's share capital by cancellation of 2,643,697 Shares currently on issue to current and former employees which have lapsed under the Company's Employee and Officers' Equity Plan."

2. Approval of a capital return to shareholders ("**Capital Return**")

To consider and, if thought fit, pass the following Resolution 2 as an **ordinary resolution**:

"That for the purpose of Part 2J.1 of the Corporations Act and for all other purposes, subject to the receipt of an appropriate Class Ruling from the Australian Taxation Office, the issued share capital of the Company be reduced by \$0.025 per Share under an equal capital reduction in accordance with section 256C of the Corporations Act to be effected by the Company paying each registered holder of Shares as at 5.00pm on a date to be announced by the Board, the amount of \$0.025 per Share."

3. Approval of on-market share buy-back

To consider and, if thought fit, pass the following Resolution 3 as an **ordinary resolution**:

"That for the purposes of section 257C of the Corporations Act and for all other purposes, the Company is authorised to conduct an on-market buy-back of up to 40,110,852 fully paid ordinary shares in the Company in the 12 month period following the approval of this resolution, on the basis described in the Explanatory Memorandum issued for this Meeting."

4. Approval of renewal of proportional takeover provision

To consider and, if thought fit, pass the following Resolution 4 as a **special resolution**:

"That the proportional takeover provision in Rule 163 of the Constitution be renewed for a further period of three years commencing from the date of this Meeting."

Resolutions 1, 2 and 3 are ordinary resolutions and accordingly require that more than 50% of the votes cast by Shareholders entitled to vote must be in favour of the Resolution for it to be passed. Resolution 4 is a special resolution, which requires that at least 75% of the votes cast by Shareholders entitled to vote must be in favour of the Resolution for it to be passed.

The passing of any of the above Resolutions is not dependant on the passing of any other Resolution.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 1 by a person who holds Forfeited Shares that is the subject of the approval, and any of their associates.

However, the Company need not disregard a vote if it is cast by:

- a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (or provided electronically); or
- b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form (or provided electronically) to vote as the proxy decides.

For further information, please refer to the Explanatory Memorandum which is included with, and forms part of, this Notice of Meeting.

Dated, Tuesday, 9 August 2016

By order of the Board



Alexander Lang
Chairman

Voting Instructions

1. A shareholder entitled to attend and vote at the 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 Limited or in the capacity of a shareholder's proxy at general meetings of Metgasco Limited. 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.
2. A Shareholder who appoints two proxies may state on the proxy form what proportion or number of the Shareholder's votes each proxy is being appointed to exercise. If a Shareholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the Shareholder's votes.
3. If a Shareholder has appointed two proxies, when a Resolution is decided on a show of hands, only the first person named on the proxy form may vote. If two proxy forms have been completed, the person whose name is earlier in alphabetical sequence may vote.
4. A proxy need not be a shareholder of Metgasco Limited.
5. 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 Meeting (i.e. by no later than 10.00am on Sunday, 11 September 2016) or any adjournment. Any proxy form received after this deadline, including at the Meeting, will be invalid.
6. Proxy forms and authorities may be sent to the Company's share register, Registry Direct, by post, personal delivery or fax:

Registry Direct Pty Limited

Street address: Level 6, 2 Russell Street, Melbourne VIC 3000

Mailing address: PO Box 18366, Collins Street East, VIC 8003

Email: metgasco@registrydirect.com.au

Fax: (within Australia) 03 9111 5652
(outside Australia) +61 3 9111 5652

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

7. A proxy form accompanies this Notice of Meeting and contains details of how to lodge your form.
8. Additional proxy forms will be supplied by Metgasco Limited's share registry on request.
9. Shareholders may lodge their appointment of a proxy online at Registry Direct's website, www.registrydirect.com.au. To use this facility you will need to be registered for the Investor Centre. If you have not already registered, you will need your holder identification number (**HIN**) or security holder reference number (**SRN**).
10. If a corporate representative is to attend the Meeting on behalf of a corporation, a formal notice of appointment must be brought to the Meeting.

11. In accordance with Regulation 7.11.37 of the Corporations Regulations and ASX Settlement Operating Rule 5.6.1, the Board has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of shareholders as at 7.00pm (AEST) on Saturday, 10 September 2016. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Meeting.
12. If you wish a question to be put to the Chairman and you are not able to attend the Meeting, please complete the question form which is included with this Notice of Meeting.
13. Either the original or facsimile transmission of the question form must be received at least five business days prior to the Meeting (i.e. by no later than 5.00pm on Monday, 5 September 2016 or any adjournment). This is to allow time to collate questions and to prepare answers.

