

METGASCO

2021 Annual Report

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

On behalf of the Board of Directors I am pleased to present Metgasco's 2021 Annual Report.

The year commenced with a pivotal, and successful, stimulation and flow test of the Company's key Vali-1 ST1 discovery well in the Cooper Basin. Following this success, Vali-2 and Vali-3 were drilled in succession, providing the exploration success that has underpinned the ATP2021 Joint Venture's increasing confidence that the Vali field will deliver significant gas production into the tight Eastern Australian market in 2022.

In 2021 the Joint Venture also successfully drilled the substantial Odin prospect in PRL211, encountering extensive gas shows throughout the target formations. Flow testing of interpreted conventional gas pay at Odin within the Toolachee and Epsilon formations is presently ongoing, with highly encouraging results. Metgasco, with its joint venture partners, hopes to ultimately tie Odin gas into a larger Cooper Basin production hub, creating an energy business of significant scale and profitability.

Metgasco has been pleased with the performance of Vintage Energy Limited as operator in the Cooper and considers securing a farm-in partner with such a strong history of professional success and experience in that basin to have been of significant value to our shareholders.

In Western Australia, Ken Aitken and the team continued to progress the company's L14 (Cervantes) project, where Metgasco is Operator, completing heritage surveys, finalising relevant applications and progressing rig contract negotiations. Metgasco remains very confident of drilling Cervantes, a project of transformational scale and potential, in the first half of 2022.

The Company also undertook a number of capital market initiatives in 2021. In July of 2020 the business launched a Placement and Share Purchase Plan that was widely supported and followed this up with a bonus distribution of options, to all shareholders, in January of 2021. In December of 2020, Metgasco completed a pro-rata distribution, to all shareholders, of 20 million shares then held by the Company in Byron Energy Limited (ASX:BYE), a legacy of an earlier, successful investment into that company by Metgasco.

In undertaking these initiatives, widely accessible equity raisings and distributions, Metgasco has been driven by a strong focus on enhancing shareholder total returns and ensuring that capital initiatives and opportunities are made available to all shareholders in a fair and equitable manner. This philosophy will continue to guide the Company in the years ahead.

Shareholders can be confident they enjoy the services of a strongly aligned Board and Executive, with Ken Aitken and Paul Bird doing a superb job managing the business from Perth as a lean and effective team. I should like to pass on my thanks to them and to my colleagues on the Board for the strong contributions they have made to the business in 2021 and look forward to the realisation of much of this value as we move into 2022.

I commend the Annual Report to you.

Sincerely,



Philip Amery
Chairman

TABLE OF CONTENTS

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	24
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	25
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	26
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	27
CONSOLIDATED STATEMENT OF CASH FLOWS	28
NOTES TO THE FINANCIAL STATEMENTS	29
DIRECTORS' DECLARATION.....	51
INDEPENDENT AUDITOR'S REPORT	52
SHAREHOLDER INFORMATION.....	56
CORPORATE DIRECTORY	58

DIRECTORS' REPORT

Your Directors present their report on Metgasco Ltd ("Metgasco" or the "Company") and the entity it controlled for the year ended 30 June 2021.

Principal Activities

The principal activities of the Company during the financial year were oil and gas exploration, appraisal, development and investment in and development of associated energy infrastructure. There has been no change in the nature of these activities during the year.

Company Information

Metgasco is a company limited by shares, which is incorporated and domiciled in Australia. Metgasco was incorporated on 22 June 1999 and converted to a public company on 28 June 2002. On 23 December 2004 Metgasco became a publicly traded company on the Australian Securities Exchange.

Review of Operations

Cooper/Eromanga: ATP2021

The successful Vali-1 ST1 gas exploration well (see location on map in figure 2) drilled on the Queensland side of the Cooper/Eromanga Basin, reached a total depth of 3217m measured depth on 10 January 2020 discovering approximately 80m of interpreted net gas pay (porosity cut-off 6%) over a gross 312m interval in the Patchawarra Formation target. Gas was also recovered from the target Upper Patchawarra and Nappamerri Group via MDT sampling. Oil shows were also detected in the Jurassic age Westbourne and Birkhead formations. Metgasco was free carried on Vali-1 ST1 pursuant to farm-out agreements with Vintage Energy and Bridgeport Energy, through to case and suspend.

During July and August 2020, a six-stage fracture stimulation and flow test program was safely and successfully completed on the Vali-1 ST1 discovery well. A total of five stages were individually fracture stimulated across pre-selected sand packages the Patchawarra reservoir and one in the deeper Tirrawarra/Basal Patchawarra section (at depths between 2810 metres to 3140 metres).

The bridge plugs separating the six fractured zones in the well were milled out allowing the stimulation fluid injected into the zones during the fracturing process to be "flowed back" via the surface well test separator, which separates the stimulation fluid and the gas. Following the stimulation flow-back an extended gas flow-test program was undertaken. Strong gas rates were achieved in all flow periods and quick pressure build-ups were observed during shut-in periods, with pressure levels quickly approaching around 3000psi. All flow rates were restricted through varying choke sizes to ensure proppant was not returned from the formation into the well bore, therefore avoiding any reduction of the stimulation process.

During the flow testing of the well, the following activities were undertaken:

- Production Logging Tool run determined that gas was being contributed by each of the stimulated zones;
- Surface Shut-ins (with downhole gauges installed) designed to observe the pressure response of the reservoir, resulted in surface pressure readings reaching 2,932 psi. Pressure transient analysis has been completed on the recovered down-hole gauges;
- Flow testing – pressure transient tests were undertaken via three choke sizes; 24/64", 32/64" and 40/64" over three equal periods of six hours. During these tests rates were recorded between 3.7 MMscfd at 1,676 psi flowing well-head pressure ("FWHP") and 7.5 MMscfd at 1593 psi FWHP. These transient tests were followed by an extended flow test through a choke size of 36/64" for 48 hours, during which the well flowed at 4.3 MMscfd at 942 psi FWHP;
- Pressurised Gas samples taken from the test separator were analysed in a laboratory;
- A very small volume of gas condensate was detected in the separator indicating dry gas.

As a consequence of the flow testing of the well, our initial estimates of the potential gas flow rate for the Vali-1 ST1 well are in excess of 5 MMscfd.



Figure 1: Gas Flare at Vali-1 ST1 (5 August 2020)

The SLR 184 rig was mobilised to the Vali-2 location (see figure-2 below) and commenced drilling the Vali-2 appraisal well on 22 April 2021. Vali-2 was drilled safely and ahead of schedule to a total depth of 3,240m and cased for production.

Wireline logging confirmed the presence of gas in both the Toolachee and Patchawarra formations, as well as the Tirrawarra Sandstone, with a gas sample recovered via MDT from the Toolachee. Vali-2 has 24 metres of stacked net gas pay in the Toolachee Formation, with an 8% porosity cut-off, which is distributed between three thick sandstone packages and five thinner ones. A gas gradient was established through MDT pressure measurements and a gas sample recovered.

Analysis of the sample indicates the Toolachee gas has a higher percentage of hydrocarbons at 82% (75% methane, 4% ethane, 3% other hydrocarbons) and 18% inert gases, compared with the Patchawarra gas in Vali-1 ST1, which has around 76% hydrocarbons and 24% inert gases.

The wireline logging and MDT results indicate that the Toolachee reservoir may flow without the need for well stimulation.

The Patchawarra Formation is estimated to have 117 metres of conventional and low permeability net gas pay, with a 6% porosity cut off (80 metres in Vali-1ST1 with a 6% porosity cut off), that is distributed over 18 sandstone packages, with the Tirrawarra Sandstone having nine metres of conventional and low permeability net gas pay (two metres in Vali-1 ST1), both of which had a 6% porosity cut off. Production from these formations is expected to be optimised by future well stimulation.

Following the successful results of Vali-2 the ATP2021 JV decided to drill an additional Vali-3 appraisal well following the Odin-1 exploration well.

Vali-3 was spudded on 9 June 2021 and reached total depth of 3186m on 28 June 2021. The wireline logging evaluation was successfully completed and the well cased and suspended.

The main objective of the Vali-3 well was achieved following the intersection of the Patchawarra Formation in line with the pre-drill interpretation of the Vali structure. Evaluation of the recently completed wireline logging program has confirmed interpreted gas pay within the Patchawarra, consistent with pre-drill expectations and the location of the well within the field.

During Vali-3 drilling, further gas shows were observed in the lower Nappamerri Group, Toolachee and Epsilon formations, and the Tirrawarra Sandstone. Samples collected from the Nappamerri Group and Toolachee

Formation during the evaluation program will be analysed to determine whether gas pay can be interpreted in any of the sands in these zones.

Oil shows were observed in Vali-3 through the late Cretaceous, Jurassic and Triassic sediments, as well as the uppermost Permian aged Toolachee Formation. Similar shows were encountered in both the Vali-2 and Vali-3 wells and are a major positive in terms of oil potential within the ATP 2021 permit, with more than 12 oil leads identified in ATP 2021.

Despite there being no mappable Jurassic structural closure around the three Vali wells, a particularly good oil show was observed within the McKinlay Member in Vali-3 and sampling recovered water, likely mud filtrate, with hydrocarbon odour and blue-white fluorescence.

This suggests that oil has migrated through this area and increases the prospectivity of the Jurassic structural closures nearby.

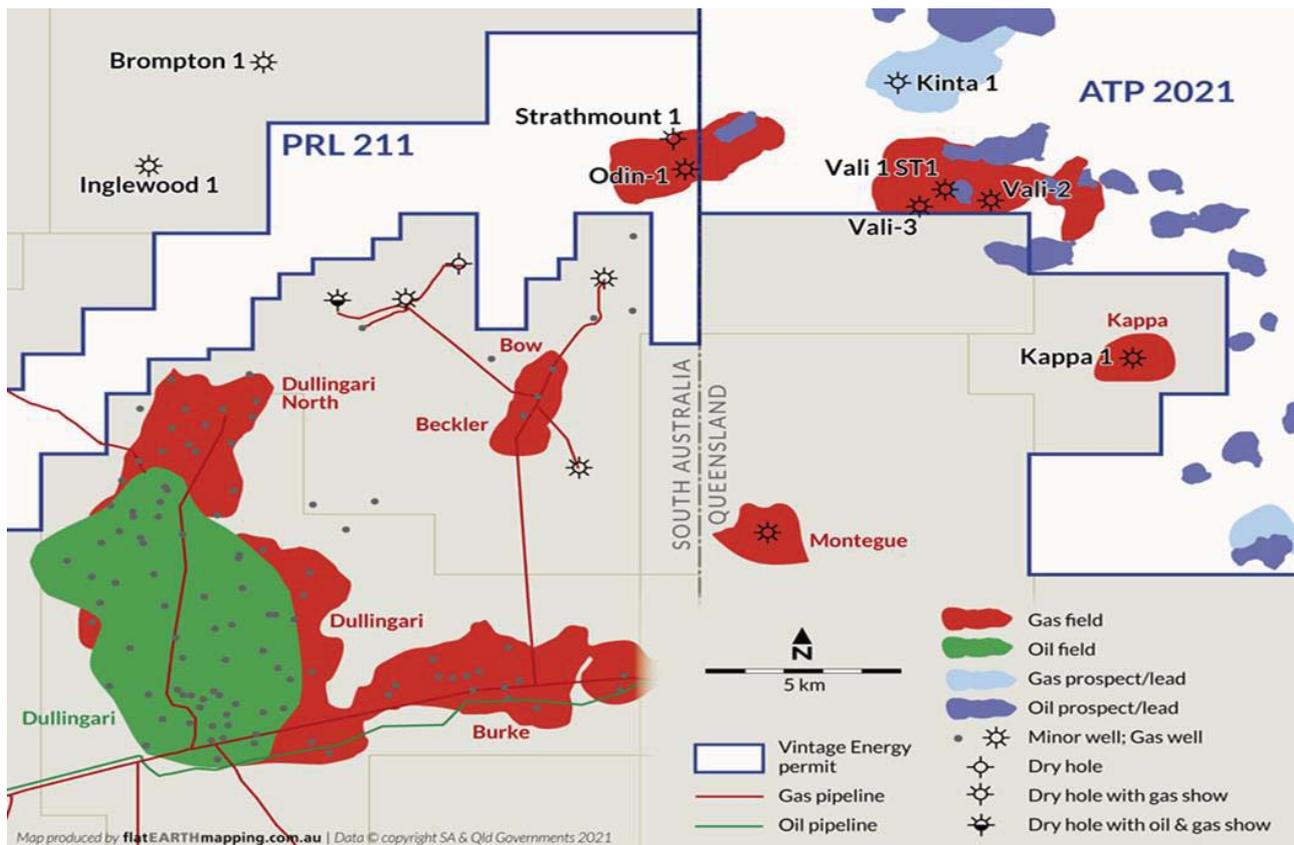


Figure 2: Cooper Basin permits PRL 211 and ATP 2021 including well locations Odin-1, Vali-1 ST1, Vali-2 and Vali-3 Source: Vintage

Cooper/Eromanga: PRL 211

During the reporting period Beach Energy purchased Senex’s licence interest in PRL211 as part of a wider Cooper Basin sales transaction. Under the FIA, Vintage Energy is the operator with a 42.5% working interest, Metgasco with 21.25%, Bridgeport Energy with 21.25% and Beach Energy with 15%, with Beach Energy to be free carried through the drilling of the first well.

