



**METGASCO LTD
AND THE ENTITY IT CONTROLLED
ACN 088 196 383**

**CONSOLIDATED FINANCIAL REPORT
HALF YEAR ENDED
31 DECEMBER 2021**

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DIRECTORS' REPORT

Your Directors present their report together with the consolidated financial statements of Metgasco Ltd ("Metgasco" or "Company") and its controlled entity (collectively referred to as "the Group") for the half year ended 31 December 2021.

Directors

The names of persons who were Directors of Metgasco at any time during the half year and up to the date of this report are as follows:

Mr Philip Amery – Non-Executive Director, Chairman
Mr Ken Aitken – Managing Director (appointed 26 July 2021)
Mr John Patton – Non-Executive Director
Mr Robbert Willink – Non-Executive Director
Mr Peter Lansom – Non-Executive Director (appointed 4 August 2021)

Principal Activities

Metgasco's principal activity is investment in the exploration, appraisal, development and commercialisation of oil and gas assets. The Group is also seeking additional investment opportunities.

Review of Operations

The following is an overview of the Company's activities during the half year ended 31 December 2021.

Cooper/Eromanga: ATP2021

ATP2021 is located in Queensland adjoining the Queensland- South Australia border. ATP2021 contains the Vali gas field, discovered by Vali ST1 in January 2020 and successfully appraised by Vali-2 and Vali-3 in the June and September quarters of CY2021 (see figure 1) . The field has three cased wells available for future gas production.

Following the successful results of Vali-2 decided to drill an additional appraisal well Vali-3. The Vali-3 well reached total depth at 3,186 metres on 28 June 2021, achieving its main objective of intersecting the Patchawarra Formation at a depth consistent with the pre-drill interpretation of the Vali structure. During drilling, gas shows were observed in the lower Nappamerri Group, Toolachee, Epsilon and Patchawarra formations, and the Tirrawarra Sandstone.

Oil shows were observed 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-1 ST1 and Vali-2 wells and Metgasco considers these shows supportive of oil migration and hence potential oil accumulations within the ATP 2021 permit, where more than 12 oil leads have been identified.

The analysis of the Vali -3 wireline logging data resulted in the operator estimating a total of 165 metres of conventional and low permeability net gas pay within the Patchawarra Formation, which comprised 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, and 16 metres of unconventional net gas pay. The Epsilon and Toolachee formations within Vali-3 have been interpreted to contain potential gas pay, with further technical work required before this can be quantified.

The joint venture has reviewed the data from the successful Vali wells and sent the data to ERC Equipoise Pte Ltd in Q3 FY2021 to complete an independent Reserve certification for the Vali Field.

As a result of this evaluation, ERCE revised its 1P, 2P and 3P Reserves estimates for the Vali Field to include the Toolachee Formation, as well as revising upward the previously booked Reserves from the Patchawarra Formation. The effect of the revision has been a three-fold increase in 2P Reserve of the Vali field to 101.0 PJ (25.2PJ net to MEL) independently certified and booked (previously Gross 2P of 33.2PJ (8.3PJ net to MEL) The following tables detail the combined revised Reserves estimates.

