
METGASCO LIMITED

ACN 088 196 383

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at:

Rydges Hotel, Acacia Room,
54 McLaren St, North Sydney

on Wednesday 15th November 2006 at 11.00am.

Registered Office:

Metgasco Ltd
Level 3, 32 Walker St
North Sydney NSW 2060

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary, Nick Geddes by telephone on 02-9252 1933.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Metgasco Limited ("Company") for 2006 will be held at Rydges Hotel, Acacia Room, 54 McLaren St, North Sydney, NSW on Wednesday 15th November 2006 at 11.00 am (EST) ("AGM").

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to regulation 7.11.38 of the Corporations Regulations 2001(Cth) that the persons eligible to vote at the AGM are those who are registered as Shareholders of the Company at 11.00 am (EST) on Monday 13th November 2006.

Terms and abbreviations used in this Notice of Meeting are defined in Schedule 1.

AGENDA

Reports and Accounts

To receive the financial statements of the Company for the year ended 30 June 2006 together with the Directors' Report, Directors Declaration and the Auditor's Report.

1. Resolution 1 – Remuneration Report

To consider, and if thought fit, pass the following non-binding resolution:

"That the Remuneration Report required by section 300A of the Corporations Act, as contained in the Director's Report of the Company, for the year ended 30 June 2006 be adopted."

2. Resolution 2 – Election of Mr Nicholas Heath as a Director

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

"That, Nicholas Heath, who was appointed a Director pursuant to Clause 9 on 3 October 2006, and who retires in accordance with Clause 9 of the Company's Constitution and being eligible, offers himself for election, be elected a Director of the Company."

3. Resolution 3 – Re-election of Glenda McLoughlin as a Director

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

"That, Ms Glenda McLoughlin, being a Director of the Company retires by rotation in accordance with the Constitution and, being eligible, is hereby re-elected in accordance with the Constitution as a Director of the Company."

4. **Resolution 4 – Executive Director Participation in Employees and Officers Option Plan - Approval of Issue of Options to Mr Richard Wood in accordance with Listing Rule 10.14**

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

“That approval be given pursuant to ASX Listing Rule 10.11 for the issue of 100,000 unlisted options over ordinary shares at a nil issue price and an exercise price of \$0.30 to Mr Richard Wood, details of which are set out in the explanatory notes to Resolution 4 in the notice of meeting.”

Voting Exclusion

The Company will disregard any votes cast on resolution 4 by any Director (except one who is ineligible to participate in any plan) .

However, the Company need not disregard a vote of a Director or his associates on resolution 4 if a vote is cast by a person as a proxy for a member of the Company who is entitled to vote, in accordance with the directions of the proxy form, or cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form, to vote as the proxy decides.

5. **Resolution 5 – Non-Executive Director Participation in Employees and Officers Option Plan - Approval of Issue of Options to Mr Nicholas Heath in accordance with Listing Rule 10.14**

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

“That approval be given pursuant to ASX Listing Rule 10.11 for the issue of 100,000 unlisted options over ordinary shares at a nil issue price and an exercise price of \$0.30 to and the issue of 150,000 unlisted options over ordinary shares at a nil issue price and an exercise price of \$0.50 to Mr Nicholas Heath, details of which are set out in the explanatory notes to Resolution 5 in the notice of meeting.”

Voting Exclusion

The Company will disregard any votes cast on resolution 5 by any Director (except one who is ineligible to participate in any plan) .

However, the Company need not disregard a vote of a Director or his associates on resolution 5 if a vote is cast by a person as a proxy for a member of the Company who is entitled to vote, in accordance with the directions of the proxy form, or cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form, to vote as the proxy decides.

6. **Resolution 6 – Increase in maximum aggregate fees payable to non-executive Directors.**

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

“The Members approve an increase in the maximum amount of fees that may be paid by the Company by \$50,000 per annum from \$200,000 to \$250,000 per annum in aggregate for all non-executive Directors.”

Voting Exclusion

The Company will disregard any votes cast on resolution 6 by:

- Any Directors of the Company and their associates.

However, the entity need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form, to vote as the proxy decides.