Under the terms of the farm-in, the well was planned to be drilled in the Odin structure (with Metgasco paying 25% of the estimated cost of the well, approximately \$1.1 million net) for a 21.25% equity interest in PRL 211. All further work, including the potential to stimulate, complete and flow test the Odin well will revert to normal equity share.

The Odin-1 exploration well was spud using the SLR184 rig on 15 May 2021 and reached total depth at 3,140 metres on 26 May 2021(see Figure 2), with extensive gas shows encountered in sandstones through the primary target Toolachee and Patchawarra formations, as well as a basal sand in a secondary target in the Epsilon Formation.

It is estimated that 172.5 metres of net gas pay exists within various sections of the well, which is made up of the following intervals:

- Toolachee Formation conventional pay: 37 metres (porosity greater than or equal to 8%)
- Epsilon Formation conventional pay: 4.5 metres (porosity greater than or equal to 8%)
- Patchawarra Formation conventional and low permeability pay: 126 metres (porosity greater than or equal to 6%)
- Tirrawarra Sandstone conventional and low permeability pay: 5 metres (porosity greater than or equal to 6%)

The analysis of the gas sample recovered from the Toolachee Formation highlights the richer hydrocarbon content of this formation when compared with the Epsilon and Patchawarra formations, with the composition of the samples being:

- Toolachee Formation gas sample: 83% hydrocarbons (79% methane, 3% ethane and 1% other) and 17% inerts;
- Epsilon Formation gas sample: 77% hydrocarbons (75% methane, 2% ethane) and 23% inerts (similar to Patchawarra Formation samples from previous wells)

Odin-1 addressed a fault bounded Patchawarra Formation closure, up dip of Strathmount-1, a well drilled in 1987 and plugged and abandoned after discovering what was then considered a non-commercial hydrocarbon accumulation.

Perth Basin: L14

Metgasco is the seconded operator of the Cervantes Joint Venture (CJV) on behalf of partners Vintage Energy Ltd (ASX: VEN, "Vintage") and RCMA Australia Pty Ltd ("RCMA"). The Cervantes prospect (refer figure 3) sits within the L14 licence granted over the Jingemina oilfield and surrounds and is a high-side fault trap of multiple Permian sandstone reservoir targets (prolific producers in Perth Basin). The COS is 28% and it has a high chance of development due to its close proximity to the Jingemina oil field and processing facility.

In December 2020, the CJV signed a letter of intent (LOI) with Refine Energy Pty Ltd for the drilling of the Cervantes exploration prospect planned for late Q2 CY21. During May 2021 the option to use the Refine Energy owned rig lapsed due to financial difficulties experienced by Refine Energy. Discussions are underway with other Perth Basin operators and rig operators to secure a rig slot to drill Cervantes. Drilling is now anticipated in late Q4 CY2021/Q1 CY2022 subject to government regulatory approvals, and rig availability.

In January a Heritage survey was completed on the access track and drilling location with the Southern Yamatiji people. No heritage artifacts were found, and Heritage land access approval was received in February 2021. Other land access agreements have also been finalised during the financial year.

The Cervantes drilling surface location and access track was chosen to reduce the drilling environmental footprint as well as enable the deviated wellbore to penetrate all three Permian reservoir targets. During the reporting period environmental and safety drilling approval applications were progressed with state government regulatory authorities with approvals anticipated in late Q3/early Q4 CY2021.

Long lead casing and wellhead equipment was delivered to storage in Perth in April 2021. Well service contracts have progressed in preparation for drilling.

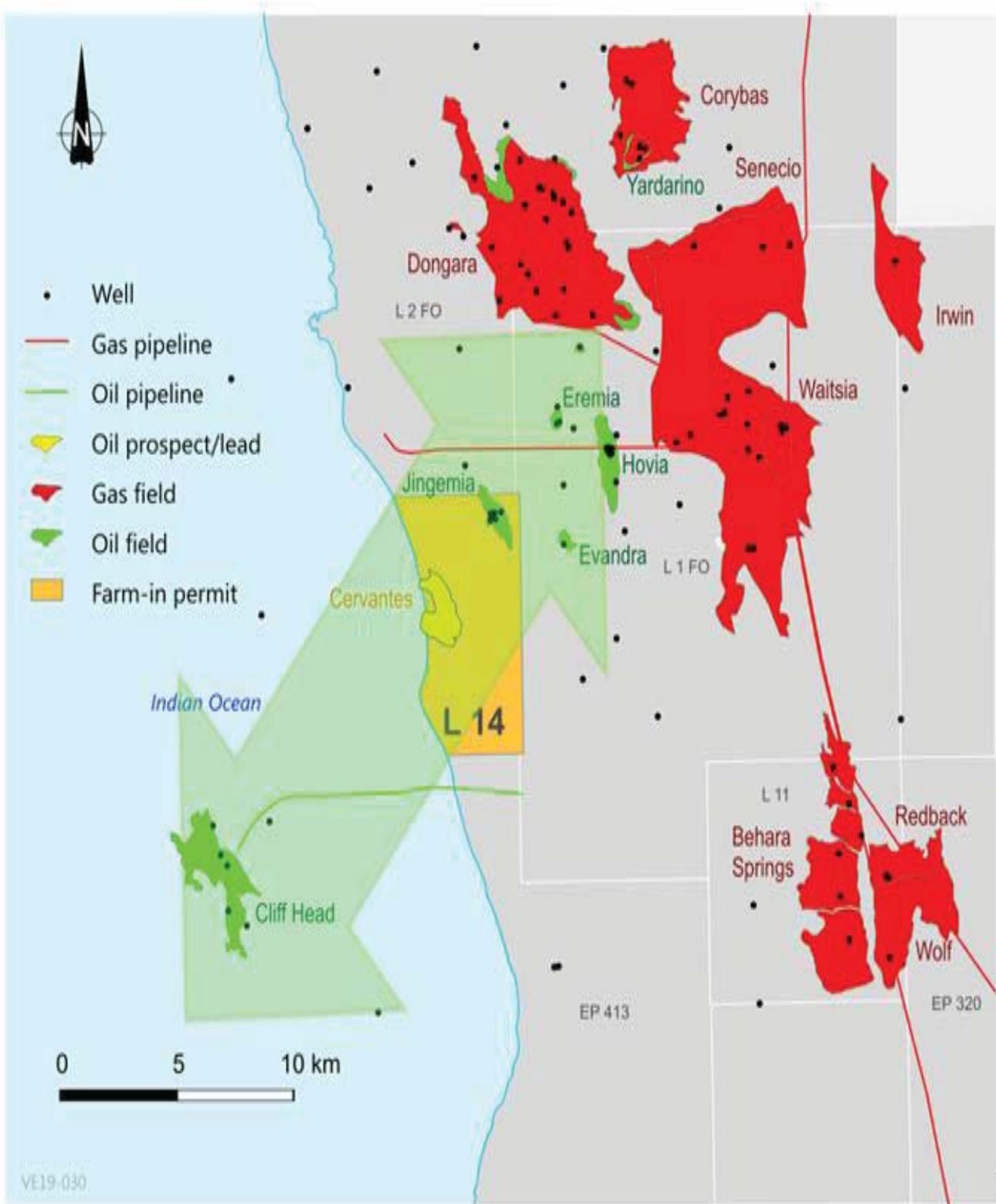


Figure 3 – L14 Cervantes Map

Cooper/Eromanga: ATP2020

The ATP2020 licence is 535km² in area and was granted 100% to Metgasco in 2018 (refer Figure 4 below). A geological and engineering review of all wells previously drilled in the permit has been carried out. A review of publicly available exploration and production data from neighbouring blocks has also occurred. The licence is in close proximity to areas of hydrocarbon sources and consider that a relatively low cost shallow well can drill both the oil and gas geological targets identified in the Loki prospect. A Native Title Agreement is in place. The area is underexplored with limited activity over the last 30 years. A gas pipeline traverses the permit and an oil pipeline is close to the Licence. The primary gas target is the Toolachee sands and the primary oil target is the Jurassic Cretaceous sands. Both of these sands have commercially produced hydrocarbons in the vicinity of ATP2020 at the Wareena gas field and the Toby oil and gas field. Metgasco's sub-surface work indicates that the Loki prospect extends into a neighbouring un-licensed area and has commenced an application with the regulator to secure tenure. Metgasco initiated a farm-out process of the ATP2020 Licence, with interested parties given access to a data room, this process is ongoing.

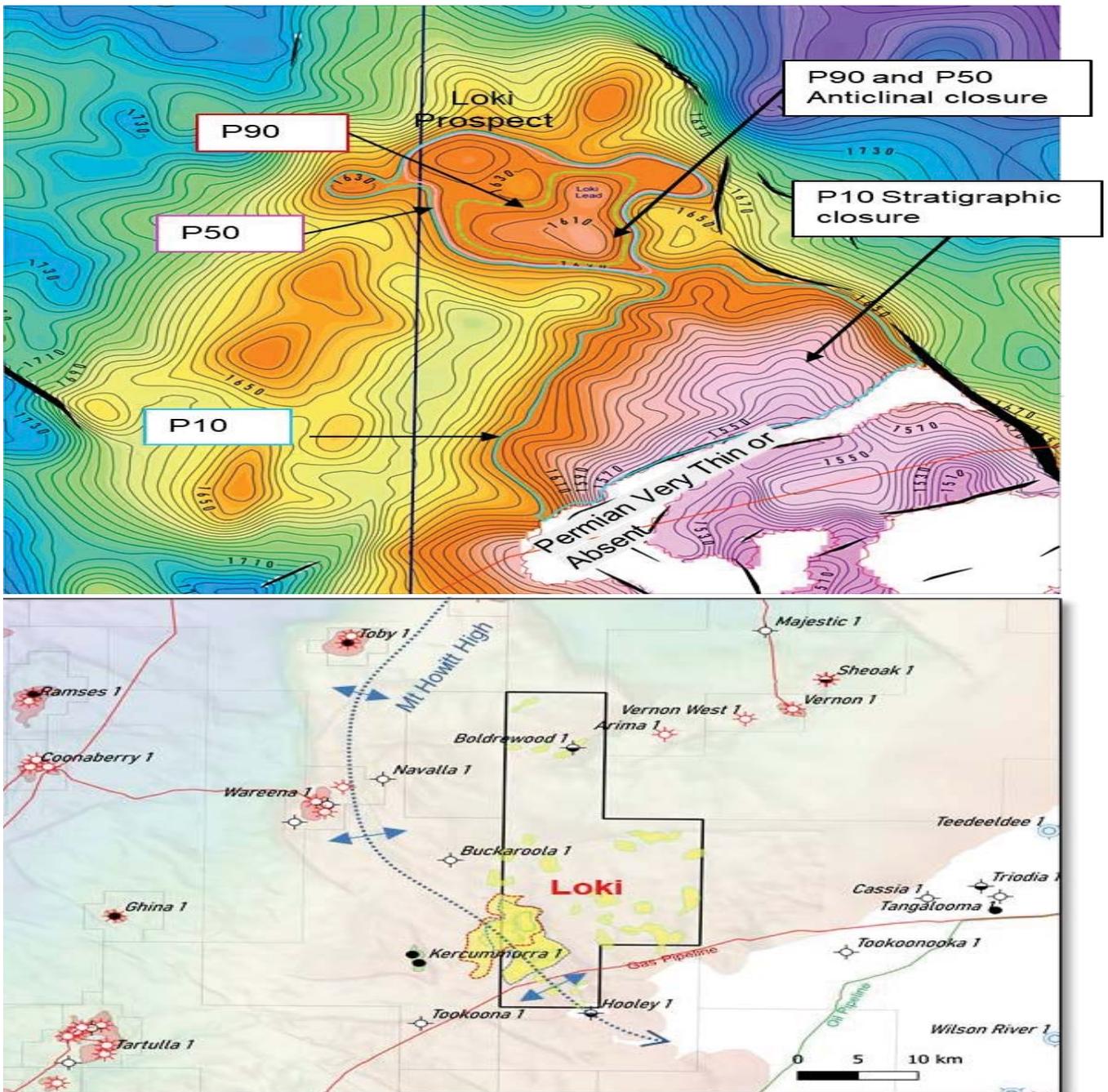


Figure 4 ATP2020 Top Permian Depth Structure Map & Loki Prospect Location

Cooper Basin: PRL237

PRL 237 is currently under (76A) suspension of the work commitments for the period 19 January 2021 to 18 January 2022. The recommended program for FY22 aligns with licence year 4 of the current term. The JV has agreed to defer exploration activities to CY2022. The JV is incurring and will continue to incur minimum costs during this deferment period.