**METGASCO LIMITED
(ACN 088 196 383)**

("Metgasco" or Company")

EXPLANATORY MEMORANDUM

INTRODUCTION

1. This Explanatory Memorandum is an explanation of, and contains information on, the business to be transacted at the Metgasco Limited ("**Company**" or "**Metgasco**") General Meeting ("**Meeting**") to be held on Monday, 12 September 2016 at 10.00am at Christie Corporate, Level 4, 100 Walker Street, North Sydney.

SPECIAL BUSINESS

What is the purpose of the Meeting?

2. The purpose of the Meeting is for Shareholders of Metgasco to consider and, if thought fit, to pass the following Resolutions:

Resolution 1: Approval of the cancellation of forfeited shares ("Forfeited Shares")

Resolution 2: Approval of a capital return to shareholders ("Capital Return")

Resolution 3: Approval of on-market share buy-back

Resolution 4: Approval of renewal of proportional takeover provision

3. Shareholders must read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Resolutions. The Explanatory Memorandum must be read in conjunction with the Notice of Meeting and forms a part of the Notice of Meeting.
4. If you are in doubt about what to do in relation to the Resolutions contemplated in this Explanatory Memorandum, you should consult your financial or other professional advisors.

RESOLUTION 1 - APPROVAL OF THE CANCELLATION OF FORFEITED SHARES ("FORFEITED SHARES")

5. 2,643,697 fully paid ordinary shares ("**Shares**") previously issued to current and former employees under the Company's Employee and Officer's Share Equity Plan ("**EOSEP**") have been forfeited in accordance with the terms of the plan.
6. Under the terms of the EOSEP, the Shares were issued to employees on the following conditions:

The Company's Share price must exceed the following trading levels for the shares to vest:

- a) 1/3 of the Shares issued must reach a volume weighted average price ("**VWAP**") of **\$0.14** or more during any period of 30 days commencing immediately after the date of issue, up to the end of the trading lock;
- b) 1/3 of the Shares issued must reach a VWAP of **\$0.17** or more during any period of 30 days commencing immediately after the date of issue, up to the end of the trading lock;
- c) 1/3 of the Shares issued must reach a VWAP of **\$0.20** or more during any period of 30 days commencing immediately after the date of issue, up to the end of the trading lock.

7. These conditions were never met, and accordingly, the Shares have been forfeited.
8. In order to give effect to the forfeiture, these Shares must be cancelled by an ordinary resolution of shareholders under Section 258D of the Corporations Act.
9. The cancellation will have the following impact on the Company's capital:

	<u>Number of Shares</u>
Current Issued Capital:	401,108,520
Issued Capital following cancellation:	398,464,823

Directors' Recommendation

10. The Directors unanimously recommend that shareholders vote **IN FAVOUR** of ordinary Resolution 1 to approve the cancellation of Forfeited Shares.

RESOLUTION 2 - APPROVAL OF A CAPITAL RETURN TO SHAREHOLDERS ("CAPITAL RETURN")

What is the Capital Return?

11. Metgasco proposes to seek approval from Shareholders to reduce its share capital and return part of the paid up share capital ("**Capital Return**") of the Company to Shareholders. The Company proposes to do this by way of an equal reduction of capital in accordance with section 256C of the Corporations Act. The Corporations Act requires that the Company obtain the approval of Shareholders by ordinary resolution for any reduction in the Company's share capital.
12. The Board believes that the proposal for a partial Capital Return provides an effective and efficient mechanism for returning cash to Shareholders. Subject to receipt of an appropriate Class Ruling from the Australian Taxation Office ("**ATO**"), which is discussed further below at paragraphs 37 to 45, the Capital Return will be by way of a return of up to approximately \$10 million of the Company's paid up share capital to shareholders in the amount of \$0.025 per Share, held on a date and time ("**Record Date**") to be determined by the Board of Metgasco ("**Board**"). The monies that will be used to make the payments to relevant Shareholders in respect of the Capital Return will be sourced from Metgasco's existing cash reserves.
13. The date and time for determining which shareholders will participate in the Capital Return is the Record Date which will be determined by the Board following receipt of the Class Ruling.
14. The number of issued Shares in Metgasco will not change as a result of the Capital Return.

