

3rd April 2009

Dear Shareholder

Non-Renounceable Rights Offer Appointment of Lead Manager and Underwriter

As you would be aware Metgasco Limited ("Metgasco" or the "Company") has recently successfully completed a placement of shares at \$0.40 per share to institutional and sophisticated investors which raised approximately \$8 million ("Institutional Placement"). The Company has also announced that it will be conducting a rights offer (the "Offer") to enable existing eligible shareholders the opportunity to acquire Metgasco shares at the same price as was offered to participants in the Institutional Placement.

The Offer is non-renounceable and will be conducted on a basis of one new share ("New Share") for every eight existing shares. The issue price will be \$0.40 per New Share ("Issue Price") and the Offer will raise up to approximately \$7.7 million. The offer price represents a 23% discount to the volume weighted average price of Metgasco shares over the previous five trading days to Wednesday 11th March 2009.

Please find enclosed with this letter a Rights Offer Booklet and your personalised Entitlement and Acceptance Form. The Rights Offer booklet contains a letter from Dr Peter Power, the Chairman of Metgasco, a recent Investor Update Presentation and important information on how to apply for New Shares under the Offer.

The Company is also pleased to advise that it has appointed Bell Potter Securities Limited ("Bell Potter") as Lead Manager and Underwriter to the Offer. Under an agreement reached between the Company and Bell Potter, Bell Potter has agreed to underwrite up to \$6.6 million of the Offer¹. The balance of \$1.1 million comprises Directors' entitlements.

If you were an Eligible Shareholder on the Record Date (Monday 30th March 2009), you have the opportunity to invest in New Shares on the basis described above. It is important to note that **the Offer closes at 5.00pm on 24th April 2009**. If you decide to increase your investment in Metgasco, please ensure that you have completed your Entitlement and Acceptance Form and your application monies have been received by our share registry, Computershare Investor Services Pty Limited, or you have paid your application monies via BPAY, by this date.

Yours sincerely



David Johnson
Managing Director

¹ The underwriting agreement includes a number of termination events, including material disruptions in financial markets.