Byron Shares & In-Specie Distribution of Byron Shares to Metgasco Shareholders

At the AGM held on 14 December 2020, Metgasco's shareholders voted to approve the in-specie distribution of up to 20 million shares in Byron Energy (ASX:BYE) held by the company. On 29 December 2020, Metgasco completed the distribution of 19,998,997, fully paid ordinary BYE shares on a pro-rata basis to Metgasco Shareholders who held shares at the Record Date of 18 December 2020.

Bonus Options Issued to All Shareholders

During the reporting period the Company issued 182,525,012 bonus options to all shareholders on the following terms:

- One option may be exercised and converted into one fully paid ordinary share in the Company;
- One new bonus option issued for every three ordinary shares held in the company on the record date;
- An exercise price of \$0.04 per option;
- Expiry date of 31 December 2021.

Certified Reserves and Resources**ATP2021**

In December 2020 ERC Equipoise Pte Ltd ("ERCE") has certified 1P, 2P and 3P reserves for the Patchawarra Formation only. In its report "ERCE" has independently certified 33.2 PJ of gross 2P gas reserve in the Patchawarra Formation of the Vali Gas Structure. (Refer: ASX release 14 December 2020). Metgasco has a 25% net working interest share and accordingly a net 2P gas reserve of 8.3 PJ (See Tables 1&2 below).

The well evaluation data from Vali-2 & Vali-3 was supplied to ERCE to provide an independent gas reserve assessment. The better than anticipated results provide confidence that the assessment will result in an increase in Vali reserves.

Table 1&2 Vali Field Gross and Net Reserves (pre-Vali-2 and Vali-3 drilling):

	Gross ATP 2021 Vali Gas Field Patchawarra Formation (1 December 2020)		
	1P	2P	3P
Reserves (Bscf)	12.3	30.3	78.9
Reserves (PJ)	13.4	33.2	86.6

	Net ATP 2021 Vali Gas Field Patchawarra Formation (1 December 2020)		
	1P	2P	3P
Reserves (Bscf)	3.1	7.6	19.7
Reserves (PJ)	3.4	8.3	21.6

1. Reserves estimates reported here are ERCE estimates, effective 1 December 2020.
2. The Reserves above may change based on data gathered from the drilling of Vali-2 and Vali-3, the analysis of which is not yet complete
3. Reserves estimates have been made and classified in accordance with the Society of Petroleum Engineers ("SPE") Petroleum Resources Management System ("PRMS").
4. Net Reserves attributable to Metgasco represent the fraction of Gross Reserves allocated to Metgasco, based on its 25% interest in ATP 2021.
5. Allowance for Fuel and Flare has been made.
6. Conversion of Bscf to PJ has been estimated based on gas sampled and measured from Vali-1 ST1.
7. ERCE Reserves presented in the tables are the totals for all 20 Patchawarra reservoir intervals.

PRL211

Resource numbers for the Odin Field (table 3) have been independently reviewed and an update provided (refer to Significant Events after End of Reporting Period). The Odin-1 well results indicate a potential resource upgrade closer to the pre-drill high estimate.

Table 3 - Odin gross and net Prospective Resources (prior to drilling Odin-1):

Odin Prospect Prospective Resources ¹	1U	2U	3U
	Low Estimate	Best Estimate	High Estimate
Toolachee Bcf	1.2	4.1	13.5
Patchawarra Bcf	2.4	8.5	29.1
Total Gross Recoverable Gas (Raw) Bcf	3.6	12.6	42.6
Net To Metgasco (Raw) Bcf	0.8	2.8	9.5

¹Volumetric estimates as calculated by operator Vintage Energy. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates are un-risked and have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of potentially significant moveable hydrocarbons. These Prospective Resource estimates are probabilistic in nature and are recoverable raw gas attributable to JV gross (100%) and Metgasco net interest (25%) in the Odin prospect as of 14 October 2019. The resources have been classified and estimated in accordance with the Petroleum Resource Management System (PRMS). The Prospective Resources above may change based on data gathered from the drilling of Odin-1, the analysis of which is not yet complete.

ATP2020

In March 2021 Prospective Resources were estimated for the Loki prospect. These estimates are based on our in-house geo-science evaluation of the prospective oil and gas resources contained within the Loki prospect following re-processing of legacy 2D seismic data (refer Tables 4 & 5 below).

Table 4&5 ATP 2020 Cooper / Eromanga Prospective Resources:

	Loki Prospect – Permian Gas-Toolachee			COS(%)
	Low(P90)	Best (P50)	High(P10)	
OGIP(Raw) Bcf	4.5	22.1	68	
Recoverable Gas (Raw) Bcf	2.6	13.1	40.7	16

	Loki Prospect -Eromanga Oil- Hutton and Wyandra			COS(%)
	Low(P90)	Best(P50)	High(P10)	
OOIP MMbbl	7.5	26.7	57.8	
Recoverable Oil MMbbl	1.8	6.4	14.8	Wyandra 15 Hutton 13

- The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates are un-risked and have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of potentially significant moveable hydrocarbons*
- The Prospective Resource estimates reported here are probabilistic in nature and are recoverable raw gas and oil attributable to Metgasco's 100% in ATP2020 as at 23 March 2021. Raw gas includes the contents of inert gas which is known to be variable in the region.*
- Reserves estimates have been made and classified in accordance with the Society of Petroleum Engineers ("SPE") Petroleum Resources Management System ("PRMS").*

L14 - Cervantes

The Cervantes prospect has a Gross Prospective Resource of: 1U low estimate of 6.0 MMbbl (1.8 MMbbl net), 2U best estimate of 15.3 MMbbl (4.6 MMbbl net), 3U high estimate of 41.9 MMbbl (12.6 MMbbl net) (refer Table 6 below and MEL ASX release dated 10 September 2019).

Table 6 - Metgasco Prospective Resource Estimates for Cervantes:

Prospective Resources							
Prospect	Reservoir	OOIP mmbbls			Recoverable mmbbls		
		Low (P90)	Best (P50)	High (P10)	Low (P90)	Best (P50)	High (P10)
Cervantes	Dongara SS	7.7	14.9	28.5	3.7	7.4	14.6
	Kingia SS	5.5	17.8	54.0	2.2	7.1	22.3
	HCSS	0.3	2.2	13.8	0.1	0.8	5.0
L14 100%		13.6	34.9	96.3	6.0	15.3	41.9
Metgasco 30%		4.1	10.5	28.9	1.8	4.6	12.6

These Prospective Resource estimates are probabilistic in nature and are recoverable raw oil attributable to 100% interest in L14 as of 10 September 2019. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates are un-risked and have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of potentially significant moveable hydrocarbons.

Climate Change

The Company acknowledges climate-related risks and the need for these to be managed effectively particularly across the energy industry. As a result, the Company actively monitors current and potential areas of climate change risk.

Key climate-related risks and opportunities relevant to the Company's operations include:

- Climate change induced severe weather events and changes to weather patterns which may impact demand for petroleum products in some markets and an associated potential impact on life of assets. These events could have a financial impact on the Company through increased operating costs and revenue generation of its potential future production assets.
- Changing community sentiment towards fossil fuel projects.
- Transition to a lower carbon economy also gives rise to opportunity for the Company's potential future gas production assets. Natural gas is viewed as a key element to supporting a sustainable energy transition.
- Policy changes by governments which may result in increasing regulation and costs which could have a material impact on the Company's operations.

The Company is committed to continually improve climate change related disclosures as processes and understanding of climate change related matters improve alongside the Company's activities and operations.

Significant Changes in the State of Affairs

There have been no other significant changes in the state of affairs of the Company during the year.

Likely Developments and Expected Results

During the first half of FY22, the Company anticipates the following developments:

- Independent reserve/resource upgrade following Odin-1, Vali-2 and Vali-3 gas discoveries;
- Vali Field: Progress Gas Sales Agreement and Final Investment Decision planning;
- Odin-1: progress JV discussions for Vali tie-in, including application for joint gas marketing;
- Cervantes/L14: Progress project approvals and rig contracting;

Metgasco continues to pursue transformative transaction, acquisition and partnership opportunities and are pleased with the quality of projects and partners with which it is engaged. Potential transaction opportunities remain focused on assets capable of generating reliable income streams via exposure to operating production and with a preference for opportunities within Australia.

Operating Results for the Year

The consolidated net loss after tax of the Company for the year ended 30 June 2021, amounted to \$1,180,554 (2020: Loss \$7,463,046).

Effects on COVID-19 on the Company

The Company took early action in March 2020 in response to the considerable disruption and volatility on global equity and commodity markets due to the outbreak of a novel coronavirus (COVID-19). The impact of this health event has been minimal given remote working was already standard. The Company continues to adhere to the relevant government guidelines regarding COVID-19, and recommends staff work from home when Lockdowns have been implemented by government officials. When interstate border closures have been in place, all interstate staff travel has been cancelled.

The 2021 three well drilling program in Cooper Basin was unaffected by the COVID-19 restrictions and was executed in accordance with the relevant government guidelines regarding COVID-19.

Dividends

No dividends have been paid or declared since the end of the previous year and no dividends have been recommended by the Directors in respect of the year ended 30 June 2021.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

Environmental Regulation and Performance

Exploration and development activities are subject to State and Federal laws, principally the Petroleum (Onshore) Act and Environmental Protection Act and associated regulations in QLD, WA & SA. Metgasco has a policy of complying with its environmental performance obligations.

Directors

The following persons were Directors of Metgasco during the whole of the financial year (except where otherwise noted) and up to the date of this financial report:

Philip Amery	Non-Executive Chairman
Ken Aitken	Managing Director (appointed 23 July 2021)
John Patton	Non-Executive Director
Robbert Willink	Non-Executive Director
Peter Lansom	Non-Executive Director (appointed 4 August 2021)
Paul Bird	Company Secretary

Philip Amery

Independent Non-Executive Chairman
Appointed: 23 December 2015

Mr Amery is an experienced capital markets advisor and private banker. He holds BA and LLB degrees (Adelaide) and is a graduate of the Financial Asset Management and Engineering Program of the Swiss Finance Institute.

Special responsibilities: Member of the Audit and Risk Management Committee and a member of the New Business and Investment Committee.

Other directorships of listed companies: Nil.

Previous directorships of listed companies during the last three years: Austar Gold Limited

Ken Aitken

Managing Director
Appointed: 23 July 2021

Mr Aitken has been Chief Executive Officer of Metgasco since November 2018 and since that time his strategic contribution and operational leadership has been pivotal in progressing the Company's Cooper Basin portfolio and securing the high-impact Cervantes L14 prospect in the Perth Basin.

Mr Aitken brings over 35 years worldwide experience in large and small independent operating oil and gas companies. He has a successful track record in Asset / Sub-Surface/Production leadership and operational roles across companies such as Origin Energy, Mitsui, Amerada Hess, Enterprise Oil and Apache. Prior to his role at Metgasco, as Western Australian Asset Manager for Origin, where his team led the Redback, Beharra Springs and Jingemina projects, and as senior (non-director) executive at Empire Oil & Gas, he developed a strong working knowledge of Perth Basin onshore exploration and development operations.

Mr. Aitken holds a BSc in Mechanical Engineering from Heriot-Watt University, Scotland, and is a Graduate Member of the Australian Institute of Company Directors.

Other directorships in listed companies: None

John Patton

Non-Executive Director
Appointed: 19 September 2016

Mr Patton is a senior executive with extensive finance experience in the corporate and professional services sectors. John was previously a partner with Ernst & Young in the Transactions Advisory Services division. With over 25 years of professional services and industry experience, John has extensive corporate finance credentials, having been involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt and equity raisings, IPOs, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructuring and corporate advisory.