Rationale for proposed partial return of share capital

15. The Board recently undertook a detailed review of Metgasco's current operations, existing and potential market opportunities and the Company's balance sheet to ensure the best fit with Metgasco's strategic objectives (please also refer to the Company's ASX release dated 28 July 2016 'Bivouac Peak Farm-in and Capital Return').
16. As part of this review, the Board has also assessed the Company's current and future capital requirements, to ensure that the Company has the flexibility to continue its current operating and potential investing activities, as well as to allow the Company to maintain sufficient flexibility to pursue any value maximising business opportunities which may present themselves in the future.

17. The proposed capital reduction is also consistent with the Board's strategy to provide regular distributions to Shareholders, while maintaining sufficient cash to support the Company's ongoing and future operations and therefore providing sustainable and attractive returns on the capital employed.
18. The Board has therefore proposed that the Company seek Shareholder approval to reduce its share capital and return part of the paid up share capital of the Company to Shareholders.
19. As at 9 August 2016, the Company had 401,108,520 Shares on issue. The Capital Return will have no effect on the number of Shares on issue, however it is anticipated that the share capital of the Company will be reduced by \$0.025 per Share.
20. Impact on the Company's share capital, irrespective of Resolution 1, is as follows:

	Before partial return of share capital	After partial return of share capital
Number of Shares on issue	401,108,520	401,108,520
Total share capital	\$121,524,352	\$111,496,639
Paid up amount per Share	\$0.303	\$0.278

21. Having undertaken this review, the Board is satisfied that the proposed Capital Return will not adversely affect the Company's ability to fund its pre-existing commitments or its operating or investing activities. In addition, the Board considers that the capital reduction is:
 - a) fair and reasonable to shareholders as a whole; and
 - b) does not materially prejudice the Company's ability to pay its creditors.

Further details on these considerations are set out below.

Funding partial Capital Return

22. The partial return of the Company's share capital is intended to be funded from Metgasco's current cash at bank and liquid investments ("**Cash**"). As at 30 June 2016, the Company has Cash of \$28.65 million. The return of capital will leave the Company with Cash of approximately \$18.69 million (on the basis that the return occurred on 30 June 2016). The Board believes this remaining Cash will be sufficient to progress the investment in Byron Energy Limited's Bivouac Peak project and leave sufficient Cash to expedite development of the project or pursue other value maximising business opportunities should they arise.

Effect on Shareholders

23. Each shareholder will be entitled to be paid a partial return of the Company's share capital of \$0.025 for each Share held.
24. For those reasons set out above in paragraphs 15 to 22, the Company believes that the capital reduction is fair and reasonable to the shareholders as a whole. However, shareholders should consider their own individual circumstances, including in relation to the tax consequences set out below in paragraphs 37 to 45, and seek professional advice if necessary.

Effect on creditors and other commitments

25. The Board believes that the Company's creditors will not be materially prejudiced by the proposed capital reduction. Based on a 12 month forecast prepared by the Company, the Company

anticipates that it will have sufficient cash to fund its current and future cash outflows for the foreseeable future.

Effect on control

26. The Board does not believe that the completion of the proposed partial share capital reduction will affect the control of the Company.

What is the effect of the Capital Return on Metgasco?

27. *Effect on capital structure:* If the Capital Return is implemented, Metgasco's issued share capital will be reduced by approximately \$10 million, being approximately \$0.025 per fully paid Share. As no Shares will be cancelled in connection with the Capital Return, the Capital Return will not affect the number of Shares held by each shareholder or the control of Metgasco. If Resolution 1 is passed, Metgasco will continue to have approximately 398,464,823 fully paid Shares on issue.
28. *Impact on existing business and growth opportunities:* The Board considers that the Capital Return will not adversely affect Metgasco's capacity to fund or pursue existing business and growth opportunities.
29. *Future capital returns:* The Board will consider whether to pursue any additional capital return in the future having regard to the extent of surplus capital and investment opportunities, such as merger and acquisition opportunities, at that time. Any future capital returns will be subject to separate approvals and would involve a separate class ruling being sought from the ATO.
30. *Share price impact:* If the Capital Return is implemented, Metgasco's Shares may trade at a lower share price than they would have done had the Capital Return not been implemented. This is likely to occur from the "ex" date, being the day that Shares trade without an entitlement to participate in the Capital Return.
31. *Tax implications for Metgasco:* No adverse tax consequences are expected to arise for Metgasco as a result of the Capital Return.
32. *Impact on financial position of Metgasco:* To assist shareholders to assess the impact of the Capital Return on Metgasco, set out below is an abridged pro-forma balance sheet based on the unaudited accounts of Metgasco dated 30 June 2016, which show the effect of the Capital Return of approximately \$10 million as if it had taken place on 30 June 2016. The abridged pro-forma balance sheet is provided as a guide only and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards and the Corporations Act. The Company expects to release its audited financial statements by 22 August 2016.