7. Resolution 7 – Ratification of issue of ordinary shares pursuant to ASX Listing Rule 7.4

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

"That, in accordance with ASX Listing Rule 7.4, the Company ratifies and approves for the purposes of ASX Listing Rule 7.1, the issue of 11,762,500 fully paid ordinary shares in the capital of the Company, details of which are set out in the explanatory notes to resolution 6 in the Notice of Meeting."

Voting Exclusion

The Company will disregard any votes cast on resolution 7 by:

- Any person named or identified in the Explanatory Memorandum as a person whom shares the subject of Resolution 7 were issued and any associate of any one or more of any such persons.

However, the entity need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form, to vote as the proxy decides.

By Order of the Board



N J V Geddes
Company Secretary
Sydney, New South Wales

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the AGM to be held at Vibe Hotel North Sydney, Ballroom B, 88 Alfred Street, Milsons Point, NSW on 15th November 2006 at 11.00am (EST).

The purpose of this Explanatory Memorandum is to provide information which the Board of Directors believe is material to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice of Annual General Meeting.

BACKGROUND TO RESOLUTIONS

2. Resolution 1 – Remuneration Report

As required by section 250R(2) of the Corporations Act 2001, the Remuneration Report of the Company for the financial year ending 30 June 2006 will be laid before the meeting. The Remuneration Report is set out on pages 17-18 of the Company's 2006 Annual Report. The Report explains the structure of and policy behind the Company's remuneration practices and sets out the remuneration details for each director. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. The resolution is advisory only and does not bind the Company.

3. Resolution 2 – Election of Mr Nicholas Heath as a Director

The Constitution states that any Director appointed under Clause 9.1 holds office only until the termination of the next Annual General Meeting of the Company and is eligible for re-election at that Annual General Meeting.

Pursuant to the Constitution Mr Nicholas Heath will retire in accordance with the Constitution and seeks election.

The Board supports the election of Mr Nicholas Heath.

4. Resolution 3 – Re-election of Ms Glenda McLoughlin as a Director

The Constitution requires that if the Company has three or more Directors, one third of those Directors must retire at each AGM (rounded down to the nearest whole number).

The Company currently has four Directors and accordingly one must retire.

The Constitution provides that a Director who retires under that Article is eligible for re-election.

Pursuant to the Constitution Ms Glenda McLoughlin will retire by rotation and seeks re-election.

Details of Ms McLoughlin's background and experience are set out in the Annual Report which accompanies this Explanatory Memorandum.

The Board supports the re-election of Ms Glenda McLoughlin.

5. **Resolution 4 – Executive Director Participation in Employees and Officers Option Plan Issue of Options to Mr Richard Wood**

It is proposed to grant 100,000 unlisted options, issued at no cash cost, to Mr Richard Wood, an executive director of the Company. These options form part of Mr Wood's remuneration which reduces the cash cost of Director's remuneration to the Company. The options are exercisable at \$0.30 (thirty cents) each at any time between 20 April 2006 and 20 April 2011. If the grant of options is approved by Members the grant will be made within one month of the AGM. At present there are no other Directors of the Company participating in the Employees and Officers Option Plan, but see Resolution No.5.

6. **Resolution 5 – Non-Executive Director Participation in Employees and Officers Option Plan Issue of Options to Mr Nicholas Heath**

It is proposed to grant 250,000 unlisted options, issued at no cash cost, to Mr Nicholas Heath, an executive director of the Company. These options form part of Mr Heath's remuneration which reduces the cash cost of Director's remuneration to the Company. Of these options, 100,000 are exercisable at \$0.30 (thirty cents) each at any time between 1 January 2007 and 1 January 2012. If the grant of options is approved by Members the grant will be made within one month of the AGM. At present there are no other Directors of the Company participating in the Employees and Officers Option Plan, but see Resolution No.4..

7. **Resolution 6 – Approval of maximum aggregate fees to non-executive Directors**

At present, the maximum aggregate amount of fees that may be paid to non-executive directors is \$200,000 per annum.

The Board comprises two independent non-executive Directors, Mr Peter Power and Mr Nicholas Heath. With the growth of the company, the potential exists for the Board to appoint additional independent non-executive directors. Consequently Members'

approval to lift the current limit of \$200,000pa by \$50,000 pa to an aggregate limit of \$250,000pa is now sought.

The proposed new aggregate limit exceeds the current total payments for non-executive directors, thereby leaving the Company with sufficient capacity to accommodate any increase in the number of non-executive directors, should this be deemed appropriate. The proposed increase ensures the Company is competitive in attracting and retaining directors with the necessary skills, qualifications and experience.