In addition, John has held the positions of CFO, acting CEO and alternate director of Epic Energy Company, a major infrastructure owner of high-pressure gas transmission pipelines in Australia. This business was the

core asset within the ASX-listed Hastings Diversified Utilities Fund. As a result, John has solid hands-on operational experience with, and a strong appreciation of regulatory, commercial, financial, capital structure and external stakeholder management issues and requirements associated with major assets within an ASX-listed environment in Australia.

Special responsibilities: Chairman of the Audit and Risk Management Committee.

Other directorships in listed companies: Yowie Group Ltd

Previous directorships of listed companies during the last three years: Keybridge Capital Limited

Robbert Willink

Independent Non-Executive Director

Appointed: 5 February 2018

Dr. Willink has 40 years of experience in the Oil & Gas industry. Following graduation with a first-class honours degree and the completion of his PhD in Geology, Dr. Willink embarked on a career in exploration that led through various overseas assignments to executive appointments in leading Australian Oil & Gas companies. Dr. Willink has worked for companies such as Shell, Sagasco Resources, Origin Energy and Central Petroleum. Among other executive roles, Dr. Willink held the position of Executive General Manager, Geoscience & Exploration New Ventures with Origin Energy from 2005 to 2011.

Dr. Willink has held executive and non-executive director positions of other ASX listed companies in the past and is currently an Exploration Advisor of the privately-owned company Timor Resources. Since retirement from fulltime work, Dr. Willink has returned to advisory and consulting work.

Special responsibilities: Member of the Audit and Risk Management Committee and a member of the New Business and Investment Committee.

Other directorships of listed companies: None

Previous directorships of listed companies during the last three years: Nil

Peter Lansom

Independent Non-Executive Director

Appointed: 4 August 2021

Peter Lansom is a highly experienced, senior executive and director, with proven skills and knowledge across the upstream energy sector.

Along with a strong technical engineering background in subsurface oil and gas, in both conventional and unconventional reservoirs (including the onshore Cooper and Perth Basins), Peter has substantial board and management experience within the listed energy sector, most significantly as Managing Director of Galilee Energy Limited (GLL) (2013 - 2021) and as Executive Director and Chief Operating Officer of Eastern Star Gas (ESG) (from 2008 through to ESG's \$900m acquisition by Santos).

Prior to his board and corporate leadership career, Peter held various senior roles with Origin Energy from 1997 - 2007, culminating as Manager E&P Petroleum Engineering and Chief Petroleum Engineer, and with Santos Limited, as Reservoir Engineer and Senior Petroleum Engineer. Peter holds a Bachelor of Petroleum Engineering (Honours) from the University of New South Wales.

Special responsibilities: Member of the New Business and Investment Committee.

Other directorships of listed companies: None

Previous directorships of listed companies during the last three years: Galilee Energy Limited

Indemnification of Directors and Officers

Throughout the reporting period, the Company has maintained Directors' and Officers' insurance for the purpose of covering any loss which Directors and Officers may become legally obligated to pay on account of any claim first made against him/her during the policy period and for a wrongful act committed before or during the period of insurance. The amount paid by way of premium is unable to be disclosed due to confidentiality provisions in the insurance contract.

Meetings of Directors

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Director's Meetings		Meetings of committees
	Number of meetings held while a director	Number of meetings attended while a director	Audit & Risk Management
P. Amery	22	22	2
K. Aitken*	n/a	n/a	n/a
J. Patton	22	20	2
R. Willink	22	22	2
P. Lansom*	n/a	n/a	n/a

*Appointed after the end of the reporting period

No Nomination & Remuneration Committee nor New Business Investment Committee meetings were held during the year.

Committee membership

As at the date of this report, the Company had an Audit & Risk Management committee, of the board of directors.

Members acting on the committee of the board during the year were:

Audit & Risk Management
J. Patton (chair)
P. Amery
R. Willink

Retirement and Election of Directors

All Directors have acted as Directors of the Company for the entire financial year unless otherwise disclosed.

Options

A total of 10,418,411 Employee Performance Rights were issued by the Company during the reporting period, which entitles the holder to exchange for ordinary shares in the Company on a 1 for 1 basis at zero cost once certain vesting hurdles are achieved, details are set out in Note 17.

During the reporting period the Company issued 182,525,012 bonus options to all shareholders on the following terms:

- One option may be exercised and converted into one fully paid ordinary share in the Company;
- One new bonus option issued for every three ordinary shares held in the company on the record date;
- An exercise price to of \$0.04 per option;
- Expiry date of 31 December 2021.

Options Exercised or Lapsing in the Year

A total of 48,076 bonus options were exercised during the year.

No options were exercised by staff in the year and up to the date of this report.

Remuneration Report (Audited)

Policy

Metgasco has a structured remuneration framework which provides a competitive base pay coupled with short and long term incentives to reward employees for above average performance and to create incentive over time to build value in the Company.

Use of Remuneration Consultants

Metgasco has neither sought nor received any recommendations from remuneration consultants during the year.

Non-Executive Directors

Remuneration for non-executive directors is normally determined at market rates by conducting an annual benchmarking exercise against a pool of comparable companies.

The structure of remuneration for Non-Executive Directors comprises a Base Fee inclusive of superannuation plus, where applicable, Committee Fees for participation as a member of a Board Committee. Fees to Non-Executive Directors are approved by the Board and set in aggregate within the maximum amount approved by shareholders. The maximum amount of fees approved to be paid to Non-Executive Directors by shareholders on 16 November 2010 was \$500,000. Fees paid to Non-Executive Directors during the year to 30 June 2021 were \$141,724.

Executive Team

Remuneration for the executive team is determined at market rates by conducting an annual benchmarking exercise against a pool of comparable companies. All employees are classified into a job band and the mix of remuneration between base pay, short term incentives and long term incentives is applied within the framework of the job band. The combination of these is considered to be the Total Remuneration for each executive team member.

Given the stage of development of the Company, financial performance conditions, which would encompass KPI measures such as revenue, profit or EBITDA are not considered to be appropriate for assessing performance. Instead, an assessment of each individual's performance against individual and team objectives is undertaken.

Base Pay

Base pay is structured as the total cost of employment to the Company and comprises a fixed base pay amount paid in cash, superannuation and certain non-cash benefits in particular cases.

Benefits

Benefits may include Income Protection Insurance, car parking or motor vehicle leasing and running expense payments.

Short Term Performance Incentives (STIs)

The Company has a current STI plan linked to the fulfilment of key performance indicators (KPIs). The KPIs are designed to promote shareholder value creation and include financial and non-financial measures. The financial and non-financial KPIs include base and stretch targets related to, but not limited to health and safety results, exploration outcomes and share price appreciation. All STI bonuses are subject to Board approval.

Long Term Incentives (LTIs)

The Company has a current LTI program linked to share price appreciation, with the purpose to align the interests of employees with shareholders and to reward, over the medium term, employees for delivering value to shareholders through share price appreciation.

REMUNERATION REPORT (CONTINUED)

In the case of options, once they are granted, the conditions required to ensure vesting are a service condition and a volume weighted share price condition. Future performance of an individual is therefore not a condition affecting the vesting of options granted in past periods.

The current LTI program is based on the issuance of Performance Rights, which may be converted into fully paid ordinary shares on a one for one basis. Each Performance Right contains a vesting hurdle which must be overcome before the Performance Right can be exercised. The vesting hurdle is linked to a certain share price of a value higher than the current share price and has a time limit to expiry.

Key Management Personnel

The Directors and key management personnel of the Company during the reporting period are as follows:

- Philip Amery Non-Executive Director
- John Patton Non-Executive Director
- Robbert Willink Non-Executive Director
- Ken Aitken CEO

Elements of Remuneration related to Performance

The Corporations Act requires disclosure of the Company's remuneration policy to contain a discussion of the Company's earnings and performance and the effect of the Company's performance on shareholder wealth in the reporting period and the four previous financial years. The table below provides a five-year financial summary to 30 June 2021.

12 months ended	Jun-21	Jun-20	Jun-19	Jun-18	Jun-17
Net Profit / (Loss) After Tax (\$million)	(1.18)	(7.46)	(14.22)	1.02	(1.05)
EPS (loss) (cents) Basic	(0.23)	(1.91)	(3.64)	0.30	(0.30)
EPS (loss) (cents) Diluted	(0.23)	(1.91)	(3.64)	0.30	(0.30)
Share Price (\$) - start of the year	0.029	0.047	0.060	0.040	0.054
Share Price (\$) - end of the year	0.028	0.029	0.047	0.060	0.040
Share on Issue (million)	549.7	390.60	390.60	392.88	398.46
Market Capitalisation (\$million)	15.39	11.33	18.36	23.57	15.94

For the reporting period, the Board determined a set of Company KPIs, reflecting the Company's strategies, business plan and budget. The KPIs and the performance set against them are set out below.

Performance against key strategic objectives set for the year

This measure is concerned with the Company's strategic and qualitative objectives, which are subjective to measure. Some of the key objectives include:

- developing the Company's assets through a competitive farm-out process and attracting suitable joint venture partners.
- acquiring additional assets which are in line with the Company's core strategies and future growth plans.

Performance against financial targets

Under this measure, the Board set specific financial management targets for the year which included cost reductions throughout the organisation including minimising overall corporate costs and ensuring appropriate funding is in place to enable the Company strategy to be delivered.

DIRECTORS' REPORT

REMUNERATION REPORT (CONTINUED)

Remuneration 2021

Name	Short Term Employment Benefits			Post-Employment Benefits			Share Based Payments			% of remuneration that is equity based
	Cash Salary & fees	Other benefits	Performance Bonus	Termination Payments	Superannuation	Net no. of shares granted in period	Share expense for year	Option expense for year	Total	
Directors	\$	\$	\$	\$	\$		\$	\$	\$	
P Amery	47,945	-	-	-	4,555	-	-	-	52,500	-
J Patton	45,833	-	-	-	-	-	-	-	45,833	-
R Willink	47,945	-	-	-	4,555	-	-	-	52,500	-
K Aitken	257,500	-	43,362*	-	22,485	-	-	9,829**	333,176	3%
Total	399,223	-	43,362	-	31,595	-	-	9,829	484,009	2%

*Performance Bonus paid in September 2021.

**Employee performance rights were issued to the K Aitken in his role as CEO for the reporting period ending 30 June 2021.

Details of performance rights granted as remuneration for the reporting period ending 30 June 2021

Executive Officers	Grant Date	Expiry Date	Issue Price	Vesting Hurdle Price	Balance at Beginning of year	Granted during year	Vested / Forfeited during year	Balance at end of year	Fair Value Expensed for year
			\$	\$	Number	Number	Number	Number	\$
K Aitken	05/02/2021	30/09/2021	0.00	0.052	-	2,978,650	-	2,978,650	8,467
K Aitken	05/02/2021	30/09/2022	0.00	0.080	-	1,489,325	-	1,489,325	1,000
K Aitken	05/02/2021	30/09/2023	0.00	0.120	-	1,489,325	-	1,489,325	362
Total					-	5,957,300	-	5,957,300	9,829

DIRECTORS' REPORT

Remuneration 2020

Name	Short Term Employment Benefits			Post-Employment Benefits			Share Based Payments			% of remuneration that is equity based
	Cash Salary & fees	Other benefits	Performance Bonus	Termination Payments	Superannuation	Net no. of shares granted in period	Share expense for year	Option expense for year	Total	
Directors	\$	\$	\$	\$	\$		\$	\$	\$	
P Amery	41,552	-	-	-	3,948	-	-	-	45,500	-
J Patton	43,750	-	-	-	-	-	-	-	43,750	-
R Willink	43,379	-	-	-	4,121	-	-	-	47,500	-
K Aitken	225,000	-	50,000	-	19,209	-	-	-	294,209	-
Total	353,681	-	50,000	-	27,278	-	-	-	430,959	-

No shares, options or rights were granted as remuneration for the reporting period ending 30 June 2020. A discretionary bonus was paid on 13/12/2019 to K Aitken in his role as CEO.

REMUNERATION REPORT (CONTINUED)**Key Management Personnel Remuneration**

There were no payments received or receivable by key management personnel of the Company or related parties of the Company other than those which are disclosed in the remuneration section of the Directors' Report and in Notes 17 and 18 of the Financial Statements.

At 30 June 2021, the direct and indirect interests of the Key Management Personnel in the ordinary shares of Metgasco are as follows:

Shares 2021	Opening Balance	Granted as Compensation	Received on Exercise of Options	Long term incentives forfeited	Shares Acquired	Closing Balance
Philip Amery	6,000,000	-	-	-	1,980,424	7,980,424
J Patton	550,000	-	-	-	416,277	966,277
R Willink	3,482,701	-	-	-	832,554	4,315,255
K Aitken	160,668	-	-	-	832,554	993,222

All holdings of shares disclosed this year and prior year are held either directly or indirectly by Key Management Personnel or related parties rather than nominally.