The abridged pro forma balance sheet does not constitute a representation of the future financial position or prospects of Metgasco. Further information about Metgasco, its business, financial position and prospects is contained in the annual report and other reports which can be accessed on the website at www.metgasco.com.au/announcements.

What approvals are required?

33. The Capital Return will constitute an equal capital reduction for the purposes of the Corporations Act as:
- a) it relates only to the Company's Shares;
 - b) it applies to each holder of Shares in proportion to the number of Shares they hold; and
 - c) the terms of the reduction will be the same for each holder of Shares.

34. Section 256B(1) of the Corporations Act permits a company to reduce its share capital, including by returning capital in cash or in kind, if the reduction:
- a) is fair and reasonable to the company's shareholders as a whole (see paragraphs 21 and 22 above);
 - b) does not materially prejudice the company's ability to pay its creditors (see paragraph 25 above); and
 - c) is approved by shareholders under section 256C.

Resolution 2 seeks the approval of the shareholders as required under section 256C.

35. Implementation of the Capital Return is also subject to the ATO issuing a class ruling (**Class Ruling**) for the benefit of shareholders confirming that any payment received under the Capital Return will not be treated as a dividend for Australian income tax purposes. For further details, see paragraphs 36 to 44 below.

Tax consequences

36. The tax consequences for a Shareholder in respect to the Capital Return 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 tax adviser as to the potential tax consequences for them with respect to the Capital Return. 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 Capital Return.
37. *Australian income tax considerations for Shareholders*
The Company is seeking a Class Ruling from the ATO in relation to the tax treatment of the Capital Return for certain Shareholders. Once the Class Ruling has been issued by the ATO confirming the treatment of the Capital Return as a return of capital for taxation purposes and as set out below, the Company intends to declare the Capital Return. A Shareholder falling within the relevant class may rely on that Class Ruling in preparing their income tax return.
38. The following is a general outline of the Australian income tax consequences that should arise for Australian Tax Resident Shareholders with respect to the Capital Return provided that the Class Ruling is issued in accordance with the Company's Class Ruling application and the Director's expectation that no part of the Capital Return will be treated as a "dividend" for Australian income tax purposes.
39. The following outline will only apply to those Shareholders who hold their Shares on capital account. The Class Ruling (and the outline below) does not apply to those Shareholders who hold their Shares as "revenue assets" or as "trading stock". The Capital Return received by these Shareholders will be taxed under the general provisions of the income tax laws.

Notice of General Meeting (cont.) **Explanatory Memorandum (cont.)**

Metgasco Limited
ACN 088 196 383

Historical and pro forma consolidated historical balance sheet (Unaudited)
As at 30 June 2016

	30 June 2016	Capital Return	Pro forma
	\$000	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	17,742	(9,962)	7,780
Receivables	344	-	344
Liquid investments	10,907	-	10,907
Total current assets	28,993	(9,962)	19,031
Non-current assets			
Receivables	-	-	-
Property, plant and equipment	-	-	-
Intangible assets	-	-	-
Deferred tax assets	-	-	-
Total non-current assets	-	-	-
Total assets	28,993	(9,962)	19,031
LIABILITIES			
Current liabilities			
Payables	(242)	-	(242)
Borrowings	-	-	-
Current tax liabilities	-	-	-
Provision for employee entitlements	(25)	-	(25)
Total current liabilities	(267)	-	(267)
Non-current liabilities			
Provision for employee entitlements	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	(267)	-	(267)
Net assets	28,726	(9,962)	18,764
EQUITY			
Share capital	121,524	(9,962)	111,562
Accumulated losses	(93,250)	-	(93,250)
Reserves	452	-	452
Total equity	28,726	(9,962)	18,764

Notes:

- 1) The Capital Return is calculated based on 398,464,823 shares at 0.025 cents per share (rounded to nearest hundredth of a cent).
- 2) Costs associated with the Capital Return of approximately \$65,000 before tax have not been included.

40. *Australian Tax Resident Shareholders*

In relation to Shareholders who continue to hold their Shares at the Payment Date:

- a) No part of the proposed Capital Return should be treated as a “dividend” for Australian income tax purposes.
- b) The cost base for each Share acquired after 19 September 1985 should be reduced by the Capital Return amount (on a cents per share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that share.
- c) If the cost base (after any adjustment, as may be relevant, for any indexation or any previous return of capital) of Shares acquired after 19 September 1985 is less than the Capital Return amount (on a cents per share basis), then a capital gain may arise for the difference.
- d) For certain Shareholders that have held the Shares for greater than 12 months prior to payment of the Capital Return, the amount of the capital gain may be reduced by 50% (individual, trusts) or 33 1/3% (complying superannuation funds).
- e) No capital gain or loss should arise in respect to Shares acquired on or before 19 September 1985.