8. Resolution 7 – Ratification of share issues for purposes of ASX Listing Rules

ASX Listing Rule 7.1 imposes a cap on the number of shares that a company may issue within the 12 month period. ASX Listing Rule 7.4 provides that an issue of equity securities made without Shareholder approval under Listing Rule 7.1 is treated as having been made with Shareholder approval for the purposes of Listing Rule 7.1 if the holders of ordinary securities subsequently approve it, and the issue did not breach Listing Rule 7.1. The issues of the shares described below did not breach any Listing Rules and shareholder ratification to those issues is now sought.

In order to restore the Company's 15% placement capacity, it is proposed that the Members ratify the issues of ordinary shares as detailed below. Ratification provides the Company with flexibility in capital management and allows the Company to make further issues for working capital purposes as required.

On 20th September 2006 the Company issued 11,762,500 ordinary shares at \$0.20 in the capital of the Company only to sophisticated investors that were clients of Taylor Collison and Bell Potter as follows:

Number of securities issued	Date of Issue	Price Per Share	Names of allottees or basis on which allottees were determined
300,000	20/09/2006	\$0.20	Nutsville Pty Ltd
100,000			Swell Nominees Pty Ltd
100,000			Diskdew Pty Ltd
50,000			Drumnadrochit Futures Pty Ltd
50,000			Vic-Inns Pty Ltd
125,000			Rochester No39 Pty Ltd
150,000			Jott Investments Pty Ltd
125,000			A J Giles Pty Ltd
100,000			Mrs Cheryl Ann Nairn
155,000			ANZ Nominees Limited
845,000			ANZ Nominees Limited
50,000			Mr Gerard Peter + Mrs Alison Ruth Pagliaro
100,000			John Walker Financial Counselling Pty Ltd
50,000			Ms Petra Christine Weiss
50,000			Normetals Pty Ltd

50,000		Petola Pty Ltd
50,000		Kabuki Pty Ltd
50,000		Mr William Anderson Browne
50,000		Australian Trade Access Pty Ltd
100,000		Mr Simon Alfred + Mrs Robin Thiele
125,000		Michael Angelakis Nominees Pty Ltd
150,000		Dorica Nominees Pty Ltd
50,000		Mr Ronald Richard Bentley
100,000		Paley Enterprises Pty Ltd
25,000		Mr Stavros Elia
100,000		Michael Kevin + Catherine Alice Ricketts
100,000		Booth & Booth Pty Ltd
300,000		UBS Nominees Pty Ltd
50,000		Mr Matthew Stephen Millar
200,000		James William + Raema Sue Mahony
100,000		Wobbly Investments Pty Ltd
50,000		Samuel John + Felicity Legoe
50,000		Mr Mark Daryl Wood
50,000		Garry + Susan Head
50,000		Mr Tim Simpson
187,500		Symington Pty Ltd
150,000		Octifil Pty Ltd
100,000		David George + Susan Marie Whitting
100,000		Mr John Darroch
150,000		Mr Luke Charles Anderson
1,050,000		Taycol Nominees Pty Ltd
2,650,000		Bell Potter Nominees Ltd
375,000		A & P White Pty Ltd
500,000		Dyspo Pty Ltd
1,250,000		ANZ Nominees Limited
750,000		Bizzell Nominees Pty Ltd
350,000		Belcob Investments Pty Ltd

These funds were employed for working capital by the Company.

SCHEDULE 1

Definitions

In this Explanatory Memorandum and Notice of General Meeting:

“**ASIC**” means the Australian Securities and Investments Commission.

“**ASX**” means Australian Stock Exchange Limited.

“**ASX Listing Rules**” means the listing rules of the ASX.

“**Company**” means Metgasco Limited.

“**Constitution**” means the Constitution of the Company.

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

“**Directors**” means the directors of the Company.

“**Options**” means an option to subscribe for a Share on specific terms.

“**Proxy Form**” means the proxy form attached to the Notice of General Meeting.

“**Resolution**” means a resolution referred to in the Notice of General Meeting.

“**Shareholder**” means a shareholder of the Company.

“**Share**” means a fully paid ordinary share in the capital of the Company.