At 30 June 2021, the direct and indirect interests of the Key Management Personnel in the share options of Metgasco are as follows:

Options 2021	Opening Balance	Granted as Compensation	Bonus issue to all shareholders	Closing Balance
Philip Amery	-	-	2,106,106	2,106,106
J Patton	-	-	322,092	322,092
R Willink	-	-	1,438,418	1,438,418
K Aitken	-	-	331,074	331,074

Other key remuneration disclosures

During the year there were no transactions of any kind between the Company and Directors, Key Management Personnel or parties related to these Companies other than what has been disclosed in this remuneration report and in Notes 17, 18 and 20 of the Financial Report. This includes loans, dividends, and consulting services. Any shares issued to Directors or other Key Management Personnel throughout the year were issued as a component of disclosed remuneration, through a rights issue, on-market transactions or through the exercise of options.

There were no payments received or receivable by Key Management Personnel of the Company or related parties of the Company other than as disclosed in this remuneration section of the Directors' Report.

Details of Employment Agreements

It is the Board's policy that all Key Management Personnel and employees enter into Employment Agreements.

Key terms of employment for Mr. Ken Aitken are as follows:

Title: Chief Executive Officer (CEO).
Total fixed remuneration: \$300,000 plus statutory superannuation contributions.

Options Exercised by Directors or other Key Management Personnel during the year

During the year no options were exercised by Directors or other Key Management Personnel.

Voting at the Company's 2020 Annual General Meeting

The Remuneration Report for the financial year ended 30 June 2020 was adopted at 58.59% the Company's Annual General Meeting held on 14 December 2020.

REMUNERATION REPORT (CONTINUED)

Directors' and Officers' Interests and Benefits

At the date of this report, the direct and indirect interests of the Directors and officers in the securities of Metgasco are as follows:

	Options	Ordinary Shares
Philip Amery	2,106,106	10,488,000
Ken Aitken	331,074	1,976,470
Robbert Willink	1,438,418	6,840,629
John Patton	322,092	2,488,369
Peter Lansom	-	-

Note that no shares or options have been resolved to be issued by way of short term and long-term incentives to Directors.

Equity based remuneration following the end of the reporting period and up to the date of this report

There is no proposal to issue shares to Directors as part of their remuneration.

End of Audited Remuneration Report (Audited)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24, and forms part of this report.

Audit Services

During the year, audit and review fees payable to Grant Thornton Audit Pty Ltd amounted to \$78,089.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. During the current financial year, the auditor, Grant Thornton Audit Pty Ltd, did not provide any non-audit services to the Company.

All non-audit services would be reviewed by the Audit and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor and that none of the services would undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards (APES) 110 Code of Ethics for Professional Accountants.

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company and its subsidiaries have adopted the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Company's Corporate Governance Statement was approved by the Board on 30 August 2018. The Corporate Governance Statement is available on Metgasco's website at:

<http://www.metgasco.com.au/information/corporate-governance-statement>.

Significant Events after End of Reporting Period

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than:

On 26 July 2021 the board of Metgasco advised shareholders that Executive Officer Mr. Ken Aitken had accepted the Board's invitation to take up a role as director of the Company and has accordingly been appointed Managing Director.

On 4 August 2021 the board of Metgasco advised shareholders of the appointment of Mr. Peter Lansom as a non-executive director.

In August 2021, a fully underwritten Entitlement Offer to the value of \$4.58 million (before issue costs) was completed by offering 183,215,858 new shares to Eligible Shareholders on a 1 for 3 basis, at an issue price of \$0.025 per share. Each new share issued under the Entitlement Offer will also receive an attaching option on a 1 for 3 basis with a strike price of \$0.031, expiring 31 December 2022. The Entitlement Offer price of \$0.025 per share represents a discount of 7.4% on the closing price of Metgasco on 1 July 2021 and a discount of 13.5% on the 30-day VWAP to 1 July 2021.

On 10 August 2021 the board advised shareholders of the Vali-3 net pay results, with the operator Vintage estimating a total of 165 metres of conventional and low permeability net gas pay within the Patchawarra Formation, which comprises 101 metres of conventional net gas pay (porosity equal to or greater than 8%) and 64 metres of unconventional net gas pay (porosities ranging from 6% to 8%). 13 metres of net gas pay was also identified in the deeper Tirrawarra Sandstone. Gas trapped in the unconventional sandstones will likely be accessed via well stimulation. For comparison, the Patchawarra Formation in Vali-2 also has 101 metres of net gas pay in conventional sandstones, but only 16 metres of unconventional net gas pay. The Epsilon and Toolachee formations within Vali-3 have been interpreted to contain potential gas pay, but further technical work is necessary before this can be quantified.

DIRECTORS' REPORT

On 16 September 2021 the board announced the results of the independent certification of Contingent Resources for the Odin Field in the Cooper Basin. ERC Equipoise Pte Ltd ("ERCE") independently certified 36.4 billion cubic feet ("Bcf") of gross 2C Contingent Resources in the Toolachee, Epsilon, Patchawarra and Tirrawarra formations of the Odin gas field located in both PRL 211 and ATP 2021 on the southern flank of the Nappamerri Trough in the Cooper Basin. While all these formations contributed to the certified gas volumes, the majority of the resource is based in the Toolachee and Patchawarra formations.

The working interest of the Contingent Resources represent Metgasco's share of the Gross Contingent Resources based on its working interest in PRL 211, which is 21.25%, and ATP 2021, which is 25%. Accordingly, a net 2C Contingent Resource of 8 Bcf has been certified by ERCE.

Gross Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
Total	18.5	36.4	71.7

Net Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
PRL 211	2.20	4.35	8.55
ATP 2021	1.85	3.65	7.15
Total	4.05	8.00	15.70

1. Gross Contingent Resources represent 100% total of estimated recoverable volumes within PRL 211 and ATP 2021.
2. Working Interest Contingent Resources represent Metgasco's share of the Gross Contingent Resources based on its working interest in PRL 211, which is 21.25%, and ATP 2021, which is 25%.
3. These are unrisks Contingent Resources that have not been risked for Chance of Development and are sub-classified as Development Unclassified.
4. Contingent Resources volumes shown have had shrinkage applied to account for inerts removal and include hydrocarbon gas only.
5. No allowance for fuel and flare volumes has been made.
6. Resource estimates have been made and classified in accordance with the 2018 Petroleum Resources Management System ("PRMS").
7. Probabilistic methods have been used for individual sands and totals for each reservoir interval have been summed deterministically.
8. Contingent Resources certified by ERCE are as at 14 September 2021.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.



Philip Amery
Chairman
17 September 2021

Auditor's Independence Declaration

To the Directors of Metgasco Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Metgasco Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 17 September 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021	2020
		\$	\$
Finance income	5 (a)	155	5,898
Other Income	5 (b)	50,000	51,185
		50,155	57,083
Expenses			
Finance costs	6 (c)	(2,928)	(15,537)
Accounting, compliance, legal & professional costs		(133,601)	(234,078)
Investor relations		(126,256)	(99,669)
Consulting fees		(36,277)	(183,108)
Depreciation	6 (a)	(1,290)	(3,019)
Exploration costs expensed		(2,769)	(55,211)
Directors fees		(150,833)	(154,750)
Employee costs	6 (d)	(600,566)	(596,748)
Occupancy	6 (b)	(38,302)	(36,379)
Travel & accommodation		(133)	(18,360)
Other administrative		(129,962)	(220,419)
Loss on disposal of exchange traded bonds		-	(68,030)
Fair value movement of investments in listed securities	9	(71,153)	(5,493,826)
Realised gain / (loss) on sale of investments in listed securities	9	(336,619)	81,276
Realised gain on distribution of investments in listed securities	9	399,980	-
Loss on fair value movement of derivative asset	6(e)	-	(422,271)
		(1,230,709)	(7,520,129)
(Loss) for the year		(1,180,554)	(7,463,046)
Income tax expense	7(a)	-	-
Net (Loss) for the year		(1,180,554)	(7,463,046)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Financial assets at FVOCI reserve recycled to profit or loss		-	59,812
Total comprehensive (Loss) for the year		(1,180,554)	(7,403,234)
Earnings per share from continuing operations			
Basic (loss) per share (cents)	24	(0.23)	(1.91)
Diluted (loss) per share (cents)	24	(0.23)	(1.91)

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021	2020
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	8	553,760	157,530
Investment in listed securities	9	177,883	5,521,645
Trade and other receivables	10	66,167	94,180
Current assets		797,810	5,773,355
Non-current			
Exploration and evaluation expenditure	11	6,751,305	1,891,585
Plant and equipment	12	2,279	1,412
Other receivables	13	24,000	24,000
Non-current assets		6,777,584	1,916,997
TOTAL ASSETS		7,575,394	7,690,352
LIABILITIES			
Current			
Trade and other payables	15	683,887	232,085
Current liabilities		683,887	232,085
Non-current			
Provisions		-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		683,887	232,085
NET ASSETS		6,891,507	7,458,267
EQUITY			
Share capital	16	111,697,074	111,100,469
Share option reserve	17	17,189	-
Accumulated losses		(104,822,756)	(103,642,202)
TOTAL EQUITY		6,891,507	7,458,267

This statement should be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Financial Assets at FVOCI reserve</i>	<i>Share Option Reserve</i>	<i>Total equity</i>
	\$	\$	\$	\$	\$
At 30 June 2019	111,100,469	(96,179,156)	(59,812)	-	14,861,501
Loss for the year	-	(7,463,046)	-	-	(7,463,046)
Other comprehensive income	-	-	59,812	-	59,812
Total comprehensive profit for the year	-	(7,463,046)	59,812	-	(7,403,234)
At 30 June 2020	111,100,469	(103,642,202)	-	-	7,458,267
Loss for the year	-	(1,180,554)	-	-	(1,180,554)
Other comprehensive income	-	-	-	-	-
Total comprehensive profit for the year	-	(1,180,554)	-	-	(1,180,554)
Transactions with owners in their capacity as					
Issue of new share capital net of issue costs	3,796,445	-	-	-	3,796,445
Return of capital – in specie distribution (Note 16)	(3,199,840)	-	-	-	(3,199,840)
Issue of Employee Performance Rights	-	-	-	17,189	17,189
At 30 June 2021	111,697,074	(104,822,756)	-	17,189	6,891,507

This statement should be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021	2020
		\$	\$
Operating activities			
Payments to suppliers and employees (inclusive of goods and service taxes)		(1,034,410)	(1,589,192)
Government Grants – cash flow boost		50,000	50,000
Interest received		93	9,482
Interest paid		(2,603)	-
Net cash flow used in operating activities	23	(986,920)	(1,529,710)
Investing activities			
Expenditure on exploration, evaluation and decommissioning		(4,547,268)	(2,271,447)
Proceeds from sale of short/long term investments		2,136,130	2,155,917
Purchase of property, plant and equipment		(2,157)	(427)
Net cash flow used in investing activities		(2,413,295)	(115,957)
Financing activities			
Issue of new share capital, net of issue costs		3,796,445	-
Net cash flow provided by financing activities		3,796,445	-
Net change in cash and cash equivalents held		396,230	(1,645,667)
Cash and cash equivalents at the beginning of year		157,530	1,803,197
Cash and cash equivalents, end of year	8	553,760	157,530

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. Corporate Information

a) Nature of operations

The principal activities of Metgasco Ltd (“Metgasco”) and its controlled entity (the “Company”) were oil and gas exploration, appraisal, development and investment in and development of associated energy infrastructure.

b) General information and statement of compliance

The consolidated general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Metgasco is a for-profit entity for the purpose of preparing the financial statements.

Metgasco is the Company’s ultimate parent company. Metgasco is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 2, 30 Richardson Street, West Perth WA 6005.

The consolidated financial statements for the year ended 30 June 2021 were approved and authorised for issue by the board of directors on 16 September 2021.

2. Summary of Significant Accounting Policies

a) Critical accounting estimates and judgments

The preparation of a financial report requires the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the Company in the application of accounting standards that have a significant impact on the Financial Statements and estimates with a significant risk of material adjustment in the next year are highlighted in the accounting policies detailed below.

The Company has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the areas of interest. If, ultimately, the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would need to be written down to its recoverable amount.

Deferred tax assets

The application of accounting judgments is manifested in the Company’s approach to the recognition of deferred tax assets arising from operating losses. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Provision for site restoration

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that the obligation can be measured reliably.

