

ASX ANNOUNCEMENT

17 March 2009

METGASCO SUCCESSFULLY COMPLETES PLACEMENT AND ANNOUNCES RIGHTS OFFER

Metgasco Ltd (ASX:MEL) today announced that it had successfully raised approximately \$8 million via a placement. The funds raised will be used to progress the Company's coal seam gas and conventional gas exploration projects in the Clarence Moreton Basin in New South Wales.

The successful placement will result in the issue of 19,992,000 new ordinary shares at \$0.40 per share. The issue was jointly managed by Bell Potter Securities Limited and Taylor Collison Limited, and was placed with a range of institutional and sophisticated investors.

The Directors were pleased with the strong show of support from new and existing investors, with the placement being heavily oversubscribed.

The Managing Director of Metgasco, David Johnson said "The successful placement puts Metgasco in a strong financial position, with the resources and flexibility to more rapidly pursue the company's attractive growth strategies."

"Recognising the significant support we have received from our existing investors, we have also announced a rights offer today that will provide the opportunity for all Metgasco shareholders to participate in this equity offering on substantially the same terms as offered to institutional and sophisticated investors through the placement."

Metgasco today launched an additional equity raising of up to \$7.7 million by way of a 1 for 8 pro rata non-renounceable rights offer (Rights Offer) at an offer price of \$0.40 per share to all eligible shareholders.

The Rights Offer entitlement is for eligible Metgasco shareholders on the share register as at 7.00pm (AEDT) on Monday 30 March 2009. Detailed documentation will be sent to shareholders in the coming weeks.

The Rights Offer price of \$0.40 represents a 23% discount to the volume weighted average share price over the previous five trading days prior to the announcement of the capital raising. Shares issued under the placement will be allotted on 20 March 2009 and will be entitled to participate in the Rights Offer. No shareholder approval will be sought in relation to the placement shares.

The funds raised via the placement and Rights Offer, together with Metgasco's existing cash reserves, will be utilised to:

- Increase 1P reserves through additional coal seam gas production drilling;
- Increase 2P reserves through further coal seam gas reserve evaluation drilling;
- Undertake potential high impact appraisal drilling at the Company's recent Kingfisher field conventional gas discovery and similar locations on the Mackellar High Trend;
- Meet working commitments to Joint Ventures;
- Progress the development of the Lions Way Pipeline development to connect the Casino gas field with the south-east Queensland gas markets and the Richmond Valley Power Station; and
- Replenish working capital.

The Managing Director of Metgasco, David Johnson said "Last week we announced a milestone achievement, the first 1P reserves from the Clarence Moreton basin in Northern New South Wales. Having achieved this milestone, this capital raising involving a placement and rights offer, will allow us to more rapidly progress our gas commercialisation strategy by demonstrating that our coal seam gas wells can deliver gas on a commercial, repeatable and reliable basis. We intend to expand our proven gas reserve position, continue working towards developing our pipeline to market and finalising gas sale arrangements."

"In addition to our proven coal seam gas reserves, our Kingfisher Field discovery provides Metgasco with the opportunity to develop conventional gas reserves. The capital raised will also allow Metgasco to undertake further drilling at our Kingfisher Field with the potential for conventional gas discovered at this location to be quickly recognised as proven reserves. Successful appraisal of the Kingfisher Field will also auger well for additional drilling on other conventional gas structures on the Mackeller high trend in PEL 16. While we tend to see the Clarence Moreton as a gas charged basin, we have not ruled out the possibility that there is condensate or oil deeper in the system."

Under the Rights Offer, eligible shareholders can choose whether or not to take up all or part of their entitlement. The Rights Offer is expected to open on 3 April 2009 and close on 24 April 2009. Further details of the Rights Offer will be sent to existing shareholders in due course. The Rights Offer proposed timetable is described below.

RIGHTS OFFER PROPOSED TIMETABLE

Event	Date
Record Date for the Rights Offer	30 March 2009
Mailing of Entitlement and Acceptance Form to Shareholders	3 April 2009
Rights Offer opens	3 April 2009
Rights Offer closes	24 April 2009
Deferred settlement trading commences on ASX	27 April 2009
Settlement of the Rights Offer	28 April 2009
Last day of deferred settlement trading and allotment of New Shares under the Rights Offer	29 April 2009
Expected commencement of normal trading of New Shares issued under the Rights Offer	30 April 2009

Dates and times are indicative only and subject to change. All times and dates refer to AEDT.

A copy of the Investor update and capital raising presentation dated 17th March 2009 is attached.

SHAREHOLDER ENQUIRIES

Shareholders who have questions regarding the Rights Offer should contact Nick Geddes on 02-9252 1933 or send an email to Metgasco on info@metgasco.com.au or go to our website at www.metgasco.com.au.

For further information contact:

David Johnson Glenda McLoughlin
Managing Director Chief Financial Officer

Metgasco Limited
ACN 088 196 383
Level 9, 77 Pacific Highway
North Sydney NSW 2060
Tel: (02) 9923 9100 Fax: (02) 9923 9199
Website: www.metgasco.com.au