41. In relation to Shareholders who hold their Shares at the Record Date but cease to hold their Shares before the Payment Date:

- a) No part of the proposed Capital Return should be treated as a “dividend” for Australian income tax purposes.
- b) For Shareholders that held Shares (acquired after 19 September 1985) at the Capital Return’s Record Date but ceased to own the Shares prior to Payment Date of the Capital Return, a capital gain equal to the Capital Return amount may arise in relation to the right to receive the Capital Return.
- c) For certain Shareholders that have held the Shares for greater than 12 months prior to payment of the Capital Return, but ceased to own the Shares prior to Payment Date of the Capital Return, the amount of the capital gain on the right to receive the Capital Return may be reduced by 50% (individual, trusts) or 33 1/3% (complying superannuation funds).
- d) No capital gain or loss should arise in respect of the right to receive the Capital Return for Shareholders that held the Shares at the Capital Return’s Record Date but ceased to own the Shares prior to Payment Date of the Capital Return, on Shares acquired on or before 19 September 1985.

42. The implications outlined above will apply in addition to the taxation implications arising for such Shareholders on the disposal of the Shares prior to Payment Date.

43. The final version of the Class Ruling will be published on the ATO website and a notice included in the Gazette. The Company will make an announcement when the final Class Ruling is published and display the final Class Ruling on its website as soon as it becomes available.

44. Ernst & Young has given and has not before the date of this Notice of Meeting withdrawn its written consent to be named having opined on the Australian taxation implications in the Notice of Meeting for certain Australian Tax Resident Shareholders in the form and context in which they are included.

Timing of the share capital reduction

45. The proposed partial share capital reduction can occur at any time after the Shareholders have approved the reduction and the Company has received an appropriate Class Ruling from the ATO (anticipated to be on or about 30 September 2016). Each registered holder of Shares as at 5.00pm on the Record Date will, subject to the receipt of an appropriate Class Ruling from the ATO, which is discussed further at paragraphs 36 to 44 above, receive a partial return of share capital of \$0.025 per Share.
46. If Resolution 2 is approved by Shareholders, payments will be made to eligible shareholders, being registered holders of Shares as at 5.00pm on the Record Date by direct credit to a financial institution in Australia or New Zealand (including a bank, building society or credit union account). Shareholders who have not already provided the share registry with their bank account details may complete the Direct Credit Payment Form, which is available from the Company's share registry, Registry Direct, or provide their details online at www.registrydirect.com.au.

Directors' interests

47. As at the date of the Notice of General Meeting, the following director of Metgasco has an interest in the Capital Return as he is a shareholder of Metgasco:

Director	Interest
Philip Amery (Independent Non-Executive Director)	Indirect - 1,304,000 Shares in Metgasco Limited held by Meander Holdings Pty Ltd, of which Mr Amery is a director and shareholder

Directors' recommendation

48. The Directors unanimously recommend that shareholders vote **IN FAVOUR** of ordinary Resolution 2 to approve the Capital Return.

RESOLUTION 3 - APPROVAL OF ON-MARKET SHARE BUY-BACK

49. In accordance with section 257C of the Corporations Act, Metgasco seeks shareholder approval to allow the Company the flexibility to buy-back up to 40,110,852 Shares in the Company in the 12 month period following the approval of this Resolution 3 ("**Further Buy-Back**").

Background

50. In December 2015, the Company announced an on-market share buy-back ("**Previous Buy-Back**") of up to 10 per cent of Metgasco's issued share capital or around 44 million ordinary shares, in line with the Company's financial framework and commitment to enhance long-term shareholder value. The Previous Buy-Back commenced on 4 February 2016.
51. As of 8 April 2016, the Previous Buy-Back was suspended indefinitely, having fulfilled its purposes. Under the Previous Buy-Back, 38,033,721 shares were purchased and cancelled at an average price of \$0.59146 per share and a total cost of \$2,249,528.52. This average price per share compared with the Company's then effective cash backing of \$0.070 per share.
52. An Unmarketable Parcel Share Sale Facility ("**UMP Facility**") was announced on 18 February 2016. Holders of these parcels had until 31 March 2016 to decide whether to take action to retain their shares or allow Metgasco to acquire them at \$0.06 per share (being the Minimum

