



ASX / MEDIA RELEASE

ASX Code: MEL

Friday, 22 July 2016

EXECUTION OF CONVERTIBLE NOTE AND GENERAL SECURITY DEEDS

The Board of Metgasco advises that, further to the execution of the Binding Heads of Agreement with Byron Energy Limited (ASX:BYE) (announced 9 June 2016), the associated Convertible Note Deed and General Security Deed documents have been executed.

All Terms of the Convertible Note as announced and documented in the Binding Heads of Agreement remain essentially unchanged. Metgasco has negotiated an option by which Byron may elect an early repayment of the Funding Facility from 90 days of initial drawdown and up to eighteen months from that date, at 115% of principal outstanding (along with any accrued interest and line fee). This inclusion in the final Note documentation does not affect Metgasco's other rights, including the proposed issuance of options and farm-in rights. Line fees are accruing to Metgasco as of this date.

Metgasco is pleased to have finalised what it believes will be a profitable engagement with valuable optionality over attractive potential farm-in opportunities, most materially the Bivouac Peak project in Louisiana. It is important to note that pursuant to the Convertible Note facility, funds advanced will be repaid normally - conversion is solely at Metgasco's election and the Board's present intention is not to convert. Noting Byron Energy's recent release regarding SM70/71 (7 July 2016), Metgasco is comfortable with its security position.

The Board is pleased with the relationship that has grown between Metgasco and Byron over the last few months and looks forward to its future development.

Detailed transaction terms:

Metgasco subscribes for a 3 year Convertible Note ("Convertible Note" or "Facility") of up to A\$8 million ("Face Value") under the following terms:

- Security: the Convertible Note will be secured by a General Deed of Security and Priority (over Byron's assets), a Negative Pledge from Byron and a registered interest over Byron's share of SM 70/71 leases;
- Use of Funds: Development of production assets at SM70/71, associated purposes and general working capital;
- Drawdown: Facility to be drawn down within six months of establishment (undrawn funds at six months are deducted from the available facility limit);
- Interest only for first twelve months from establishment on drawn funds then amortising in eight equal instalments over balance of term;
- Facility Fee: 2.5% of Face Value (AUD \$200,000), payable on first drawdown under the Facility;

- Line Fee: 2% , payable quarterly in advance, for the first six months of the facility on the Face Value and then, thereafter, on the drawn (outstanding) balance under the Convertible Note;
- Coupon: on drawn funds at 12% pa, payable quarterly in arrears;
- Conversion: convertible at Metgasco's election after eighteen months from initial drawdown with one week's notice at a 10% discount to the then prevailing 30 day volume weighted average price ("VWAP") of Byron;
- Repayment: Repayable early by Byron with one month's notice (a) at any time after 90 days from initial drawdown until expiry of 18 months from initial drawdown at 115% of principal outstanding (along with any accrued interest and line fee), and (b) at any time after 18 months from initial drawdown at 105% of principal outstanding (along with any accrued interest and line fee);
- Events of Default: usual events of default including insolvency and material adverse change;
- Review Rights: on the occurrence of certain review events, including a material change to the board, or a material reduction in the shareholding of the Company's Chairman and CEO, Metgasco has certain review rights including increasing its security; and
- Metgasco has been granted the right to nominate one director to the Board of Byron in the case of certain specified material adverse credit events only.

10 Million Byron Options to be issued to Metgasco:

On closing, Byron will issue 10 million non-transferable unlisted options ("Options") to Metgasco with an exercise price of 25c and a three years expiry.

Priority Right for Metgasco in Future Equity Raisings:

Byron will grant Metgasco a priority right (with a one week notice period) for up to 10% participation in any issuances of ordinary or preferred equity, or options, by the Company during the term of the Convertible Note.

Option for Metgasco to Acquire a 10% Working Interest in Bivouac Peak:

Byron will grant Metgasco the right (but Metgasco does not incur an obligation) to farm in to Byron's Bivouac Peak prospect for a 10% working interest (out of Byron's 45% working interest with Otto Energy Limited having acquired an option to earn a 45% working interest out of Byron's existing 90% working interest). If Metgasco exercises its option it will pay 10% of Byron's past costs and 13.33% of the cost of drilling the first well (up to US \$1.33m). Should Metgasco exercise its option, Byron and Metgasco will enter into farm-out agreements customary for a transaction of this type.

Opportunity for Metgasco to Participate in Future Byron Projects:

Byron will grant Metgasco the opportunity to farm into future Byron projects, should Byron decide to farmout a project, during the term of the Convertible Note, subject to Byron's existing obligations to Otto under the Participation Agreement between Byron and Otto, as announced to the ASX on 11 December 2015.

Conditionality and Approvals:

The issue of the Convertible Note and the Options (which are key conditions) under the transaction is conditional on Byron shareholders approving the issue of options and convertible notes for the purposes of Chapter 7 of the Listing Rules. Byron is expecting to issue the notice of meeting in late July/early August.

Contact and further information:

Metgasco invites all interested shareholders to make contact at any time.

ENDS

About Metgasco:

www.metgasco.com.au

Metgasco is presently pursuing new opportunities in the Oil & Gas sector. It holds an interest, via a secured production development funding facility, options and participation rights, in U.S Gulf of Mexico company Byron Energy Limited (ASX:BYE). Metgasco also holds a portfolio of cash, fixed income and managed credit assets. Until the end of 2015, Metgasco had a 100% interest in PEL 16, 13 and 426 in the Clarence Moreton Basin in NSW where it operated the largest acreage position in the basin, exploring for conventional and unconventional gas. It had 2C gas resources of 4,428 Petajoules. Metgasco agreed to withdraw from NSW operations and court action against NSW Government in return for a financial settlement approved by shareholders in December 2015.

For further information contact:

Alexander Lang

Executive Chairman

info@metgasco.com.au

Metgasco Limited ACN 088 196 383

Level 3, 2 Elizabeth Plaza, North Sydney NSW 2060

Tel: +61 2 9923 9100 Fax: +61 2 9959 5387

Web: www.metgasco.com.au