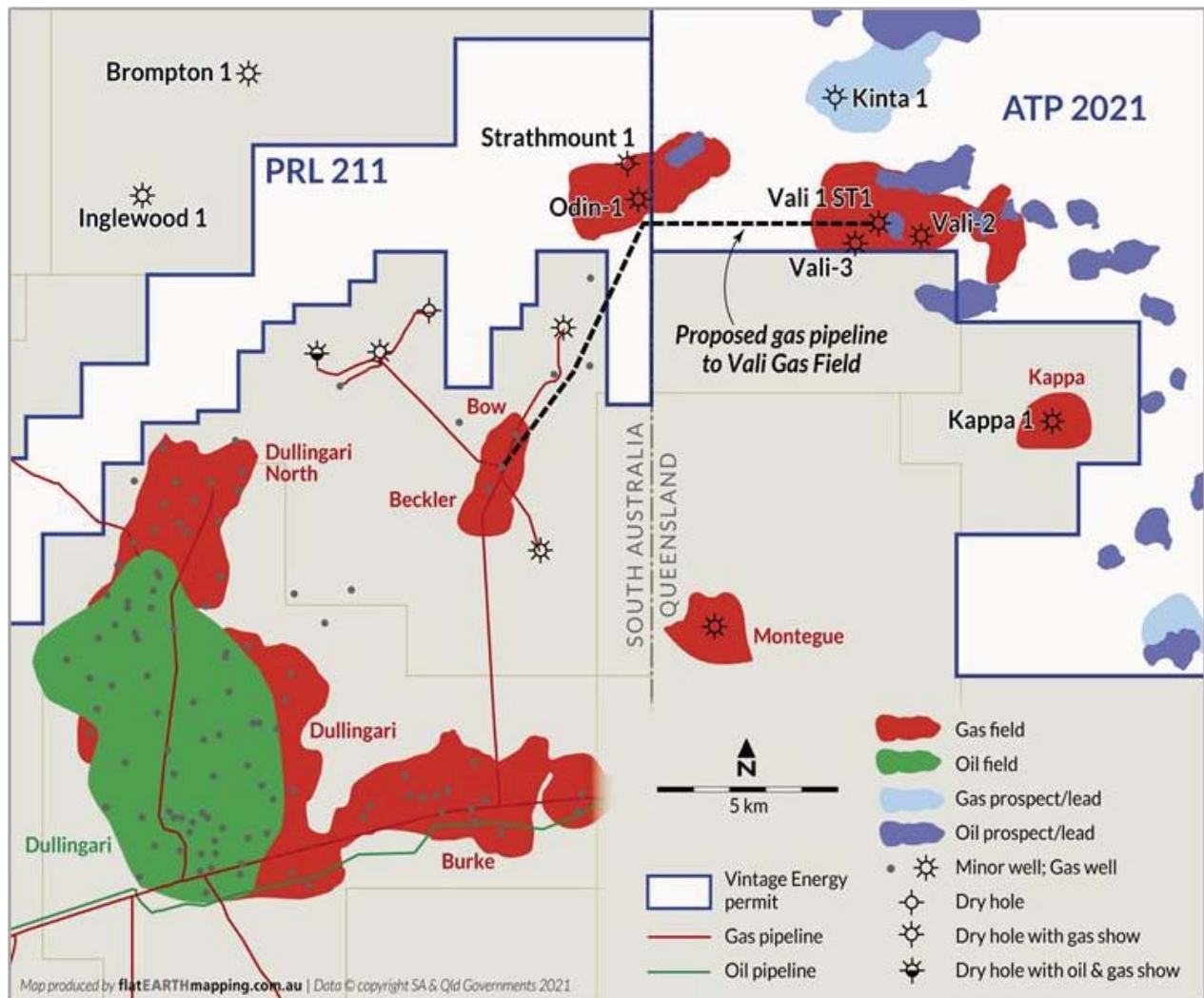


Figure 1: Cooper Basin permits PRL 211 and ATP 2021 including well locations Odin-1, Vali-1 ST1, Vali-2 and Vali-3 Source: Vintage

Table 1&2 – Vali Field Gross and Net Reserves:

Gross ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bcf)	43.3	92.0	191.2
Sales Gas (PJ)	47.5	101.0	209.8

Net Entitlement ATP 2021 Vali Gas Field Reserves			
	1P	2P	3P
Sales Gas (Bcf)	10.8	23.0	47.8
Sales Gas (PJ)	11.9	25.2	52.4

1. Reserves estimates reported here are ERCE estimates, effective 31 October 2021, first announced to the ASX 1 November 2021
2. Metgasco is not aware of any new data or information that materially affects the Reserves above and considers that all material assumptions and technical parameters continue to apply and have not materially changed.
3. Reserves estimates have been made and classified in accordance with the Society of Petroleum Engineers (“SPE”) Petroleum Resources Management System (“PRMS”) 2018.
4. Company Net Entitlement Reserves are based on the Metgasco working interest share of 25% of the field gross Reserves and are prior to the deduction of royalties
5. Sales Gas volumes are net of fuel and flare volumes.
6. All quantities subject to rounding to one decimal place for clarity purpose.

On 6 December 2021 Metgasco announced that the ATP2021 Joint Venture parties entered into a conditional Heads of Agreement (“HoA”) with AGL Wholesale Gas Limited (“AGL”) for the sale of all gas produced from the Vali Field from field start-up (mid CY2022) through to the end of CY2026. This is anticipated to be a minimum of 9 PJ and up to 16 PJ of gross sales gas over the contract term, to be sold on a mix of firm and variable pricing at market rates.

The terms set out in the HoA will form the basis of a fully termed Gas Sales Agreement (“GSA”) which will include AGL providing an upfront payment of \$15 million to the JV in three tranches as the project moves to first gas, subject to execution of the GSA and satisfaction of its condition’s precedent. The JV funds will be used specifically for the Vali Field to fund the work program, including the completion of all three Vali wells and the tie-in of the Vali Field to the nearby Moomba pipeline network.