Sale Price calculated in accordance with Metgasco's Constitution). The results of the UMP Facility were:

- a) 1,137 shareholders holding 3,337,430 have had their shares purchased and cancelled by the Company;
 - b) 333 shareholders holding 923,153 shares elected either to retain their shares or to top up their holdings to greater than a total of \$500; and
 - c) as at 8 April 2016, Metgasco had 2,927 shareholders holding 401,108,520 shares, as a consequence of the shares purchased and cancelled under the UMP Facility, a reduction of 1,142 from the number of shareholders before the cancellation of shares under the Share Sale Facility and UMP Facility, reducing ongoing administration costs.
53. Consistent with the stated intention of the Board, and having regard to the financial performance of the Company, the Board are seeking shareholder approval to purchase an additional 40,110,852 shares.
54. Under the Corporations Act, the Company is limited to buying back up to 10% of the smallest number of Shares on issue at any time in any 12 month period ("**10/12 Limit**"). Based on the number of Shares on issue as at 4 February 2016 i.e. 442,479,671 shares, the Company is therefore restricted under the 10/12 Limit to buying a maximum of a further 2,876,816 Shares up to 4 February 2017.

442,479,671	x 10%	= 44,247,967	less 38,033,721	and less 3,337,430	= 2,876,816
Shares on issue as at 4 February 2016	10/12 Limit	Maximum number of Shares to be bought back within 12 months	Number of Shares already bought back under the Share Buy-Back within the relevant period (excluding under the UMP Facility)	Number of Shares already bought back under the UMP Facility during the relevant period	Remaining number of shares able to be bought back within the 10/12 Limit

55. This Resolution is proposed to give the Company the ability to:
- a) buy-back such further Shares as may be required beyond the 10/12 Limit to fully implement the Board's determination in respect of appropriate capital management strategies; and
 - b) undertake further buy-backs of Shares as may be determined by the Board in respect of future financial reporting periods, subject to meeting the Company's requirements in respect of its financial framework.

Terms of the Buy-Back

56. As the Further Buy-Back is conducted on-market, offers will be made on behalf of the Company, by its broker(s). The terms on which the Further Buy-Back will be implemented are:
- a) the price to be paid by the Company for Shares purchased under the buy-back will be the then prevailing market price on the ASX. In accordance with ASX Listing Rule 7.33, the purchase price will not be more than 5% above the volume weighted average market price of the Company's Shares over the last five days on which sales in the securities were recorded before the day on which the purchase under the buy-back was made;
 - b) the usual rules for settlement of transactions which occur on market on the ASX will apply in respect of Shares acquired under the Further Buy-Back; and
 - c) all Shares which are bought back will be cancelled immediately upon settlement of the trade.

Financial Effect of the Further Buy-Back

57. Shareholder approval is being sought to allow the Company to buy-back up to 40,110,852 Shares on-market over the 12 months following the Meeting. The effect on the Company's issued capital is set out below:

Buy-back arrangement	Date	Shares bought back or proposed to be bought back	Issued Capital at date / immediately prior to buy-back	Issued capital after buy-back	Total % reduction
	4 February 2016	-	442,479,671	-	-
Previous Buy-Back	8 April 2016	38,033,721	442,479,671	404,445,950	8.6% of shares on issue at 4 February 2016
UMP Facility buy-back	8 April 2016	3,337,430	404,445,950	401,108,520	0.75% of shares on issue at 4 February 2016
Further Buy-Back	Post 12 September 2016 General Meeting	40,110,852 *	401,108,520	360,997,668	10% of shares on issue at 30 June 2016

* Subject to full implementation of the proposed shareholder approved Further Buy-back

58. Many factors are considered by the Company prior to undertaking an on-market buy-back of Shares including the prevailing Share price, the Company's cash reserves and market conditions. A buy-back would not be undertaken by the Company if doing so would materially prejudice its ability to pay its creditors or would materially impair the Company's ability to develop its business.
59. The consideration payable for any Shares which are bought back will be paid in cash from the Company's existing cash reserves and facilities.
60. No adverse tax consequences are expected to arise for the Company as a result of the Further Buy-Back, and the total amount of the Company's franking credits will remain unchanged.

Advantages of the Further Buy-Back

61. The Company's ability to distribute surplus capital in a cost effective manner will be enhanced by the proposed Further Buy-Back. It provides the Company the flexibility to commence or cease the Further Buy-Back at any time, in response to changes in Share price or market conditions or other demands on the Company's cash reserves.
62. By reducing the number of Shares on issue, the Company expects the Further Buy-Back to be earnings per Share accretive.

