

Proposed Changes to Metgasco's Board of Directors

MELBOURNE, AUSTRALIA (23 April 2020)

Melbana Energy Limited (ASX: MAY) (**Melbana**) has requested that the board of Metgasco Limited (ASX: MEL) (**Metgasco**) call a general meeting of Metgasco shareholders under section 249D of the *Corporations Act 2001* (**Meeting**) to consider resolutions to remove Mr. Philip Amery and Mr. John Patton, and appoint Mr. Matthew Worner and Mr. Michael Sandy as directors of Metgasco. Melbana holds approximately 27.8% of the issued capital of Metgasco.

WE ARE VERY CONCERNED BY:

- 1. THE SIGNIFICANT LOSS OF VALUE IN METGASCO UNDER THE CURRENT BOARD OF DIRECTORS**
- 2. THE CAPITAL MANAGEMENT STRATEGY OF THE CURRENT BOARD OF DIRECTORS THAT HAS LED TO THEM NOW LIKELY NEEDING TO EITHER RAISE CAPITAL OR LIQUIDATE ASSETS IN THE CURRENT DEPRESSED ENVIRONMENT**
- 3. THE CONTINUED SELLING OF A LARGE NUMBER OF METGASCO SHARES BY A MAJOR SHAREHOLDER WHOSE REPRESENTATIVE SITS ON THE METGASCO BOARD**

After discussing our concerns with Mr. Philip Amery, Metgasco's Chairman, in late February 2020, we nominated one of our Melbana directors and a suitably experienced independent (of both Melbana and Metgasco) director to the Metgasco board. The Metgasco board has not appointed the proposed directors nor provided an assurance that it will do so, despite our belief that the contributions of the two additions would undoubtedly have been of value in helping the board to navigate the difficult times ahead.

We have therefore asked Metgasco to convene the Meeting.

The Meeting seeks to address Melbana's concerns and create a refreshed and accountable board, focussed on the following:

- NEW IDEAS AND SKILLS AND A COMMITMENT TO CREATING VALUE**

Metgasco's share price has **declined by 65%** under the current board of directors since the time Mr. Amery was appointed Chairman in August 2018.

Mr. Amery owns just ~1.5% of Metgasco. The holdings of the other directors and Chief Executive Officer combined total just ~0.5%. These low levels of ownership can create misalignment between shareholder returns and director remuneration.

Further, Keybridge Capital Limited (**Keybridge**) (whose nominee, Mr. John Patton, is a director of Metgasco) has sold more than 17,500,000 Metgasco shares (about 4.53%) since October 2019 and we understand Keybridge is currently trying to exit the remainder of its position. Given its continued sell-down, Keybridge is seemingly not interested in supporting Metgasco to restore its fortunes, leading one to question why the Metgasco board has not asked Mr. Patton to resign.

Melbana believes that a new set of ideas and director skillsets supported by a major shareholder that is committed to its investment in Metgasco is the only way to drive value for all investors.

- **REBUILDING TRUST AND CREDIBILITY**

Metgasco indicated over 6 months ago (and several times since) that it intended to distribute to its shareholders shares in Byron Energy Limited (ASX: BYE) (**Byron**). Indeed, it was due to this publicly stated intention that Melbana resolved to declare its takeover offer for Metgasco unconditional so that it could participate in the benefits of the distribution of Byron shares together with other Metgasco shareholders.

The value of Metgasco's Byron shareholding has now halved and Metgasco shareholders have been denied the opportunity to derive benefit from the Byron shares. Moreover, it is our view that given Metgasco's current cash reserves, it will be required to sell down some of its Byron shares in the near term to fund future activity (or undertake a dilutive capital raise). The significant reduction in the value of Byron shares will, in all likelihood, mean that Metgasco will be required to sell them in greater number thereby reducing (again) the amount of Byron shares to be provided to Metgasco shareholders by way of an in-specie distribution. The failure of Mr. Amery and his fellow directors to put this resolution to shareholders in a timely manner calls into question not only their credibility but their ability to properly administer Metgasco's capital reserves for the benefit of all shareholders.

Similarly, Mr. Amery told participants at Metgasco's 2018 AGM that he would resign if Metgasco's share price had not improved by the following year's AGM. Metgasco's share price declined by more than 10% over the next 12 months, but Mr. Amery reneged on his undertaking to resign when reminded of it by a shareholder at the 2019 AGM.

These are not the actions of a credible Chairman and well-functioning board of directors.

- **IMPROVED GOVERNANCE**

Mr. Patton serves as the Chairman of the Audit Committee, yet he is not an independent director because he is a nominee director of a shareholder of Metgasco. A refreshed Metgasco board should ensure that an independent director is appointed to this important position.

The Metgasco board has also recently relocated its registered office to Perth, yet all of Metgasco's directors currently reside in the eastern states. At least one director on the refreshed Metgasco board should be resident in Perth in order to afford more opportunity to provide oversight of and support to management. The proposed independent director for appointment to the Metgasco board, Mr. Matthew Worner, resides in Perth.

The two candidates we are proposing be appointed as directors of Metgasco have suitable experience, qualifications and backgrounds. Specifically:

- *Mr. Worner, who is independent of both Melbana and Metgasco, is a lawyer experienced in legal, commercial management, business development and corporate strategy matters in the oil and gas sector both in Australia and abroad. He also has a strong governance background and is based in Perth.*
- *Mr. Sandy is director of Melbana and a geologist with extensive experience in the oil and gas sector, both in Australia and abroad, and as a public company director in Australia.*

We strongly believe that their combined technical, commercial and legal experience as professionals with many years of experience in the oil and gas sector and as officers of public companies would make for a stronger and more transparent board.

Melbana has considered Metgasco's constitutional requirements for the convening and holding of virtual or hybrid general meetings of shareholders in light of recent guidance and "no action" policy relief announced by ASIC in relation to the holding of such meetings. Consistent with recent market practice regarding virtual or hybrid shareholder meetings, Melbana is confident Metgasco is able to comply with its statutory obligations and constitutional requirements to convene and hold the Meeting notwithstanding the prevailing government restrictions on social gatherings.

If you have any queries about the proposed Meeting, please do not hesitate to contact Ms Melanie Leydin, Company Secretary of Melbana, on +61 3 8625 6000.

This announcement has been authorised for release by the Melbana board of directors.