The HoA includes a number of conditions precedent to a definitive GSA including a condition that a raw gas processing agreement with the Moomba infrastructure owners, for the processing of Vali gas to sales gas standards, is entered into. The HoA provides for an exclusivity period, during which time the formal documentation for a gas sales agreement is expected to be negotiated and executed

The ATP2021 Joint Venture(JV) made significant progress on the remaining catalysts to enable a JV decision on the appraisal of, and production from the Vali field. These catalysts are;

- Agreeing a processing tariff with the Moomba infrastructure owners
- Complete detailed engineering on an appropriately sized pipeline to connect the Vali wells to the Moomba infrastructure

Metgasco anticipate that the consideration of the field appraisal program by the ATP 2021 JV will occur in Q1 CY2022 leading to a circa 30+ year Vali production hub starting production in mid CY2022 providing inaugural gas revenue to the business.

ATP 2021 has further oil and gas prospectivity. Seismic acquisition and interpretation are required to identify optimal locations. Planning for seismic acquisition is to be conducted in the second half of the current financial year.

Cooper/Eromanga: PRL 211

PRL 211 lies in the South Australian Cooper Basin, with the licence's eastern boundary adjacent to the ATP 2021 western boundary (see figure 1). The licence is in close proximity to the South Australian Cooper Basin's Joint Venture's gas production infrastructure at the Beckler, Bow and Dullingari fields. The Odin Gas Field, discovered by the PRL 211 Joint Venture in 2021, is located in both PRL 211 and ATP 2021 on the southern flank of the Nappamerri Trough in the Cooper Basin.

The Odin-1 exploration well was drilled with the Schlumberger SLR184 rig and reached total depth at 3,140 metres on 26 May 2021. Extensive gas shows were encountered in sandstones through the primary target Toolachee and Patchawarra formations, as well as a basal sand in the Epsilon Formation. These shows were confirmed as gas pay via the wireline evaluation program, with gas samples successfully recovered from the Toolachee and Epsilon formations. The well was subsequently cased as a gas discovery.

During the period the PRL211 JV completed the successful flow test program for Odin-1. Results from the flow tests exceeded initial expectations. All zones perforated for the testing contributed to the strong overall gas flows.

The first stage of the Odin-1 flow test delivered a stable flow rate of 6.5 million standard cubic feet per day at a flowing wellhead pressure of 1,823 psi through a 28/64" fixed choke. The well was then shut-in for 15 days, with the second stage of the flow test recommencing on 18 November 2021 (see figure 2).



Figure 2: Well Test on Odin-1

The second stage focused on the running of a multi-rate memory production log, which confirmed gas was being contributed from each of the perforated Epsilon and Toolachee formations. Gas samples were taken over the course of the second stage for detailed analysis.

Odin-1 is currently shut-in. All the data collected will be assessed and incorporated into a commercialisation plan for the asset, which will include an estimate of the number of wells required to efficiently produce gas and maximise returns from the Odin Field. Subject to JV approval, the next operation will likely be completion of the well, in conjunction with completion of the nearby Vali wells, to minimise costs.

The Odin field is expected to become the second field in the PRL211/ATP2021 gas production hub and supply gas to the Australian domestic market through tie-in to the Moomba gas gathering network. 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.

Table 3&4 - Odin gross and net Contingent Resources:

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 unrisked 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.
9. These Contingent Resources were first disclosed in a release to the ASX on September 16,2021.

Perth Basin: L14

The Cervantes prospect sits within the L14 licence granted over the Jingemgia oilfield and surrounds and is a high-side fault trap of multiple Permian sandstone reservoir targets (prolific producers in Perth Basin). The chance of success has been assessed at 28% and it has a close proximity to the Jingemgia oil field and processing facility. Metgasco will earn a 30% interest in any Cervantes discovery in the targeted Permian reservoirs through funding 50% of the cost of the Cervantes-1(with Vintage to fund the remaining 50% to earn a 30% interest).

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 5 below and MEL ASX release dated 15 September 2019).

RCMA, on behalf of the Joint Venture, signed a non-binding letter of intent (LOI) with Strike Energy Limited (“Strike”) in Q3 CY2021 that set out the framework for negotiation of a rig sharing agreement to provide for drilling of the Cervantes-1 exploration well using the Ensign 970 rig. During Q4 CY2021 this agreement was significantly advanced and contemplates RCMA Australia,

on behalf of the Joint Venture, entering into a standalone drilling rig contract with Ensign Australia Pty Ltd.