Disadvantages of the Further Buy-Back

63. Implementing the Further Buy-Back will reduce the Company's cash reserves and available facilities. However, the Company can cease buying Shares at any time if it requires those reserves or facilities for other purposes.

If not approved

64. If the Further Buy-Back proposed by this Resolution is not approved by the Company's Shareholders, the Company will be restricted to buying back a maximum of 10% of its issued share capital within any 12 month period. As set out above, the Company will be able to buy-back up to 2,876.816 Shares at any time prior to 4 February 2017 in the absence of shareholder approval.

Interests of Directors

65. The Directors' interests in the Company's Shares (directly or indirectly) as at 9 August 2016 are set out above at paragraph 47.
66. The Directors' ability to trade in the Company's Shares is limited by the Company's Securities Trading Policy, a copy of which is available on the Company's website www.metgasco.com.au/corporate-governance/policies.
67. Directors' initial notifiable interests in the Company's Shares and changes to their notifiable interests are notified to the ASX.

Current Market Price

68. To provide an indication of the recent market price of the Company's Shares, the closing price on 4 August 2016 was \$0.058. The highest and lowest market sale prices for the Company's Shares on the ASX during the previous 3 months were as follows:

Month	Low	High
May 2016	\$0.053	\$0.058
June 2016	\$0.052	\$0.061
July 2016	\$0.053	\$0.059

Directors' Recommendation

69. The Directors recommend that you vote **IN FAVOUR** of ordinary Resolution 3 to approve the on-market Further Buy-Back.

RESOLUTION 4 - APPROVAL OF RENEWAL OF PROPORTIONAL TAKEOVER PROVISION

70. Rule 163 of the Company's Constitution ("**Rule 163**") currently contains provisions dealing with proportional takeover bids for Shares in accordance the Corporations Act. Under the Corporations Act and Rule 163, the provisions must be renewed every three years or they will cease to have effect. The current provisions have not been renewed since the Company listed on the ASX on 21 December 2004 and accordingly, it is proposed to renew them in the Constitution. If renewed, Rule 163 will operate on the same basis as the existing Rule 163 for a period of three years from the date of the Meeting.
71. The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

72. A proportional takeover bid involves the bidder offering to buy a proportion only of each shareholder's shares in the Company. **This means that control of the Company may pass to the bidder without members having the chance to sell all their shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.**
73. In order to deal with this possibility, a company may provide in its constitution that:
- a) in the event of a proportional takeover bid being made for shares in the Company, members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
 - b) the majority decision of the Company's members will be binding on all individual members.
74. The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

75. If a proportional takeover bid is made, the Directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes.
76. The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote. However, the bidder and their associates are not allowed to vote.
77. If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.
78. The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.
79. The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be renewed, or reinserted upon expiry of the initial three-year period, but only by way of a special resolution passed by members.

Potential advantages and disadvantages

80. While the renewal of Rule 163 will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.
81. The provisions in Rule 163 ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may

help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

82. However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares.
83. The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.
84. As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Directors' Recommendation

85. The Board recommends that shareholders vote **IN FAVOUR** of special Resolution 4 for the approval of renewal of the proportional takeover provision in Rule 163 of the Constitution of Metgasco Limited.

OTHER INFORMATION

Lodgement

86. In accordance with sections 256C (3) and (5) of the Corporations Act, a copy of this Notice of Meeting has been lodged with the Australian Securities and Investments Commission.

No other material information

87. The Board considers that the proposed buy-back under Resolution 3 does not materially prejudice the Company's ability to pay its creditors.
88. This Explanatory Memorandum provides shareholders with all information known to Metgasco which has not previously been disclosed to shareholders that is material to the decision whether or not to vote in favour of Resolutions 1, 2, 3 and 4.

Enclosures

89. Enclosed with the Notice of Meeting are:
- a) a Proxy Form to be completed if you would like to be represented at the Meeting by proxy;
 - b) a Question Form to be completed if you are not able to attend the Meeting, but would like to put a question to the Chairman of the Meeting; and
 - c) a reply paid envelope for you to return the Proxy Form and Question Form.

