METGASCO

Annual Financial Report for the year ended 30 June 2018

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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 2018.

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

The 2018 financial year was a successful one for Metgasco shareholders.

The Company commenced the year with cash and other financial assets of $18.2 million, including its then $8 million fully drawn convertible note ("Note") facility with Byron Energy Limited (Byron"), and ended it with cash and other financial assets, including its 5.77% substantial shareholding in Byron, of $24.3million. $3 million of principal was repaid to the Company under the Note terms, sound earnings were achieved on the balance of the Company's financial assets and ongoing appraisal and exploration activities were undertaken while maintaining tight control of costs. Metgasco's shares opened the financial year at 4.2 cents per share and ended on 29 June 2018 at 6.0 cents per share, a gain of 42%.

In the course of the year, the Company successfully concluded native title negotiations on Authority to Prospect ("ATP") 2020 and ATP 2021, resulting in formal grant of authority by the Queensland Government in the fourth quarter of financial year 2018. In early 2018, the Company commenced a substantial in-house technical evaluation of the blocks, a process which is ongoing and which has yielded increasing optimism within the Company as to the prospectivity of these 100% owned assets. The Board would like to thank its technical team, consultants and lead technical Director Dr. Robbert Willink for their tireless efforts reviewing a very large volume of data throughout calendar year 2018.

In August 2017 Metgasco was invited by Byron to exercise its participation rights in relation to Byron's significant equity raising and elected to take up its full 10% interest at 7.0 cents per share, emerging as a 5.77% substantial shareholder in Byron. This has proven to be an astute investment by the Company with our shareholding growing in value from $2.65 million to $11.4 million by the end of the financial year. Metgasco continues to actively review both its shareholding in Byron and its options over Byron ordinary shares, but to date, the Board has seen no reason to vary its view that this holding represents an attractive, strategic investment that is likely to create value for the Company's shareholders.

In September 2017, the Company spent approximately $684,000 farming-in to the Frey-1 exploration well in the Cooper Basin, with Senex Energy Limited as operator. While Frey-1 was unfortunately unsuccessful, Metgasco has carried its 30% earned interest into Petroleum Retention Lease 237 within the prospect area, adjacent the Padulla oil field and an area the Company considers attractive for future exploration potential.

Metgasco's relationship with Byron also generated other drilling opportunities. In June 2018, the Company elected to participate in the drilling of the Bivouac Peak East Prospect via the initial test well, Weiss-Adler et al No. 1 ("WA #1"), pursuant to our farm-in to this asset originally announced in July 2016. WA #1 was spudded on the 25th August with drilling operations on this significant prospect expected to take approximately 75 days.

Subsequent to the end of the financial year, the Company also announced its farm-in to Byron's South Marsh Island 74 ("SM-74") salt dome project in the Gulf of Mexico. This exciting prospect, in which Metgasco shareholders will enjoy a 30% interest, is expected to be drilled in the coming months. Success in either of the Company's US farm-in assets would be highly value accretive for Metgasco's shareholders, success in both would be transformative.

Throughout the 2018 financial year, other potential acquisition opportunities were evaluated, though none reached the stage of closure. The Company continues to evaluate opportunities of both an asset and corporate nature.

Corporately, the Company was ably steered throughout the year by its former Chairman, Alexander Lang, who sadly (for us), left Metgasco subsequent to the end of the financial year to pursue a new Chief Executive role elsewhere. The Board thanks Alex for his contribution and sound stewardship of shareholder interests through, at times, trying periods.

Early in the financial year, Metgasco lost the services of experienced technical director Terry White, whose significant contributions and thoughtful counsel throughout 2017 were missed in 2018. Partly within the aim of filling this skills gap, we were fortunate to attract to the business Dr. Robbert Willink, who joined the Board in February 2018 and who has already demonstrated, in his contribution to date, why he is held in such high regard within the industry. In April 2018, a meeting was held at which shareholders resolved to remove a Director from the Board. Metgasco is now well served by a committed and well-functioning Board, with a broad mix of relevant skills. As advised subsequent to the end of the 2018 financial year, the Company is actively progressing the appointment of an experienced executive officer to the business, in consequence of our expanding level of activity.