On receipt of the regulatory environmental approvals required for Cervantes-1, the rig share and Ensign contract agreements can be finalised and executed. Access track and well pad civils construction work are anticipated to begin shortly after receipt of environmental approvals

Well planning and drilling service contracts were significantly advanced through Q4 CY2021 in readiness for spud anticipated in Q1 CY2022.

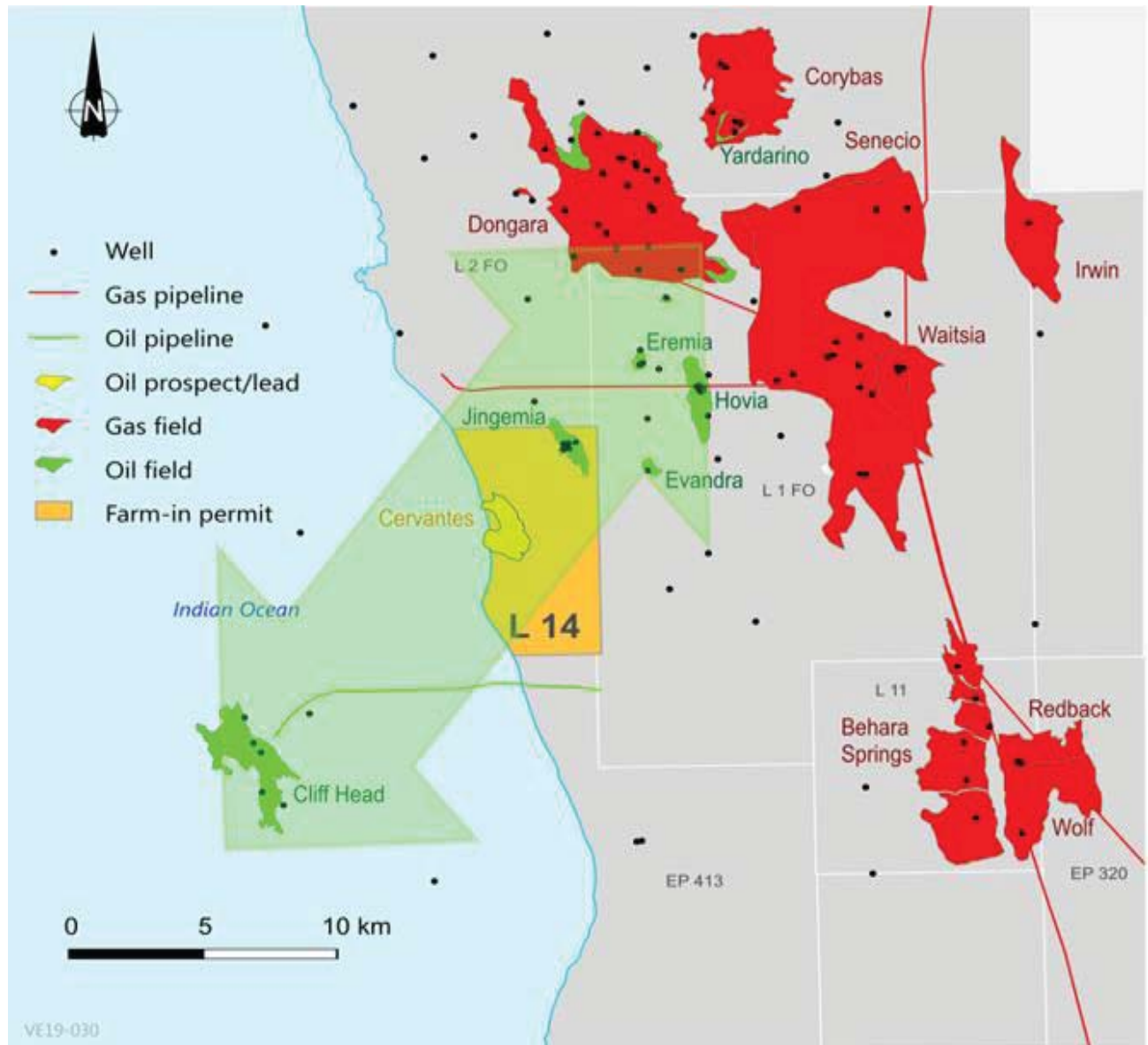


Figure 3: L14 Cervantes Map

Table 5 - 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 15 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

Cooper/Eromanga: ATP2020

The ATP2020 licence is 535km² in area and was granted 100% to Metgasco in 2018. 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 are undertaking a farm-out process of the ATP2020 Licence, and a number of parties reviewed the data room over the period.

Cooper Basin: PRL237

The JV agreed a budget which included minimal activity in relation to PRL 237 for FY2022.

