METGASCO Ltd
ABN 24 088 196 383

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23 March 2009

Company Announcements
Australian Securities Exchange
Bridge Street
SYDNEY NSW 20000

Dear Sirs

Non Renounceable Rights Issue – Letter to Eligible Shareholders.

We refer to the attached letter and advise that this is being mailed to shareholders today.

Yours faithfully

NJV Geddes
Secretary

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23rd March 2009

Dear Shareholder

METGASCO LTD – NON RENOUNCEABLE RIGHTS OFFER

On 17 March 2009, Metgasco Ltd ("Metgasco") announced a capital raising of up to $15.7 million comprising:

- A placement to institutional and sophisticated investors of 19,992,000 new ordinary shares at $0.40 per share to raise $8 million before issue costs; and
- A 1 for 8 pro rata non-renounceable rights offer ("Rights Offer") to eligible Shareholders at $0.40 per share to raise up to $7.7 million.

The placement to institutional and sophisticated investors was completed on 20 March 2009. 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.

Metgasco will not issue a prospectus for the Rights Offer. Instead, an Offer document detailing the non-renounceable rights offer will be available on Metgasco's website at www.metgasco.com.au. The Rights Offer entitlement is for eligible Metgasco shareholders on the share register as at 7.00pm (AEDT) on Monday 30 March with registered addresses in Australia and New Zealand. Shareholders with registered addresses outside Australia and New Zealand are not eligible to participate in the Rights Offer.

Entitlements to New Shares pursuant to the Rights Offer are non-renounceable and accordingly will not be traded on the ASX. Under the Rights Offer, eligible shareholders can choose whether or not to take up all or part of their entitlement or otherwise have their equity interests diluted. Entitlements not taken up by eligible shareholders and those entitlements which would have otherwise been offered to ineligible shareholders will be offered to participating shareholders who wish to apply for new shares in addition to their entitlement under the Rights Offer.

The New Shares will rank equally with the existing ordinary shares from the date of allotment. The current number of ordinary shares on issue in Metgasco is 153,273,134. Under the Rights Offer a further 19,159,142 shares may be issued.

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The indicative timetable for the Rights Offer is as follows:

Event	**Date**
Record Date for the Rights Offer	7:00pm (AEDT) on 30 March 2009
Mailing of Entitlement and Acceptance Form to Shareholders	3 April 2009
Rights Offer opens	3 April 2009
Rights Offer closes	5:00pm (AEST) on 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
Issue of New Shares under the Rights Issue	29 April 2009
Normal trading of New Shares issued under the Rights Issue expected to commence on ASX	30 April 2009
Despatch of holding statements	4 May 2009

Dates and times are indicative only and subject to change. Subject to the ASX Listing Rules, the Directors of the Company reserve the right to vary these dates, including the Closing Date, without prior notice.

Before making a decision whether to subscribe for any of these shares, please carefully read the Offer Document when you receive it. The offer closes at 5.00pm on 24 April 2009. If you have any queries regarding your rights or the mailing of the Offer Document and the accompanying Entitlement and Acceptance Form please contact me, Nick Geddes on +61 2 9252 1933. Further information in relation to Metgasco's activities and the Rights Offer is available on the Company's website at www.metgasco.com.au.

By order of the Board

Nick Geddes
Company Secretary