Metgasco looks forward in the 2019 financial year to a significant body of high impact activity, with one substantial well being drilled currently, another expected to be drilled this calendar year, an active work program in the Cooper Basin and the capacity to entertain new opportunities. The Board thanks shareholders, our staff, consultants, native title partners and other stakeholders for their support throughout the year and looks forward to continuing Metgasco's program of sound, sustainable growth, to the Company's overriding objective of growing shareholder value, in the years ahead.

Certified Reserves and Resources

The company has no certified reserves or resources at present.

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

Metgasco continues to pursue transformative transaction, acquisition and partnership opportunities and is 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 profit after tax of the Company for the year ended 30 June 2018, which includes a non-cash Profit on Fair Value Movement relating to options issued by BYE of $1,281,078 amounted to $1,021,275 (2017: Loss 1,054,819).

The unrealised gain of $10,800,645 arising from Metgasco's investment in Byron Energy Limited shares is recognised in Other Comprehensive Income below the Net Profit for the Year (after tax) line.

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 2018.

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 NSW. 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 Director (appointed Executive Chairman on 7 August 2018)
John Patton	Non-Executive Director
Robbert Willink	Non-Executive Director (appointed 5 February 2018)
Terry White	Non-Executive Director (resigned 31 July 2017)
Andrew Purcell	Non-Executive Director (removed 16 April 2018)
Alexander Lang	Executive Chairman (resigned 7 August 2018)
Philip Mackey	Company Secretary

Philip Amery
Independent Non-Executive Director. Appointed Executive Chairman on 7 August 2018
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: None

Previous directorships of listed companies during the last three years:
Non-executive director of Chesser Resources Limited (ASX: CHZ) (Retired October 2015).

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 and member of the Nomination and Remuneration Committee.

Other directorships in listed companies: Keybridge Capital Limited

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

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, Boral Energy and Origin Energy. 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 Timor Resources. Until the end of this reporting period he was an Adjunct Professor at the University of Queensland. Since retirement from fulltime work, Dr. Willink has returned to advisory and consulting work.

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

Other directorships of listed companies: None

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

Terry White
Independent Non-Executive Director
Appointed: 8 February 2016
Resigned: 31 July 2017

Mr Terry White has more than 30 years as a senior petroleum executive with board exposure across the exploration and production business developed through management responsibilities for exploration, production, project execution and operations, gas marketing and business unit performance. He also has a track record of exploration success in Australia and the USA with extensive experience of new ventures activities, deep-water exploration, field appraisal and joint ventures. A large part of this career has been associated with large companies such as BHP Billiton, but he also has experience with smaller oil and gas companies. Mr. White holds a B.Sc. (Hons) and is a Graduate of the Institute of Company Directors (GAICD).

Special responsibilities: Member of the New Business and Investment Committee and a member of the Nomination and Remuneration Committee (resigned 31 July 2017).

Other directorships in listed companies: None

Previous directorships of listed companies during the last three years: None

Andrew Purcell
Non-Executive Director
Appointed: 26 September 2016
Removed 16 April 2018

Mr Purcell is an engineer following which he had a career in investment banking working with Macquarie Bank and Credit Suisse.

More recently, he founded Teknix Capital in Hong Kong, a company specialising in the development and management of projects in emerging markets across the heavy engineering, petrochemical, resources and infrastructure sectors. Mr Purcell also has experience across Asian markets, having been a Director of a number of public companies in the region, including Bangkok Mass Transit System PCL and PT Medco Energi Internasional Tbk.

Special responsibilities: Chairman of the New Business and Investment Committee and a member of the Audit and Risk Management Committee (removed 16 April 2018).

Other directorships in listed companies: AJ Lucas Company Ltd and Melbana Energy Limited.

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

Alexander Lang
Independent Executive Chairman
Appointed: 8 February 2016
Resigned: 7 August 2018

Mr Alexander Lang has more than 20 years' experience as a senior commercial, finance and risk management executive with broad experience leading multi-national businesses. He has held senior roles with companies such as Thiess, Laing O'Rourke and McConnell Dowell Company, as well as Non-Executive Director roles with a number of listed and unlisted companies. Mr. Lang combines lateral and strategic thinking with strong collaborative leadership and people management skills. He also has outstanding negotiation skills with a track record of closing complex negotiations with multiple stakeholders. Mr. Lang holds professional qualifications in Law (Germany).

Special responsibilities: Executive Chairman and Chairman of the Nomination and Remuneration Committee (resigned 7 August 2018).