Corporate Activities

Capital Raising (Entitlement Offer):

As announced on 6 July 2021, the Company undertook a fully underwritten non-renounceable pro rata entitlement offer (Offer) to Eligible Shareholders, issuing 1 New Share for every 3 Existing Shares held at an offer price of \$0.025 per New Share (Offer Price) raising approximately \$4.58 million (before costs).

Eligible Shareholders who participated in the Offer were offered the opportunity to apply for 1 option for every 3 Shares issued to them under the Offer exercisable at \$0.031 per option and expiring 31 December 2022 (Attaching Options), for nil consideration. A prospectus for the Attaching Options

was issued on 29 September 2021, with a closing date for acceptance of applications by 29 October 2021.

Following shareholder approval on 9 December 2021, the Company issued 33,875,000 Director and Officer Share Options exercisable at \$0.045 per option and expiring 10 December 2024. The Company cancelled the 5,209,206 Performance Rights on 10 December 2021.

Board Appointments:

On 26 July 2021 the board of Metgasco advised shareholders that Chief 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, this appointment was subsequently ratified by shareholders at the Annual General Meeting held on 9 December 2021.

Financial Results

The operating loss for the period was \$1,152,649 which included non-cash expenses of \$510,699.

The Group ended the period with a cash balance of \$3,051,412 and no debt. The cash balances were held as cash at bank. Other financial assets of the Company are detailed in the Consolidated Statement of Financial Position (Page 15) and the accompanying notes.

Likely Developments

In CY2022, the Company is planning to drill one high impact oil exploration well in the Perth Basin (Cervantes-1). Pipeline and connection activities are planned for the Vali Project in the Cooper Basin following the Vali-1 gas discovery in 2020 and successful appraisal wells on Vali-2 and Vali-3. Vali field gas production is anticipated in mid CY2022 providing inaugural gas revenue to the business. Further appraisal activities are planned for the Odin-1 gas discovery which will enable a commercialisation plan to efficiently produce gas from the Odin Field.

Significant Events Subsequent to 31 December 2021

Capital Raising

On 22 February 2022 the Company announced it had raised \$5.0 million (before costs) from institutional and wholesale/professional investors pursuant to a share placement of 192 million new shares. The terms of the placement were an issue price of 2.6c/share. Options are to be issued to placement participants on a 1 for 3 basis, with a strike price of 4.5c, expiring 10 December 2024, with issuance of options subject to shareholder approval.

The placement price of \$0.026 per share represents a discount of 16.1% on the closing price of Metgasco on 17 February 2022, a 9.5% discount to the 15-day VWAP, and a discount of 6.6% on the 30-day VWAP to 17 February 2022. The placement will settle in two tranches, comprising 173.9M shares issued under ASX LR7.1 and 7.1A ("tranche 1") and 18.4M shares issued subject to shareholder approval ("tranche 2").

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under Section 307C is included on page 12 to this Half Year Report.

Signed in accordance with a resolution of the Directors.

Dated at Perth on 11 March 2022.



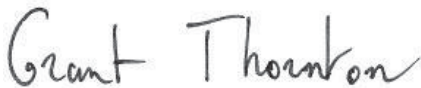
Philip Amery
Chairman

Auditor's Independence Declaration

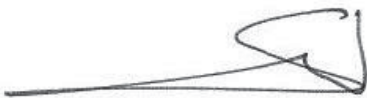
To the Directors of Metgasco Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Metgasco Limited for the period ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 11 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	Consolidated Entity Half Year	
		31 December 2021	31 December 2020
		\$	\$
Interest income	4	9	64
Other income	4	-	50,000
Finance costs		(2,476)	-
Fair value movement of investments in listed securities	5	-	377,612
Realised gain on sale of long term investments	5	3,246	24,299
Realised gain on distribution of investments in listed securities	5	-	399,980
Depreciation		(434)	(796)
Professional fees		(73,302)	(99,072)
Advertising and marketing fees		(80,989)	-
Exploration expenditure expensed		-	(12,369)
Directors' fees		(105,833)	(65,455)
Employee costs		(299,846)	(233,986)
Share based payments	9	(491,769)	-
Other administrative		(101,255)	(126,037)
		<hr/>	<hr/>
(Loss) / Profit before income tax expense		(1,152,649)	314,240
Income tax expense		-	-
(Loss) / Profit after tax from continuing operations		(1,152,649)	314,240
Other comprehensive income		-	-
Total comprehensive income for the half year		(1,152,649)	314,240
		<hr/>	<hr/>
Earnings per share attributable to ordinary equity holders of Metgasco Ltd		\$	\$
Basic profit / (loss) per share (cents)	11	(0.17)	0.06
Diluted profit / (loss) per share (cents)	11	(0.17)	0.06