The Company estimates the future restoration costs of wells and associated infrastructure at the time of a development installation. In most instances removal of these assets occurs many years into the future once the asset has ceased providing economic benefits to the Company. The calculation of this provision

2. Summary of Significant Accounting Policies (continued)

requires management to make assumptions regarding removal date, application of environmental legislation, the extent of restoration activities required and available technologies.

Fair Value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Metgasco and its controlled entity, as at and for the year ended 30 June 2021.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or as rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

At 30 June 2021, Metgasco controlled 100% of Richmond Valley Power Pty Ltd. The financial statements of the subsidiary have been prepared for the same reporting date as the parent company, using consistent accounting policies. The purchase method of accounting has been used to account for the acquisition of the subsidiary by the Company. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless cost cannot be recovered. The subsidiary is accounted for in the parent entity at cost.

c) Going Concern

The Directors note that as at 30 June 2021, the Company has a cash position of \$553,760 and incurred net cash outflows from operating activities of \$986,920 for the year ended 30 June 2021. Moreover the Group incurred a net loss of \$1,180,554 during the year ended 30 June 2021, and as of that date, had net current assets of \$113,923 whereas financial commitments towards its exploration tenements and agreements due within one year amounted \$19,038,131. Management have successfully raised capital subsequent to the reporting date of \$4.58 million (before issue costs) via an Entitlement offer (refer to note 28).

During the reporting period the Company also issued 182,525,012 bonus options to all shareholders. These options have a \$0.04 strike price and expire on 31 December 2021. Management and Directors are of the view there will be significant uptake of the \$0.04 share options driven by recent operational updates and market announcements in relation to the Vali & Odin areas of interest, and an amount of \$7.3 million is included in the cash flow forecast.

The Directors based on their review of cash flow forecasts and management's assessment, confirm that the going concern basis of accounting remains appropriate and recognise that additional funding (included in the cash flow forecast) is required to ensure that it can continue to fund its operations and meet its short-term commitments for the twelve month period from the date of this financial report.

In the event the Group is unable to achieve its capital raising objectives, this would create a material uncertainty with respect to the ability of the Group to continue as a going concern and accordingly to realise its assets, extinguish its liabilities and meet its financial commitments in the ordinary course of the operations. The Financial Statements have been approved and authorised by the Board of Directors on 16 September 2021.

d) Income tax

Income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items based on the notional income tax rates for each jurisdiction. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or liability is settled. Deferred tax is debited or credited to profit or loss except where it relates to items that are debited

2. Summary of Significant Accounting Policies (continued)

or credited directly to equity or other comprehensive income, in which case the deferred tax is adjusted directly against equity or items of other comprehensive income. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse changes will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law. The Company has not formed a tax consolidated group.

e) Leases

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus and make-good obligations and initial direct costs incurred.

Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for remeasurement of the lease asset and for impairment losses, assessed in accordance with the Group impairment policies.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group expectations of extension options and do not include non-lease components of a contract.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with an excess recognised in the consolidated income statement.

Short-term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated income statement. Low value assets comprise plant and equipment.

f) Revenue and expenses

The Group recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services.

The Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the performance obligations in the contract and recognises revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

g) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

h) Foreign currency translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of transaction. At the end of the reporting period, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date, with the resulting foreign exchange gains or losses being recognised in the profit of loss.

i) Earnings per share

(i) Basic earnings (loss) per share is determined by dividing the operating profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the financial year.

2. Summary of Significant Accounting Policies (continued)

(ii) Diluted earnings (loss) per share adjusts the basic earnings used in determining earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares noted is adjusted by the weighted average number of shares assumed to have been issued for no consideration. At the end of the reporting period, options over unissued shares are not considered to be dilutive and have not been used to calculate diluted loss per share.

j) Exploration expenditure and petroleum tenement leases

In accordance with AASB 6, exploration expenditure is carried forward as an asset provided that the rights to the area of interest are current and such expenditure was expected to be recouped by:

- Successful development of the area of interest; or
- By sale of the area of interest.

Exploration and evaluation activities had not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the interest are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated expenditure applicable to such area of interest is written off to the profit or loss account in the year in which such decision is made. Qualifying Research and Development tax offsets received from the Australian Taxation Office are offset against the deferred exploration expenditure. Other Government grants which may be received from time to time are also offset against deferred exploration expenditure.

Amortisation is not charged on costs carried forward in respect of areas of interest on the basis that the Company is not able to assess with certainty the chances of the recoupment of expenditure through successful development or the rate at which the yet to be determined resources would be depleted.

A regular review is undertaken of each area of interest to determine the appropriateness of carrying forward costs in relation to the area of interest. Charges for depreciation of equipment used in exploration and evaluation activities are included as indirect costs of exploration and evaluation.

k) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

2. Summary of Significant Accounting Policies (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at

least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2. Summary of Significant Accounting Policies (continued)

Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

l) Property, plant and equipment

Each class of property, plant and equipment is carried at historic cost less accumulated depreciation and impairment losses, where applicable. Plant and equipment is measured on the historic cost basis less depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. The cost of assets constructed within the Company includes the cost of materials, direct labour, borrowing costs, and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the carrying value of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

The carried value of an asset is written down immediately to its recoverable amount if the asset's carried value is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing proceeds with the carried value. These gains and losses are included in the profit or loss.

m) Depreciation

All fixed assets are depreciated on a straight line basis over their useful lives to the Company. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Plant and equipment are depreciated at rates from 4% to 40%. The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. Depreciation charged on assets which are employed exclusively in the Company's exploration activities is capitalised. This is consistent with the treatment of other exploration related expenses.

n) Impairment of assets

Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. Summary of Significant Accounting Policies (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

o) Restoration and rehabilitation

Estimates of the cost of restoration and rehabilitation represent the anticipated cost to decommission the Company's existing wells. Site restoration costs include: the dismantling and removal of infrastructure, removal of residual materials and remediation of disturbed areas. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company, prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured as the amounts expected to be paid when the liability is settled, plus related on-costs and booked as an accrual. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits and booked as a provision.

(i) Long service leave

The non-current liability for long service leave is recognised in the provision for employee benefits and estimated as future cash outflows to be made by Metgasco resulting from employees' services provided up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Share based payments

Share based compensation benefits are provided to employees via an employee and officer's equity plan.

- The fair value of options and share rights granted under an employee and officer's equity plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and share rights.
- The fair value at grant date is determined by using a Black-Scholes option or Monte Carlo pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution and the fact that the options and share rights are not tradable.

(iii) Superannuation

The Company contributes to the personal superannuation funds of employees in accordance with the prevailing Federal legislation. Contributions of superannuation are recognised as expenses when they become payable. The cost of superannuation for employees employed exclusively in exploration and evaluation activities are carried forward in the statement of financial position.

r) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that such an outflow can be reliably measured.

s) Cash and cash equivalents

Cash and cash equivalents include: cash on hand and short, fixed term deposits with banks. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables

2. Summary of Significant Accounting Policies (continued)

and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which is disclosed as operating cash flows.

u) Government grants

Grants from Government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with conditions attaching to those grants. Government grants shall be recognised as a credit to carry forward exploration costs whilst the treatment of exploration costs continues to comply with AASB 6. Grants will be recognised only to the extent of the expenditure so far incurred for which the grants are intended to cover. Government grants not related to exploration expenditure are recognised in other income.

v) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the Financial Assets at FVOCI reserve, which comprises gains and losses from the revaluation of exchange traded bonds.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

w) Comparative Financial Information

Comparative financial information is reclassified where applicable to aid comparability with the current year, and more appropriately reflect the nature of the items concerned. None of the adjustments affect the loss before or after tax or net assets.

x) New and revised Accounting Standards issued

There are no new or amended accounting standards that required the Company to change its accounting policies for the 2021 financial year.

y) Adoption of Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations not yet adopted by the Group are not expected to have a material impact to the Group.

No new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021.

3. Financial Risk Management

Activities undertaken by Metgasco and its subsidiary may expose it to a variety of financial risks including: market risk, credit risk and liquidity risk. The Company's risk management policies and objectives are designed to recognise and minimise the potential impacts of these risks, where such impacts may be material. At the present stage, the Company has exposure to market, credit risk and liquidity risk.

The carrying amount of financial instruments by categories is as follows:

	Consolidated	
	2021	2020
	\$	\$
Cash and cash equivalents	553,760	157,530
Byron Energy securities	177,883	5,521,645
Loans and receivables	24,000	24,000
Financial liabilities at amortised cost	632,144	210,005

Cash and cash equivalents are detailed in Note 8 whilst the amount for loans and receivables represents amounts pledged as security for well rehabilitation, rental bonds, corporate credit cards and trade receivables. See Notes 10, 13 and 21 accompanying the financial statements.

a) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

i) Foreign exchange risk

In prior years, small components of the Company's purchases of well materials were denominated in US dollars ("USD"). At the end of the reporting period however, the amount of trade payables denominated in USD was nil. Subsequent variations in the USD/AUD exchange rate therefore would have no impact on the future results of the Company. From time to time throughout previous reporting periods, the Company made purchases of well casing and other items that were denominated in US dollars. Due to the infrequency of such purchases, no foreign currency hedging was undertaken, however any material changes to the value of our commitments to be settled in foreign currency are communicated to senior management and budgeted for.

ii) Interest rate risk and equity securities or other financial securities price risk.

The Company has no exposure to interest rate risk other than reductions/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 1% movement in interest rates, assuming a mean cash balance of \$553,760 would increase/decrease the annual amount of interest received by \$5,538.

Directors consider that there is no significant credit risk in respect of cash balances as those balances are all held with major Australian banks.

iii) The Long-Term Investment risk.

The Company has exposure to the equity market through its long-term investment in Byron Energy Limited which is listed on the Australian Securities Exchange.

b) Credit risk

Credit risk is the risk that the other party to a contract or financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors or counterparties to contracts fail to settle their obligations owing to the Company. The Company was in the exploration and appraisal stage of development and had not entered into any sales contracts and is therefore not exposed to counterparty credit risk.

3. Financial Risk Management (continued)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet commitments. The Company ensures that sufficient cash reserves are available to carry out its committed program of works. When assessing and managing liquidity risk, the Company considers that expected cash flows from current financial assets may not suffice to meet the current expected cash outflow requirements. Therefore, the Company may become reliant upon the continued support from shareholders to maintain the liquidity of the Company. All trade and other payables are payable within 6 months.

4. Segment Information

Management determined that the Company has no operating segments, on the basis that:

- no discrete information is provided to the executive management team;
- the executive management team and chief decision maker base their decisions on the consolidated financial information, which is not broken down by segment.

5. Finance Income and Other Income

	Note	Consolidated	
		2021	2020
		\$	\$
(a) Finance income			
Interest generated on cash at bank and traded bonds		155	5,898
Total finance income		155	5,898
(b) Other income			
Government Grants – cashflow boost		50,000	50,000
Other miscellaneous income		-	1,185
Total other income		50,000	51,185

6. Expenses

Profit/(Loss) before income tax includes the following specific expenses:

		Consolidated	
	Note	2021	2020
		\$	\$
(a) Depreciation			
Plant and equipment		1,290	3,019
Total depreciation		<u>1,290</u>	<u>3,019</u>
(b) Occupancy			
Occupancy expenses		38,302	36,379
Total Occupancy		<u>38,302</u>	<u>36,379</u>
(c) Finance cost - external			
Brokerage on sale of long-term investments		325	14,654
Bank charges		724	883
Interest paid		1,879	-
Total Finance Cost		<u>2,928</u>	<u>15,537</u>
(d) Employee costs			
Superannuation		42,947	42,919
Wages and salaries		537,605	545,476
Insurance		2,825	8,353
Issue of Performance Rights		17,189	-
Total employee costs		<u>600,566</u>	<u>596,748</u>
(e) Loss on fair value movement of derivative asset			
Total loss on fair value movement of derivative asset		<u>-</u>	<u>422,271</u>

7. Income Tax

Major components of income tax expense for the Years ended 30 June 2021 and 30 June 2020 are:	Consolidated	
	2021	2020
	\$	\$
Accounting profit (loss) before tax from continuing operations	(1,180,554)	(7,463,046)
Accounting profit (loss) before income tax	(1,180,554)	(7,463,046)
At the statutory income tax rate of 26% (2020: 27.5%)	(306,944)	(2,052,337)
Add:		
Non-deductible expenses	(8,529)	-
Temporary differences now brought to account	(1,204,804)	(168,455)
Tax loss not brought to account as a deferred tax asset	1,523,694	2,220,792
Tax amortisation of capital raising costs	(3,417)	-
At effective income tax rate of 0% (2020: 0%)	-	-
Income tax expense reported in income statement	-	-

Unrecognised deferred tax assets/(liabilities)	Consolidated	
	2021	2020
	\$	\$
Deferred tax assets/(liabilities) have not been recognised in respect of the following items		
<i>Liabilities</i>		
Prepayments	(15,134)	-
Inventories	26,367	-
Property, plant & equipment	(593)	-
Capitalised exploration expenditure	(1,755,339)	(520,186)
	(1,744,699)	(520,186)
<i>Assets:</i>		
Trade and other payables	27,890	-
Employee benefit	9,210	6,072
Business related costs	13,669	-
Tax Losses	25,006,257	28,501,606
	25,057,026	28,507,678
	23,312,327	27,987,492

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

8. Cash and Cash Equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash at bank and on hand	553,760	157,530
Total	553,760	157,530

a) Cash at bank and on hand

Amounts held in the Company's cheque account attract variable interest rates commensurate with a business cheque account.