Other directorships of listed companies: None

Previous directorships of listed companies during the last three years: None

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	Nomination & Remuneration	New Business & Investment
Number of meetings held		29		2	-	-
P. Amery		29	29	2	-	-
J. Patton		29	27	2	-	-
R. Willink		15	13	1	-	-
T. White		1	1		-	-
A. Purcell		18	15	1	-	-
A. Lang		29	27	2	-	-

Committee membership

As at the date of this report, the Company had an audit & risk management committee, a nomination & remuneration committee, and a new business & investment committee of the board of directors.

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

Audit & Risk Management[1]	Nomination & Remuneration[2]	New Business & Investment[1&2]
J. Patton (chair)	A. Lang (chair) (resigned 7 August 2018)	A. Purcell (chair)(removed 16 April 2018)
P. Amery	J. Patton	P. Amery
A. Purcell (removed 16 April 2018)	T. White (resigned 31st July 2017)	T. White (resigned 31st July 2017)
R. Willink (appointed 5 February 2018)		

[1] Upon joining the Board, Dr. Willink assumed active participation in new business activities and joined the Audit & Risk Management Committee.

[2] In the course of the year and with the reduction of the Board size, the Nomination and Remuneration Committee and the New Business and Investment Committee were disbanded, and their responsibilities were assumed by the Board as a whole

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

Options
There are no unexpired options on issue as set out in Note 20.

Options Exercised or Lapsing in 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 2018 were $256,454.

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

REMUNERATION REPORT (CONTINUED)

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)
All employees have the opportunity to be awarded STIs. Each year the Nomination and Remuneration Committee reviews management's recommendations relating to the performance of each individual and awards discretionary STIs that are not based on formal objectives. The maximum target STI opportunity is 25% of Base pay. Short term incentives may be awarded by way of cash, shares or options to acquire shares.

Long Term Incentives (LTIs)
All employees have the opportunity to be awarded LTIs by way of equity incentives as deferred shares or options to acquire a share. Each year the Nomination and Remuneration Committee reviews management's recommendations relating to an appropriate LTI award. The maximum LTI varies according to salary grade. The maximum opportunity is 50% of Base pay.

The use of deferred shares or options as a long term incentive attempts to provide employees with a strong incentive to grow the value of the Company and ensure a degree of staff retention. All LTIs issued are subject to a three year trading lock and are forfeited if the employee leaves the Company, unless the Board decides otherwise. In addition, the vesting of LTIs is subject to the Company's share price achieving a volume weighted average price above the issue price of the deferred shares.

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.

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

- Philip Amery — Non-Executive Director (appointed Executive Chairman on 7 August 2018)
- John Patton — Non-Executive Director
- Robbert Willink — Non-Executive Director (appointed 5 February 2018)
- Terry White — Non-Executive Director (resigned 31 July 2017)
- Andrew Purcell — Non-Executive Director (removed 16 April 2018)
- Alexander Lang — Executive Director and Chairman (resigned 7 August 2018)

Details of the nature and amount of each element of remuneration of each Director and Key Management Personnel of the Company for the year ended 30 June 2018 are as follows:

REMUNERATION REPORT (CONTINUED)

Remuneration 2018

	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Share Based Payments				
Name	**Cash Salary & fees**	**Other benefits**	**Performance Bonus**	**Termination Payments**	**Superannua -tion**	**Long Service Leave**	**Net no. of shares granted in period**	**Share expense for year**	**Option expense for year**	**Total**	**% of remuneration that is equity based**
Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**	**$**	
P Amery	116,857	-	-	-	3,976	-	-	-	-	120,833	-
J Patton	50,000	-	-	-	-	-	-	-	-	50,000	-
R Willink***	42,224	-	-	-	1,731	-	-	-	-	43,955	-
T White*	3,805	-	-	-	361	-	-	-	-	4,166	-
A Purcell**	37,500	-	-	-	-	-	-	-	-	37,500	-
A Lang****	95,625	-	-	-	-	-	-	-	-	95,625	-
Total	**346,011**	**-**	**-**	**-**	**6,068**	**-**	**-**	**-**	**-**	**352,079**	**-**

* Resigned 31 July 2017
** Removed 16 April 2018
*** Appointed 5 February 2018
**** Resigned 7 August 2018

No shares were granted as remuneration for the reporting period ending 30 June 2018.

No incentives were granted to KMP in reporting period ending 30 June 2018.