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Consolidated Entity	
		31 December 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		3,051,412	553,760
Investment in listed securities	5	-	177,883
Trade and other receivables		44,234	66,167
Total current assets		3,095,646	797,810
Non-current assets			
Exploration and evaluation expenditure	6	7,542,824	6,751,305
Plant and equipment		1,845	2,279
Other receivables	7	24,000	24,000
Total non-current assets		7,568,669	6,777,584
Total assets		10,664,315	7,575,394
Liabilities			
Current liabilities			
Trade and other payables		217,978	683,887
Total current liabilities		217,978	638,887
Total liabilities		217,978	683,887
Net assets		10,446,337	6,891,507
Equity			
Contributed equity	8	115,847,914	111,697,074
Share option reserve		538,143	17,189
Accumulated losses		(105,939,720)	(104,822,756)
Total equity		10,446,337	6,891,507

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Consolidated Entity	
	Half Year	
	31 December	31 December
	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(731,197)	(488,334)
Interest received	-	64
Interest paid	(2,476)	-
Government grants	-	50,000
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(733,673)	(438,270)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on exploration, evaluation and decommissioning	(1,147,018)	(1,552,796)
Sale of listed investments	181,129	102,797
	<hr/>	<hr/>
Net cash (outflow) from investing activities	(965,889)	(1,449,999)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of new share capital, net of issue costs	4,197,214	3,827,092
	<hr/>	<hr/>
Net cash (outflow) from financing activities	4,197,214	3,827,092
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD	2,497,652	1,938,823
Net cash at beginning of period	553,760	157,530
	<hr/>	<hr/>
NET CASH AT END OF PERIOD	3,051,412	2,096,353
	<hr/>	<hr/>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	<i>Contributed Equity</i>	<i>Share Option Reserve</i>	<i>Accumulated Losses</i>	<i>Total Equity</i>
	\$	\$	\$	\$
At 1 July 2020	111,100,469	-	(103,642,202)	7,458,267
Profit for the period	-	-	314,240	314,240
Other Comprehensive Income	-	-	-	-
Sub-total	-	-	314,240	314,240
Issue of new share capital net of issue costs	3,827,092	-	-	3,827,092
Return of capital	(3,199,840)	-	-	(3,199,840)
At 31 December 2020	111,727,721	-	(103,327,962)	8,399,759
Loss for the period	-	-	(1,494,794)	(1,494,794)
Other Comprehensive Income	-	-	-	-
Sub-total	-	-	(1,494,794)	(1,494,794)
Costs associated with issued of new share capital	(30,647)	-	-	(30,647)
Issue of employee performance rights	-	17,189	-	17,189
At 30 June 2021	111,697,074	17,189	(104,822,756)	6,891,507
Loss for the period	-	-	(1,152,649)	(1,152,649)
Other Comprehensive Income	-	-	-	-
Sub-total	-	-	(1,152,649)	(1,152,649)
Issue of new share capital net of issue costs	4,133,674	-	-	4,133,674
Shares issued of as a result of exercise of options	17,166	-	-	17,166
Issue of broker share options	-	46,374	-	46,374
Issue of director and officer share options	-	491,769	-	491,769
Issue of employee performance rights	-	18,496	-	18,496
Cancellation of employee performance rights	-	(35,685)	-	-
At 31 December 2021	115,847,914	538,143	(105,939,720)	10,446,337

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 1. Summary of Significant Accounting Policies

These interim financial statements of Metgasco Ltd (“Metgasco” or “Company”) and its controlled entity (collectively referred to as “the Group”) for the half year reporting period ended 31 December 2021 have been prepared in accordance with AASB134 “Interim Financial Reporting” and the Corporations Act 2001. They are presented in Australian Dollars (\$) which is the functional currency of the parent company. The historical cost basis has been used.

These interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made by Metgasco during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as those employed in the Group’s annual financial statements for the year ended 30 June 2021.

Going concern

The Directors note that as at 31 December 2021, the Company has a cash position of \$3,051,412 and incurred net cash outflows from operating activities of \$733,673 for the 6 months period ended 31 December 2021. Subsequent to the reporting period the Company raised \$5.0 million (before costs) through a share placement.

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 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. Such additional funding may be derived from the following:

- i (i) generating a cash inflow through the sale and pre-sale of gas;
- ii (ii) raising capital; or
- iii (iii) some combination of the above.