9. Investments

	Consolidated	
	2021	2020
	\$	\$
Investment in traded bonds (current)		
Opening balance	-	1,393,540
Acquired during the period	-	-
Sold during the period	-	(1,385,322)
Movement in fair value	-	(8,218)
	-	-
Investment in listed securities		
Opening balance	5,521,645	11,696,681
Acquired during the period	-	2,800,000
Disposed during the period via sale	(2,136,130)	(3,562,486)
Disposed during the period via distribution to shareholders	(3,199,840)	-
Realised gain/ (loss) on sale*	(336,619)	81,276
Realised gain on distribution to shareholders	399,980	-
Movement in fair value	(71,153)	(5,493,826)
	177,883	5,521,645

* Listed securities are recorded at fair value at each reporting date. The opening and the closing balances therefore represent the number of shares held multiplied by the share price on that specific day. As a result, the realised gains and losses recorded within a financial year do not represent the cumulative gains or losses realised on the investment since the acquisition date. They represent the movement in value within the financial year based on the share price difference at the beginning of the year and the day the listed securities are sold or distributed.

Investment in listed securities

Current	177,883	5,521,645
Non-current	-	-
	177,883	5,521,645

As at 30 June 2021, the Company owned 1,778,832 shares in Byron Energy Ltd. During the period, it sold 17,662,492 shares realising a loss of \$336,619.

On 29 December 2020, the distribution of 19,998,997 fully paid ordinary BYE shares on a pro-rata basis to Metgasco Shareholders was completed. The last closing price of the BYE shares on the ASX prior to the transaction was \$0.16 per share.

As a result of a decrease of the share price at 30 June 2021, the unrealised loss is \$71,153 (2020: unrealised loss of \$5,493,826).

10. Trade and Other Receivables (Current)

	Consolidated	
	2021	2020
	\$	\$
GST receivable	7,960	3,708
Prepayments	58,207	76,302
Other	-	14,170
Total	66,167	94,180

No receivables are past due or impaired.

11. Exploration and Evaluation Expenditure

	Consolidated	
	2021	2020
	\$	\$
Expenditure for the entity's operations		
Movement during the financial period (at cost):		
Opening balance	1,891,585	1,298,423
Capitalised exploration expenditure	4,859,720	593,162
Carrying amount at end of year	6,751,305	1,891,585

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

12. Plant and Equipment

	Consolidated	
	2021	2020
	\$	\$
<i>Computer equipment</i>		
At cost	9,274	7,118
Accumulated depreciation and impairment	(6,995)	(5,706)
Net carrying amount	2,279	1,412

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below:

<i>Computer equipment</i>		
Carrying amount at beginning of financial year	1,412	5,957
Additions	2,157	427
Disposals	-	(1,953)
Depreciation	(1,290)	(3,019)
Carrying amount at end of financial year	2,279	1,412
 <i>Total plant and equipment</i>		
Carrying amount at beginning of financial year	1,412	5,957
Additions	2,157	427
Disposals	-	(1,953)
Depreciation	(1,290)	(3,019)
Carrying amount at end of financial year	2,279	1,412

Impairment loss

At 30 June 2021, the Company reviewed the carrying amount of its plant and equipment for indicators of impairment in accordance with the Company's accounting policy (refer Note 2(m)).

The recoverable amounts of plant and equipment were also formerly reassessed, and no impairment was required during 2021 financial year (2020: \$Nil).

13. Other Receivables (Non-current)

	Consolidated	
	2021	2020
	\$	\$
Security bonds non-current	24,000	24,000
Total	24,000	24,000

Security bonds are held in favour of the QLD Department of Natural Resources and Mines.

14. Other Financial Assets

The statement of financial position incorporates the assets, liabilities and results of the subsidiary in accordance with the policy described in Note 2(b).

Name of entity	Country of incorporation	Class of Shares	Equity holding			
			2021	2020	2021	2020
			%	%	\$	\$
Richmond Valley Power Pty Ltd	Australia	Ordinary	100	100	100	100

The proportion of ownership interest is equal to the proportion of voting power held for all the above subsidiaries.

15. Trade and Other payables (Current)

	Consolidated	
	2021	2020
	\$	\$
Trade payables	523,574	156,729
Accrued charges and expenses	108,570	48,300
Employee benefits	51,743	27,056
Total	683,887	232,085

Amounts classified above as employee benefits are all expected to be settled within 12 months of the end of the reporting period.

16. Share Capital and Options

	Parent Entity		Parent Entity	
	No of Shares	No of shares	\$	\$
	2021	2020	2021	2020
(a) Share Capital				
Ordinary Shares - Fully Paid	549,649,424	390,601,434	111,697,074	111,100,469
(b) Movements in Ordinary Share Capital				
Opening Balance	390,601,434	390,601,434	111,100,469	111,100,469
Issue of new share capital net of issue costs	159,047,990	-	3,796,445	-
Return of capital*	-	-	(3,199,840)	-
Closing Balance	549,649,424	390,601,434	111,697,074	111,100,469

* On 29 December 2020, the Company performed a return of capital via the distribution of 19,998,997 fully paid ordinary shares in Byron Energy Ltd (BYE) on a pro-rata basis to Metgasco Shareholders. The last closing price of the BYE shares on the ASX prior to the transaction was \$0.16 per share. This transaction resulted in a decrease of share capital of \$3,199,840.

Ordinary shares have the right to participate in dividends, include a voting entitlement, and include a right to proceeds on the winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company issued shares during the year as follows:

- 28th July 2020, 55,000,000 shares as part of a share placement at 2.5 cents a share.
- 14th September 2020, 103,999,914 shares as part of a share purchase plan at 2.5 cents per share.
- 30th March 2021 issued 48,076 shares as part of options conversions at 4 cents per share.

Capital risk management

The Company considers its capital to comprise its ordinary shares. In managing its capital, the Company's primary objective is to effectively utilise its capital resources to deliver on its operational objectives and deliver returns to shareholders. The issue of new shares is one of the Company's means of achieving its long term operational and strategic objectives. As the Company is involved in exploration and has no debt, the use of various gearing ratios is not employed.

	No of Options 2021	No of Options 2020
Share Options		
Opening balance	-	-
Issued during the year	182,525,012	-
Exercised during the year	(48,076)	-
Lapsed during the year	-	-
Closing Balance	182,476,936	-

During the reporting period the Company issued 182,525,012 bonus options to all shareholders on the following terms:

- One option may be exercised and converted into one fully paid ordinary share in the Company;
- One new bonus option issued for every three ordinary shares held in the company on the record date;
- An exercise price to of \$0.04 per option;
- Expiry date of 31 December 2021.

16. Share Capital and Options (continued)

	No of Performance Rights 2021	No of Performance Rights 2020
Performance Rights		
Opening balance	-	-
Issued during the year*	10,418,411	-
Vested during the year	-	-
Exercised during the year	-	-
Lapsed during the year	-	-
Closing Balance	10,418,411	-

* Refer to note 17 for details.

17. Share Based Payments

A total of 10,418,411 Employee Performance Rights were issued by the Company, which entitles the holder to exchange for ordinary shares in the Company on a 1 for 1 basis at zero cost once certain vesting hurdles are achieved. The vesting hurdles are as follows:

- 50% of Performance Rights will vest when the Company Share Price is equal to or greater than 5.2 cents before 30 Sep 2021;
- 25% of Performance Rights will vest when the Company Share Price is equal to or greater than 8.0 cents before 30 Sep 2022;
- 14% of Performance Rights will vest when the Company Share Price is equal to or greater than 12.0 cents before 30 Sep 2022.

Volatility was assessed by reference to historic movement in share price based on the life term of employee performance rights.

The performance rights have been valued using the Monte-Carlo method and the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Total
Share Price on Issue	\$0.032	\$0.032	\$0.032	
Issue Date	5 Feb 2021	5 Feb 2021	5 Feb 2021	
Exercise Price	Nil	Nil	Nil	
Life (years)	0.65	1.65	2.65	
Volatility	84%	107%	95%	
Risk Free Rate	0.090%	0.105%	0.105%	
Vesting Hurdle	\$0.052	\$0.08	\$0.12	
Valuation per Right	\$0.0046	\$0.0028	\$0.0016	
Rights Issued	5,209,206	2,604,603	2,604,603	
Total Value	\$24,202	\$7,256	\$4,227	\$35,685
Expense Relating to FY21	\$14,807	\$1,748	\$634	\$17,189

As at 30 June 2021, the share option reserve amounts to \$17,189 (2020: Nil)

18. Key Management Personnel

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	442,585	403,681
Post-employment employee benefits	31,595	27,278
Share based payments	9,829	-
Total compensation	484,009	430,959

19. Auditor's Remuneration

Total amounts provided for remuneration for assurance services provided to the Company by the auditor are:

	Consolidated	
	2021	2020
	\$	\$
During the year, fees paid/payable to the Company's auditors were:		
For audit and review – Grant Thornton Audit Pty Ltd	<u>78,089</u>	<u>68,512</u>

20. Related Party Disclosures

Directors and Directors' related entities share and option holdings at the end of the reporting period are disclosed in the remuneration report. As such, apart from remuneration with key management personnel (refer to note 18 above), there are no further related party transactions to disclose.

21. Contingent Liabilities and Assets

	Consolidated	
	2021	2020
	\$	\$
Security Bonds to State governments	<u>24,000</u>	<u>24,000</u>

Should the Company fail to satisfactorily rehabilitate well sites after their abandonment, amounts secured by cash lodged with the QLD Department of Natural Resources and Mines could be forfeited.

22. Commitments

The exploration expenditure relates to the permit commitments for ATP2020, farm-in commitments for L14 Cervantes and committed expenditure in ATP2021 and PRL211.

	Consolidated	
	2021	2020
	\$	\$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	19,027,127	4,785,474
Year 2 to Year 4	11,004	13,450,504
Over 5 years	-	-
Total	<u>19,038,131</u>	<u>18,235,978</u>
Office Rent		
Within one year	24,855	21,818
Later than one year but not later than five years	-	-
Total	<u>24,855</u>	<u>21,818</u>

Metgasco's strategy in meeting the above Exploration and Evaluation expenditures involves:

- (i) cash flow from operating activities;
- (ii) raising capital; or
- (iii) some combination of the above.

The Company may also consider farming out, divestment or relinquishment of certain assets if appropriate and acceptable to stakeholders.

23. Statement of Cash Flows Reconciliation

	Consolidated	
	2021	2020
	\$	\$
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss for the year	(1,180,554)	(7,463,046)
Adjustments for:		
Depreciation	1,290	3,019
Loss on fair value movement of derivative asset	-	422,271
Fair value movement of investments in listed securities	71,153	5,493,826
Realised (gain) / loss on sale of investments in listed securities	336,619	(81,276)
Realised gain on distribution of investments in listed securities	(399,980)	-
Loss on financial assets at FVOCI reserve recycled to profit or loss	-	59,812
Changes in assets and liabilities:		
Decrease in trade and other receivables	28,012	41,921
(Decrease) / Increase in trade and other payables	156,540	15,343
Increase / (Decrease) in provisions	-	(21,580)
Net cash flows used in operating activities	<u>(986,920)</u>	<u>(1,529,710)</u>
(b) Non cash financing and investing activities		
\$3,199,840 non-cash decrease in share capital via in-specie distribution. (2020: \$Nil)		

24. Earnings Per Share

	Consolidated	
	2021	2020
	\$	\$
Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Loss attributable to owners of Metgasco Ltd used to calculate basic earnings per share	<u>(1,180,554)</u>	<u>(7,463,046)</u>
Diluted earnings per share		
Loss attributable to owners of Metgasco Ltd used to calculate diluted earnings per share	<u>(1,180,554)</u>	<u>(7,463,046)</u>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	524,175,259	390,601,434
Loss per share (cents)	<u>(0.23)</u>	<u>(1.91)</u>

The Company's potential ordinary shares, being 182,476,936 options granted, are not considered dilutive as the options strike price was significantly above the closing share price of the Company at 30 June 2021 and the Company is also in a loss position as at 30 June 2021.