REMUNERATION REPORT (CONTINUED)

Remuneration 2017

	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Share Based Payments				
Name	**Cash Salary & fees**	**Other benefits**	**Performance Bonus**	**Termination Payments**	**Superannua-tion**	**Long Service Leave**	**Net no. of shares granted in period**	**Share expense for year**	**Option expense for year**	**Total**	**% of remuneration that is equity based**
Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**	**$**	
A Lang	137,188	-	-	-	-	-	-	-	-	137,188	-
P Amery	61,320	-	-	-	5,825	-	-	-	-	67,145	-
T White	46,423	-	-	-	4,410	-	-	-	-	50,833	-
J Patton*	39,144	-	-	-	-	-	-	-	-	39,144	-
A Purcell**	38,185	-	-	-	-	-	-	-	-	38,185	-
Total	**322,260**	**-**	**-**	**-**	**10,235**	**-**	**-**	**-**	**-**	**332,495**	**N/A**

* Appointed 19 September 2016
** Appointed 26 September 2016

No shares were granted as remuneration for the reporting period ending 30 June 2017.

No incentives were granted to KMP in reporting period ending 30 June 2017.

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 20 and 22 of the Financial Statements.

At 30 June 2018, the direct and indirect interests of the Key Management Personnel in the ordinary shares of Metgasco are as follows:

Shares 2018	Opening Balance	Granted as Compensation	Received on Exercise of Options	Long term incentives forfeited	Shares Acquired	Closing Balance
Philip Amery	1,959,994	-	-	-	1,808,451	3,768,445
J Patton	550,000	-	-	-	-	550,000
R Willink	-	-	-	-	-	-
Terry White*	-	-	-	-	-	-
A Purcell**	76,516,908	-	-	-	-	76,516,908
Alexander Lang	-	-	-	-	-	-

* Closing balance as at 31 July 2017
** Closing balance as at 16 April 2018

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.

No options were held directly or indirectly by management personnel during the year ended 30 June 2018.

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 20, 22 and 24 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.

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 2017 Annual General Meeting
The Remuneration Report for the financial year ended 30 June 2017 was adopted at the Company's Annual General Meeting held on 9 November 2017.

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	-	4,000,000
John Patton	-	550,000
Robbert Willink	-	1,282,701

Note that no shares 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 15, and forms part of this report.

Audit Services

During the year, audit and review fees payable to Grant Thornton Audit Pty Ltd amounted to $73,000.

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 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:

(1) The Bivouac Peak East Prospect (Weiss-Adler et al No. 1 Initial Test Well), within which Metgasco is an farm in partner (10% WI, 7.45% NRI) has spudded (27th August, 2018) and

(2) Metgasco has elected to farm-in to the South Marsh Island 74 salt dome project, with an expected spud date in November 2018 (see ASX announcement *Metgasco Farms In to South Marsh Island Area Block 74*, 19th July, 2018).

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

Philip Amery
Executive Chairman
30 August 2018

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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 2018, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 30 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	**$**
Revenue	5 (a)	**1,017,467**	**831,272**
Other Income	5 (b)	**2,280,361**	**410,822**
		3 297,828	**1,242,094**
Expenses			
Finance costs	6 (c)	**(1,872)**	**(12,492)**
Accounting, compliance, legal & professional costs		**(210,066)**	**(432,722)**
Investor relations		**(216,160)**	**(140,080)**
Consulting fees		**(199,010)**	**(254,506)**
Depreciation	6 (a)	**(1,531)**	**-**
Impairment of capitalised exploration	6 (e)	**(684,400)**	**-**
Directors fees		**(352,079)**	**(322,260)**
Loss on fair value movement of exchange traded bonds	6 (g)	**(61,999)**	**-**
Employee costs	6 (d)	**(220,739)**	**(273,611)**
Rent and occupancy	6 (b)	**(39,973)**	**(38,563)**
Travel & accommodation		**(55,826)**	**(19,994)**
Other administrative		**(232,898)**	**(190,185)**
Loss on fair value movement of derivative asset	6(f)	**-**	**(612,500)**
		2,276,553	**2,296,913**
Profit/(Loss) for the year		**1,021,275**	**(1,054,819)**
Income tax expense	7(a)	**-**	**-**
Net Profit/(Loss) for the year		**1,021,275**	**(1,054,819)**
Other comprehensive income			
Gain on fair value movement of listed securities		**10,800,645**	**-**
Total comprehensive Profit/(Loss) for the year		**11,821,920**	**(1,054,819)**
Earnings per share for profit from continuing operations			
Basic profit/(loss) per share (cents)	28	0.3	(0.3)
Diluted profit/(loss) per share (cents)	28	0.3	(0.3)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018	2017
		$	$
ASSETS			
Current			
Cash and cash equivalents	8	6,777,906	10,197,415
Short term investments	9	2,116,658	-
Trade and other receivables	10	144,620	96,891
Secured convertible note – amortised cost	15	3,935,884	2,757,234
Current assets		12,975,068	13,051,540
Non-current			
Exploration and evaluation expenditure	11	534,987	121,477
Plant and equipment	12	9,087	2,503
Other receivables	13	24,000	24,000
Secured convertible note – amortised cost	15	975,951	4,432,765
Long term investments	9	13,453,435	-
Financial derivative assets	16	1,548,478	267,400
Non-current assets		16,545,938	4,848,145
TOTAL ASSETS		29,521,006	17,899,685
LIABILITIES			
Current			
Trade and other payables	17	291,613	166,889
Current liabilities		291,613	166,889
Non-current			
Provisions	18	14,576	9,879
Total non-current		14,576	9,879
TOTAL LIABILITIES		306,189	176,768
NET ASSETS		29,214,817	17,722,917
EQUITY			
Share capital	19	111,232,683	111,562,703
Available for sale reserve	21	10,800,645	-
Accumulated losses		(92,818,511)	(93,839,786)
TOTAL EQUITY		29,214,817	17,722,917