DEFINITIONS

ASX	Australian Securities Exchange Limited (ACN 008 624 691)
Accounting Standards	The Australian accounting standards approved under the Corporations Act and, to the extent that any matter is not covered by the Australian accounting standards, generally acceptable accounting principles applied in Australia
ATO	Australian Taxation Office
Board	The board of Directors
Capital Return	The proposed capital return in accordance with Resolution 2
Class Ruling	A class ruling from the ATO for tax treatment of the Capital Return
Company and Metgasco	Metgasco Limited (ACN 088 196 383)
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Corporations Regulations	Corporations Regulations 2001 (Cth)
Directors	Directors of the Company
Employee and Officers' Equity Plan and EOSEP	The Company's employee and officers' equity plan
Explanatory Memorandum	This explanatory memorandum, prepared by the Company and sent to Shareholders in respect of the Resolutions.
EY	Ernst & Young
Forfeited Shares	The Shares which are proposed to be forfeited in accordance with Resolution 1
Further Buy-Back	The proposed buy-back of Shares in accordance with Resolution 3
Meeting	The extraordinary general meeting of the Company to be held on Monday, 12 September 2016
Notice of Meeting	The notice accompanying the present Explanatory Memorandum

Payment Date	The date of payment of the Capital Return to eligible Shareholders by the Company
Previous Buy-Back	The buy-back of around 44 million Shares which commenced on 4 February 2016
Record Date	The record date for the Capital Return as determined by the Board
Resolution	Resolution 1, 2, 3 or 4 of this Notice of Meeting (as appropriate)
Rule 163	Rule 163 of the Constitution
Share	Ordinary share in the capital of the Company
Shareholders	The shareholders on the register of the Company as at 7pm on Saturday, 10 September 2016
State	State of New South Wales
UMP Facility	Unmarketable Parcel Share Facility announced on 18 February 2016
VWAP	The volume weighted average price of the Shares for trades done on ASX

Name
Address line 1
Address line 2
Address line 3
Address line 4
Address line 5
Postcode / Country

LODGE YOUR VOTE

www.registrydirect.com.au/investor/login

By mail

Metgasco Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003

By hand

Registry Direct
L6 2 Russell Street
Melbourne VIC 3000

All enquiries

By facsimile

+61 3 9111 5652

1300 55 66 35 (within Australia)
+61390207934 (outside Australia)

By email: metgasco@registrydirect.com.au

SRN/HIN: I/X*****

PROXY FORM

I/We being shareholder(s) of Metgasco Limited and entitled to attend and vote hereby:

STEP 1

APPOINT A PROXY

appoint the Chairman of Meeting (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write below the name of the person or the body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf in accordance with the directions below or if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting of the Company to be held at 10.00am (Sydney time) on Monday, 12 September 2016, at Christie Corporate, Level 4, 100 Walker Street, North Sydney NSW 2060 (**Meeting**) and at any adjournment or postponement of the Meeting or at any other meeting of the Company to consider the same or substantially similar resolutions to those proposed to be put at the Meeting.

IMPORTANT NOTE – STEP 1

If two proxies are being appointed, the number or proportion of voting shares this proxy is appointed to represent is:

The Chairman of the Meeting intends to vote all available proxies FOR all items of business.

If you do not want the Chairman of the Meeting to vote your proxies against any item(s), complete Step 2 below.

Proxy appointments will be valid and accepted by the Company only if they are signed and received no later than 24 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Agenda Item:

Resolution 1: APPROVAL OF THE CANCELLATION OF FORFEITED SHARES

FOR	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Agenda Item

Resolution 3: APPROVAL OF ON-MARKET SHARE BUY-BACK

FOR	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2: APPROVAL OF A CAPITAL RETURN TO SHAREHOLDERS

FOR	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 4: APPROVAL OF RENEWAL OF PROPORTIONAL TAKEOVER PROVISION

FOR	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

STEP 3

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

Signing Instructions: This form should be signed by the shareholder. If a joint holding, all shareholders should 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) (or for New Zealand companies, the Companies Act 1993).

HOW TO COMPLETE THIS 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.

Step 1 - Appoint a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person in the box provided. If you leave this section blank, or your named proxy does not attend the Meeting or does not vote in accordance with your instructions, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Step 2 - Votes on Items of Business

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 subject to any applicable voting exclusions. 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.

To appoint a second proxy you must:

- (a) 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.
- (b) return both forms together.

Lodgement of a Proxy Form

This Form (and if required any Power of Attorney under which it is signed) must be received at an address given below by **10.00am Sydney time on Sunday, 11 September 2016**, being not later than 24 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 by:



Online

www.registrydirect.com.au

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



by email:

metgasco@registrydirect.com.au



by Mail

Metgasco Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003



by facsimile

+61 3 9111 5652



by hand

Registry Direct
L 6, 2 Russell St
Melbourne VIC 3000

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 have already lodged 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 the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.