25. Fair value measurement

Fair value measurement of financial instruments

Financial assets measured at fair value in the statement of financial position are grouped into three (3) levels of fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis at 30 June 2021 and 30 June 2020:

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed securities	178	-	-	178
Total assets	178	-	-	178
Net fair value	178	-	-	178
30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed securities	5,522	-	-	5,522
Total assets	5,522	-	-	5,522
Net fair value	5,522	-	-	5,522

26. Financial Facilities

The Company does not have any loan facilities in place as at the date of these Financial Statements.

27. Parent Entity Disclosures

	2021	2020
	\$	\$
Current assets	797,810	5,773,355
Non-current assets	6,777,684	1,917,097
Total assets	7,575,494	7,690,452
Current liabilities	683,887	232,085
Non-current liabilities	100	100
Total liabilities	683,987	232,185
Contributed equity	111,697,074	111,100,469
Share options reserve	17,189	-
Accumulated losses	(104,822,756)	(103,642,202)
Total equity	6,891,507	7,458,267
(Loss) for the year	(1,180,554)	(7,463,046)
Other comprehensive income for the year	-	59,812
Total comprehensive (loss)/profit for the year	(1,180,554)	(7,403,234)
Commitments	2021	2020
	\$	\$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	19,027,127	4,785,474
Year 2 to Year 4	11,004	13,450,504
Over 5 years	-	-
Total	19,038,131	18,235,978
Office Rent		
Within one year	24,855	21,818
Later than one year but not later than five years	-	-
Total	24,855	21,818

The parent entity has exploration expenditure relating to the permit commitments for ATP2020, farm-in commitments for L14 Cervantes and committed expenditure in ATP2021 and PRL211.

Contingent Liabilities

	2021	2020
	\$	\$
Security deposits to state governments	24,000	24,000

Should the parent entity fail to satisfactorily rehabilitate well sites after their abandonment, amounts lodged with the QLD Department of Natural Resources and Mines and Investment could be forfeited.

Metgasco's strategy in meeting the above Exploration and Evaluation expenditures involves:

- (i) sale of marketable securities;
- (ii) raising capital; or
- (iii) some combination of the above.

The Company may also consider relinquishment of certain assets if appropriate and acceptable to stakeholders.

28. Events After the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than:

On 26 July 2021 the board of Metgasco advised shareholders that Executive Officer Mr. Ken Aitken had accepted the Board's invitation to take up a role as director of the Company and has accordingly been appointed Managing Director.

On 4 August 2021 the board of Metgasco advised shareholders of the appointment of Mr. Peter Lansom as a non-executive director.

In August 2021, a fully underwritten Entitlement Offer to the value of \$4.58 million (before issue costs) was completed by offering 183 million new shares to Eligible Shareholders on a 1 for 3 basis, at an issue price of \$0.025 per share. Each new share issued under the Entitlement Offer will also receive an attaching option on a 1 for 3 basis with a strike price of \$0.031, expiring 31 December 2022. The Entitlement Offer price of \$0.025 per share represents a discount of 7.4% on the closing price of Metgasco on 1 July 2021 and a discount of 13.5% on the 30-day VWAP to 1 July 2021.

On 10 August 2021 the board advised shareholders of the Vali-3 net pay results, with the operator Vintage estimating a total of 165 metres of conventional and low permeability net gas pay within the Patchawarra Formation, which comprises 101 metres of conventional net gas pay (porosity equal to or greater than 8%) and 64 metres of unconventional net gas pay (porosities ranging from 6% to 8%). 13 metres of net gas pay was also identified in the deeper Tirrawarra Sandstone. Gas trapped in the unconventional sandstones will likely be accessed via well stimulation. For comparison, the Patchawarra Formation in Vali-2 also has 101 metres of net gas pay in conventional sandstones, but only 16 metres of unconventional net gas pay. The Epsilon and Toolachee formations within Vali-3 have been interpreted to contain potential gas pay, but further technical work is necessary before this can be quantified.

On 16 September 2021 the board announced the results of the independent certification of Contingent Resources for the Odin Field in the Cooper Basin. ERC Equipoise Pte Ltd ("ERCE") independently certified 36.4 billion cubic feet ("Bcf") of gross 2C Contingent Resources in the Toolachee, Epsilon, Patchawarra and Tirrawarra formations of the Odin gas field located in both PRL 211 and ATP 2021 on the southern flank of the Nappamerri Trough in the Cooper Basin. While all these formations contributed to the certified gas volumes, the majority of the resource is based in the Toolachee and Patchawarra formations.

The working interest of the Contingent Resources represent Metgasco's share of the Gross Contingent Resources based on its working interest in PRL 211, which is 21.25%, and ATP 2021, which is 25%. Accordingly, a net 2C Contingent Resource of 8 Bcf has been certified by ERCE.

Gross Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
Total	18.5	36.4	71.7

Net Odin Gas Field Contingent Resources (Bcf)			
	1C	2C	3C
PRL 211	2.20	4.35	8.55
ATP 2021	1.85	3.65	7.15
Total	4.05	8.00	15.70

- Gross Contingent Resources represent 100% total of estimated recoverable volumes within PRL 211 and ATP 2021.
- Working Interest Contingent Resources represent Metgasco's share of the Gross Contingent Resources based on its working interest in PRL 211, which is 21.25%, and ATP 2021, which is 25%.
- These are unrisked Contingent Resources that have not been risked for Chance of Development and are sub-classified as Development Unclassified.
- Contingent Resources volumes shown have had shrinkage applied to account for inerts removal and include hydrocarbon gas only.
- No allowance for fuel and flare volumes has been made.
- Resource estimates have been made and classified in accordance with the 2018 Petroleum Resources Management System ("PRMS").
- Probabilistic methods have been used for individual sands and totals for each reservoir interval have been summed deterministically.
- Contingent Resources certified by ERCE are as at 14 September 2021.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Metgasco Ltd:
 - (a) the consolidated financial statements and notes of Metgasco Ltd are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that Metgasco Ltd will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
3. The Company has included in the notes to the financial statements, an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Philip Amery
Chairman
Sydney, 17 September 2021

Independent Auditor's Report

To the Members of Metgasco Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Metgasco Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Group incurred a net loss of \$1,180,554 during the year ended 30 June 2021, and as of that date, had net current assets of \$113,923 and financial commitments towards its exploration tenements and agreements due within one year of \$19,038,131. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure - Note 11</p> <p>The group recognises capitalised exploration and evaluation expenditure in accordance with <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>.</p> <p>As at 30 June 2021, the Group held exploration and evaluation assets amounting to \$6,751,305. During the year, the Group capitalised \$4,859,720 of costs to exploration and evaluation assets in relation to different areas of interest.</p> <p>This is a key audit matter due to the inherent subjectivity that is involved in making judgments in relation to the evaluation for any impairment indicators, in accordance with <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>.</p> <p>There are a number of assumptions made when assessing the recoverability of capitalised costs and many times it is dependent upon the future success of projects and initiatives. Exploration costs were also higher this year than in the prior year.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining from management a reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Vouching a sample of expenditure to ensure they meet the recognition criteria under AASB 6; • Reviewing management's areas of interest considerations against AASB 6; • Confirming whether the rights to tenure for the areas of interest remained current at balance date; • Obtaining an understanding of the status of ongoing exploration programmes for the respective areas of interest; • Obtaining evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure; • Understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; and • Assessing the appropriateness of the related disclosures within the financial statements.
<p>Return of capital - Note 16</p> <p>During the year, the Group undertook a return of capital to shareholders via the distribution of 19,998,997 fully paid ordinary shares the Group held in the ASX listed company Byron Energy Ltd (BYE). This resulted in a decrease of share capital of \$3,199,840.</p> <p>Due to the fact that this transaction is material to the financial statements and that the Group was required to obtain legal and tax advice, we have assessed this area to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining the legal and taxation documentation related to this transaction and a management paper on the legal and accounting treatment of this distribution; • Assessing whether this transaction has been correctly recorded in accordance with AASB Interpretation 17 – Distributions of non-cash assets to owners; • Confirming that the amount of the decrease in share capital (\$3,199,840) and the gain realised in the profit or loss on the distribution to the shareholders (\$399,980) was appropriately calculated; and • Assessing the appropriateness of the related disclosures within the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 16 to 21 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Metgasco Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 17 September 2021

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as of 28 October 2021.

Distribution of Ordinary Shares:

Analysis of ordinary shareholders by size of shareholding:

Number of Shares	Ordinary Shares Held	No. of Shareholders	% of Issued Shares
100,001 and Over	687,626,233	629	29.28
10,001 to 100,000	42,967,237	1,081	50.33
5,001 to 10,000	2,032,757	225	10.47
1,001 to 5,000	243,554	89	4.14
1 to 1,000 ¹	15,013	124	5.77
Total	732,884,794	2,148	100.00

¹ 641 shareholders held less than a marketable parcel of Metgasco shares as of 28 October 2021.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted equity securities are listed below:

	Shareholders	Ordinary Shares Held	% of Issued Shares
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	77,886,770	10.63
2	BNP PARIBAS NOMINEES PTY LTD	45,901,646	6.26
3	KEYBRIDGE CAPITAL LIMITED	35,121,572	4.79
4	KEYBRIDGE CAPITAL LIMITED	28,428,674	3.88
5	PW AND VJ COOPER PTY LIMITED	13,253,551	1.81
6	MAEANDER HOLDINGS PTY LTD	10,976,315	1.50
7	MRS CATHERINE ANNE MARSON & MR JOSEPH MARSON	9,674,712	1.32
8	MR BERNARD PETER COUNTY	8,600,000	1.17
9	VIKAND CONSULTING PTY LTD	8,200,000	1.12
10	MR GREGORY NORMAN PETERS	7,500,000	1.02
11	DYNASTY PEAK PTY LTD	7,335,000	1.00
12	NAMBIA PTY LTD	6,939,609	0.95
13	MR GREGORY DYER & MRS DEBORAH DYER	6,723,516	0.92
14	SAXON ACQUISITIONS PTY LTD	6,643,546	0.91
15	BEARAY PTY LIMITED	6,533,333	0.89
16	GYTON PTY LTD	6,279,822	0.86
17	FAST FREEZE INTERNATIONAL LIMITED	6,251,286	0.85
18	MR JOHN PHILIP DANIELS	6,248,756	0.85
19	MR DAVEN KURL	6,098,224	0.83
20	MR ROGER MAXWELL BARTLETT	5,960,000	0.81
	Totals	310,556,332	42.37

Substantial Holders

The following shareholders have notified that they are substantial shareholders of Metgasco:

Shareholders	Ordinary Shares Held ¹	% of Issued Shares
Glennon Capital Pty Ltd	76,836,676	10.48
Keybridge Capital Limited	64,914,062	8.86
Aurora Funds Management Limited (Aurora) (ABN 69 092 626 885) as responsible entity of HHY Fund ARSN 112 579 129 (HHY).	42,539,781	5.80

¹ Issued equity held as disclosed in the substantial holding notices provided to the Company

On Market Buy-Back

There is no current on-market buy back.

Unquoted Securities

ASX Code	Security Description	Number
MELAB	Option expiring 31-Dec-2021 ex \$0.04	182,457,424
MELAC	Performance rights	5,209,206
MELAF	Option expiring 31-Dec-2022 ex \$0.031	6,000,000

Voting Rights

On a show of hands, at a General Meeting of the Group, every member present in person or by proxy shall have one vote and upon a poll each person present in person or by proxy shall have one vote for each ordinary share held. Option holders have no voting rights.

CORPORATE DIRECTORY

Directors	Philip Amery (Chairman) Ken Aitken (Managing Director) John Patton Rob Willink Peter Lansom
Company Secretary	Paul Bird
Registered Office and Principal Place of Business	Metgasco Ltd ABN 24 088 196 383 Level 2, 30 Richardson Street West Perth WA 6005 Telephone: +61 8 6245 0060 Email: info@metgasco.com.au www.metgasco.com.au
Stock Exchange	Australian Securities Exchange (ASX) 4 Bridge Street Sydney, NSW 2000
ASX Symbol	MEL
Share Registry	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney, NSW 2000
Solicitors	MARQUE Lawyers Pty Ltd Level 4, 343 George Street Sydney, NSW 2000

An electronic copy of this Annual Report is available at <http://www.metgasco.com.au/annual-reports>