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 2018

	Share capital	*Accumulated losses*	*Share option reserve*	*Available for Sale Reserve*	*Total equity*
	$	**$**	**$**	**$**	**$**
At 30 June 2016	**121,524,352**	**(92,793,619)**	**8,652**	**-**	**28,739,385**
Loss for the year	-	(1,054,819)	-	-	(1,054,819)
Other comprehensive income	-	-	-	-	-
Total comprehensive profit for the year	-	**(1,054,819)**	-	-	**(1,054,819)**
Transactions with owners in their capacity as owners					
Transfer share option reserve to accumulated losses	-	8,652	(8,652)	-	-
Return of Capital	(9,961,649)	-	-	-	(9,961,649)
At 30 June 2017	**111,562,703**	**(93,839,786)**	**-**	-	**17,722,917**
Profit for the year	-	1,021,275	-	-	1,021,275
Other comprehensive income	-	-	-	10,800,645	10,800,645
Total comprehensive profit for the year	-	**1,021,275**	-	**10,800,645**	**11,821,920**
Transactions with owners in their capacity as owners					
Share buyback	(330,020)	-	-		(330,020)
At 30 June 2018	**111,232,683**	**(92,818,511)**	**-**	**10,800,645**	**29,214,817**

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 2018

	Note	2018	2017
		$	$
Operating activities			
Payments to suppliers and employees (inclusive of goods and service taxes)		(1,412,585)	(1,796,511)
Interest and other income received		1,262,440	1,451,669
Finance costs paid		(1,872)	(12,492)
Net cash flow used in operating activities	27	(152,017)	(357,334)
Investing activities			
Expenditure on exploration, evaluation and decommissioning		(1,097,910)	(121,477)
(Purchase)/Sale of short/long term investments		(4,831,447)	10,907,399
Security Bond (advanced)/received		-	(24,000)
Secured convertible note facility		3,000,000	(8,000,000)
Proceeds on disposal of property, plant and equipment		-	15,000
Purchase of property, plant and equipment		(8,115)	(2,503)
Net cash flow (used in)/ from investing activities		(2,937,472)	2,774,419
Financing activities			
Share Buyback		(330,020)	-
Return of capital		-	(9,961,649)
Net cash flow used in financing activities		(330,020)	(9,961,649)
Net (decrease) in cash and cash equivalents held		(3,419,509)	(7,544,564)
Cash and cash equivalents at the beginning of year		10,197,415	17,741,979
Cash and cash equivalents, end of year	8	6,777,906	10,197,415

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 2018

1. Corporate Information

a) Nature of operations

The principle 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 is Level 12, 680 George Street, Sydney NSW 2000 and its principal place of business is Level 3, 2 Elizabeth Plaza, North Sydney NSW 2060.

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the board of directors on 30 August 2018.

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.