PROXY FORM

Metgasco Limited

ACN 088 196 383

I/We.....

(PLEASE PRINT NAME)

Of.....

(ADDRESS)

being a member/members of Metgasco Limited

A Appoint

(PLEASE PRINT NAME)

or failing the person so named (or if no person is named) the **Chairman of the Meeting [if appointing the Chairman see B below]** as proxy to vote in accordance with the following directions (or if no directions have been given as the proxy or the Chairman sees fit) at the Annual General Meeting of members of Metgasco Limited to be held on Wednesday 15 November 2006 commencing at 11.00am and at any adjournment.

B Exercise of Proxy by Chairman

For undirected proxies, the Chairman intends to vote in favour of each resolution. If you do not wish to direct your proxy how to vote, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.



C Business

	For	Against	Abstain
Resolution 1 – Remuneration Report	☐	☐	☐
Resolution 2 – Election of Mr Nicholas Heath	☐	☐	☐
Resolution 3 – Re-election of Ms Glenda McLoughlin	☐	☐	☐
Resolution 4 – Issue of Options to Mr Richard Wood	☐	☐	☐
Resolution 5 – Issue of Options to Mr Nicholas Heath	☐	☐	☐
Resolution 6 – Increase in maximum aggregate fees payable to Non-Executive Directors	☐	☐	☐
Resolution 7 – Ratification of issue of ordinary shares	☐	☐	☐

D If Appointing a Second Proxy

State here the percentage of your voting rights

Or

the number of shares applicable to this Form

 %

Or

 Number

E Insert your daytime telephone number

 (S T D)

F Signature(s)

Signatures if Corporate Shareholder (See Note F)

Executed in accordance with section 127 of the Corporations Act

Director/Sole Director sign and print name

Director/Secretary sign and print name

Note: For your proxy to be entitled to vote your shares at the Meeting, the completed Proxy Form must be received by the Company not later than 48 hours prior to the Meeting.

INSTRUCTION FOR COMPLETION OF PROXY FORM

Your vote is important. Please direct your proxy how to vote. For your proxy to be entitled to vote your shares at the Meeting, the completed Proxy Form must be received by the Company not later than 48 hours prior to the Meeting. Any proxy received after this deadline will be treated as invalid.

A. Appoint

Insert here the name of the person you wish to appoint as proxy. Members cannot appoint themselves. If you submit a Proxy Form, which does not name a person to act as your proxy, the Chairman of the Meeting will act as your proxy. You can vote your shares by proxy even if you plan to attend the Meeting.

B. Exercise of Proxy by Chairman

For undirected proxies, Chairman intends to vote in favour of each resolution. If you do not wish to direct your proxy how to vote, please place a mark in the box. By marking the box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

C. Business

If you wish to direct your proxy how to vote on any item, place a mark in the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate box. The vote will be invalid if a mark is made against more than one box for a particular item or if the total shareholding shown in "For", "Against" and "Abstain" boxes is more than your total shareholding on the share register.

D. If Appointing a Second Proxy

A member is entitled to appoint up to two persons (whether members or not) to attend the Meeting as proxies and vote. If you wish to appoint two proxies please photocopy your proxy form or obtain another proxy form by calling the Company Secretary on (02) 9252 1933. Both Forms should be completed with the nominated percentage of your voting rights or number of shares on each Form. If you do not specify the nominated percentage of your voting rights or number of shares, each of the proxies may exercise half of the votes. Please return these Proxy Forms together.

E. Insert your daytime telephone number

This is required in case we need to contact you.

F. Signature(s)

This Form must be signed by the member. If the member is an Australian corporation, the Form must be executed in accordance with section 127 of the Corporations Act or by an attorney. If this Form is signed by a person who is not the registered shareholder then the relevant authority must either have been exhibited previously to the Company or be enclosed with this Form.

Further Important Information

Please return your completed Proxy Form to the Company Secretary c/- Australian Company Secretaries Pty Ltd, at Level 5, 255 George Street, Sydney, NSW, 2000 (GPO Box 4231, Sydney, NSW, 2001). Alternatively, your Form can be faxed to the Company on (02) 9252 2487. **To be effective, the Form must be received by the Company at the above address not later than 48 hours prior to the Meeting.** If you require further information on how to complete the Proxy Form, telephone the Company Secretary on (02) 9252 1933.