In the event the Group is unable to achieve some of the matters above, 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 and extinguish its liabilities in the ordinary course of the operations.

The interim Financial Statements have been approved and authorised by the Board of Directors on 11 March 2022.

Note 2. Significant Events and transactions

The Company continued with its strategy of reviewing a number of opportunities in the Oil & Gas sector and each opportunity has been reviewed for its potential to deliver short term reliable returns, long term growth opportunities and an appropriate risk / reward balance.

Note 3. 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.

Note 4. Interest Income and Other Income

	31 December 2021	31 December 2020
	\$	\$
Interest income	<u>9</u>	<u>64</u>
	9	64
Government grants – COVID19 cash flow boost	<u>-</u>	<u>50,000</u>
	-	50,000

Note 5. Investments

	31 December 2021	30 June 2021
	\$	\$
Investment in Listed Securities		
Opening balance	177,883	5,521,645
Acquired during the period	-	-
Disposed during the period via sale	(181,129)	(2,136,130)
Disposed during the period via distribution	-	(3,199,840)
Realised gain/(loss) on sale*	3,246	(336,619)
Realised gain on distribution	-	399,980
Movement in fair value	<u>-</u>	<u>(71,153)</u>
	0	177,883

* 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 period do not represent the cumulative gains or losses realised on the investment since the acquisition date. They represent the movement in value within the period based on the share price difference at the beginning of the year and the day the listed securities are sold or distributed.

Note 6. Exploration and Evaluation Expenditure

	31 December 2021	30 June 2021
	\$	\$
Expenditure for the entity's operations		
Movement during the financial period (at cost):		
Opening balance	6,751,305	1,891,585
Capitalised exploration expenditure	<u>791,519</u>	<u>4,859,720</u>
Carrying amount at end of half year	7,542,824	6,751,305

Note 7. Other Receivables (Non-current)

	31 December 2021	30 June 2021
	\$	\$
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.

Note 8. Contributed Equity

Ordinary Shares	No of Shares		Value	
	Half Year Ended 31 Dec 2021	Year Ended 30 June 2021	Half Year Ended 31 Dec 2021	Year Ended 30 June 2021
Opening balance	549,649,424	390,601,434	111,697,074	111,100,469
Issue of new share capital net of issue costs	183,215,858	159,047,990	4,133,674	3,796,445
Shares issued as a result of exercise of options	19,512	-	17,166	-
Return of capital	-	-	-	(3,199,840)
Closing balance	732,884,794	549,649,424	115,847,914	111,697,074

Options (quoted on ASX)	No of Options Half Year Ended 31 Dec 2021	No of Options Year Ended 30 June 2021
Opening balance	-	-
Options issued	58,693,180	-
Options exercised	-	-
Options lapsed	-	-
Closing balance	58,693,180	-

Options (not quoted on ASX)	No of Options Half Year Ended 31 Dec 2021	No of Options Year Ended 30 June 2021
Opening balance	182,476,936	-
Options issued	39,875,000	182,525,012
Options exercised	(19,512)	(48,076)
Options lapsed	(182,457,424)	-
Closing balance	39,875,000	182,476,936

Note 8. Contributed Equity (continued)

Performance Rights	No of Performance Rights Half Year Ended 31 Dec 2021	No of Performance Rights Year Ended 30 June 2021
Opening balance	10,418,411	-
Rights issued	-	10,418,411
Rights lapsed	(5,209,205)	-
Rights cancelled	(5,209,206)	
Closing balance	-	10,418,411

Note 9. Share Based Payments

During the reporting period 33,875,000 Director and Officer Share Options were issued by the Company, and 6,000,000 Broker Options were issued by the Company in relation to the Entitlement Offer announced in July 2021. The option entitles the holder to exchange for ordinary shares in the Company on a 1 for 1.

The options have been valued using the Binomial method and the following inputs:

	Director and Officer Share Options	Broker Options
Share price on issue	\$0.030	\$0.025
Issue date	10 Dec 2021	31 Aug 2021
Exercise price	\$0.045	\$0.031
Life (years)	3	1.33
Volatility	90%	83%
Risk free rate	0.935%	0.005%
Valuation per option	\$0.0145172	\$0.0077290
Total options issued	33,875,000	6,000,000
Total Value	\$491,769	\$46,374

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

As at 30 June 2021, the share option reserve amounts to \$538,143 (30 June 2021: \$17,189)

Note 10. 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 31 December 2021 and 30 June 2021:

31 December 2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Listed Securities	-	-	-	-
Total assets	-	-	-	-
Net fair value	-	-	-	-
30 June 2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Listed Securities	178	-	-	178
Total assets	178	-	-	178
Net fair value	178	-	-	178

Note 11. Earnings Per Share

	31 December 2021	31 December 2020
Reconciliation of earnings used in calculating earnings Per share		
Basic earnings per share		
(Loss) / Profit attributable to owners of Metgasco Ltd used to calculate basic (Loss) / Profit	(1,152,649)	314,240
Diluted earnings per share		
(Loss) / Profit attributable to owners of Metgasco Ltd used to calculate diluted earnings per share	(1,152,649)	314,240
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	679,714,054	498,601,142
(Loss) / Profit per share (cents)	(0.17)	0.06

The Company's potential ordinary shares, being 98,568,180 options granted, are not considered dilutive as the options strike price was above the closing share price of the Company at 31 December 2021 and the Company is also in a loss position as at 31 December 2021.

Note 12. Interests in Tenements

As at 31 December 2021, the Company held interests in tenements as shown in the table below:

Tenement Reference	Location	Nature of Interest	Interest at 31 December 2021
Cooper/Eromanga			
ATP2020	QLD	100% owner & Operator of Licence	100%
ATP2021	QLD	25% working interest in Licence	25%
PRL211	SA	21.25% working interest in Licence	21.25%
PRL237	SA	20% Working Interest in Licence	20%
Perth Basin			
Cervantes Prospect in Western Flank area in L14 Production Licence	WA	Pay 50% of well cost for 30% interest in structural Hydrocarbons discovered	30%

Note 13. Commitments

The exploration expenditure relates to the farm-in commitments for L14 Cervantes and work program and budgets for three exploration licences in the Cooper Basin.

	31 December 2021	30 June 2021
Minimum Exploration & Evaluation Expenditure for Exploration Tenements	\$	\$
Within one year	20,475,979	19,027,127
Year 2 to Year 4	11,004	11,004
Over 5 years	-	-
Total	20,486,983	19,038,131
Office Rent		
With one year	4,971	24,855
Later than one year but not later than five years	-	-
Total	4,971	24,855

Note 14. Events after the Reporting Date

No matters or circumstances have arisen since the end of the reporting period 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 reporting periods other than:

Capital Raising

On 22 February 2022 the Company announced it had to raised \$5.0 million (before costs) from institutional and wholesale/professional investors pursuant to a share placement of 192 million new shares. The terms of the placement were an issue price of 2.6c/share. Options are to be issued to placement participants on a 1 for 3 basis, with a strike price of 4.5c, expiring 10 December 2024, with issuance of options subject to shareholder approval.

The placement price of \$0.026 per share represents a discount of 16.1% on the closing price of Metgasco on 17 February 2022, a 9.5% discount to the 15-day VWAP, and a discount of 6.6% on the 30-day VWAP to 17 February 2022. The placement will settle in two tranches, comprising 173.9M shares issued under ASX LR7.1 and 7.1A (“tranche 1”) and 18.4M shares issued subject to shareholder approval (“tranche 2”).

DECLARATION BY DIRECTORS

The Directors of Metgasco Ltd declare that:

1. The financial statements comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity and notes to the consolidated financial statements of the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards AASB134 Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Philip Amery
Chairman

Perth, 11 March 2022

Independent Auditor's Review Report

To the Members of Metgasco Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Metgasco Limited (the Company) and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 31 December 2021, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Metgasco Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Metgasco Limited's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of \$1,152,149 and had net cash outflows from operating and investing activities of \$1,699,562 during the half-year period ended 31 December 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

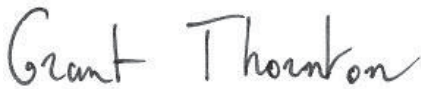
Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metgasco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 11 March 2022

CORPORATE DIRECTORY

Directors:	Philip Amery Ken Aitken John Patton Robbert Willink Peter Lansom	Chairman Managing Director Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary:	Paul Bird	
Home Stock Exchange:	Australian Securities Exchange (ASX) 4 Bridge Street Sydney NSW 2000	
ASX Symbol:	MEL	
Registered Office:	Level 2, 30 Richardson Street West Perth WA 6005	
	Telephone:	+61 8 6245 0060
	Website:	www.metgasco.com.au
	Email:	info@metgasco.com.au
Share Registry:	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000	
Auditors:	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000	
Bankers:	National Australia Bank Level 17, 500 Oxford St Bondi Junction NSW 2022	
Australian Company Number:	ACN 088 196 383	
Australian Business Number:	ABN 24 088 196 383	
Date and Place of Incorporation:	22 June 1999, Sydney, Australia	