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

The Company estimates the future restoration costs of wells at the time of installation. In most instances removal of these assets occurs many years into the future. The calculation of this provision requires management to make assumptions regarding removal date, application of environmental legislation, the extent of restoration activities required and available technologies. The Company has satisfied the restoration of all wells and has no provision at 30 June 2018.

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.

2. Summary of Significant Accounting Policies (continued)

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 2018.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company p 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 2018, 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) 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 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.

d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Leases in which the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges are included in current and non-current liabilities in their respective amounts.

Property plant and equipment acquired under finance leases is depreciated over the shorter of the assets useful life or the term of the lease.

e) Revenue and expenses

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised as interest accrued using the effective interest method. Expenses are recognised on an accruals basis.

2. Summary of Significant Accounting Policies (continued)

f) 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.

g) 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.

h) 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.

(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.

i) 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.

j) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company 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 all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2. Summary of Significant Accounting Policies (continued)

Classification and 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:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM) investments; or
- Available-for-sale (AFS) financial assets

All financial assets except for those at fair value through profit or loss (FVTPL) 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. Different criteria to determine impairment are applied for each category of financial assets, which are described below.
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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.
The convertible notes are a non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
After initial recognition, they are measured at amortised cost using the effective interest method, less provision for impairment.

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

Financial assets at fair value through profit or loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).
Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Available-for-sale (AFS) financial assets

Available-for-sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include listed securities and debentures.
They are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

2. Summary of Significant Accounting Policies (continued)

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.
Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment.

k) 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.

l) 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.

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

n) 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.

2. Summary of Significant Accounting Policies (continued)

o) 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.

p) 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 the Metgasco Employee and Officer's Equity Plan. Metgasco has issued options and share rights to Directors and employees as part of their remuneration.

- The fair value of options and share rights granted under The 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 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.

q) 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.

r) 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.

2. Summary of Significant Accounting Policies (continued)

s) 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 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.

t) 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.

u) 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 Available for Sale Reserve, which comprises gains and losses from the revaluation of long term investments.

Retained earnings include all current and prior period retained profits.

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

v) 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.

w) New and revised standards effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2017. Information on the more significant standard(s) is presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

2. Summary of Significant Accounting Policies (continued)

x) Accounting Standards issued but not yet effective and not been adopted early by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

New Standards	**AASB 15 Revenue from Contracts with Customers**
Nature of change	AASB 15: - replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations (including IFRIC 13 Customer Loyalty Programmes); - establishes a new revenue recognition model; - changes the basis for deciding whether revenue is to be recognised over time or at a point in time; - provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and - expands and improves disclosures about revenue.
Effective Date	Mandatory for financial years commencing on are after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.
Impact	<u>*Operating Revenue*</u> The Company does not derive any revenue from its exploration activities at this stage, as such has not recognised any operating revenue to date. Eventually when the Company starts generating revenue, revenue will be recognised in accordance with AASB 15. Hence, management does not anticipate any impact from the transition from AASB118 to AASB 15.

New Standards	AASB 9 Financial Instruments
Nature of change	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI') • the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • de-recognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.
Effective Date	Mandatory for financial years commencing on are after 1 January 2018

<table>
<tr><th>New Standards</th><th>AASB 9 Financial Instruments</th></tr>
<tr><td></td><td>The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated</td></tr>
<tr><td>Impact</td><td><u>Impairment under expected credit losses model</u>

The Company does not expect the new guidance to have a significant impact on the recognition of impairment losses given the Company is currently under the exploration phase and as such does not generate operating revenue and has no trade debtors.

<u>Classification and measurement of financial assets</u>

The Company has significant financial assets which, amongst others, include:

• Derivative assets
• Convertible note
• Investment in traded bonds
• Investment in listed securities

Based on the assessment carried out by the Company:

a) Derivative assets will continue to be measured at fair value through the profit or loss.
b) Convertible notes will need to be recorded at fair value through the profit or loss.
c) Investments in traded bonds are currently recorded at fair value through profit or loss. This financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result, on application of AASB 9, investments in traded bonds will continue to be measured at fair value, however movements in fair value will be recorded through other comprehensive income. On 1 July 2018, the Company will have to transfer $61,999, being the unrealised loss on fair value as at 30 June 2018, from retained earnings to a reserve account.
d) It was decided by management that listed securities, which currently meet the definition of available for sale financial assets under AASB 139, will be measured at fair value through profit or loss as allowed under the new accounting standard (AASB 9). On 1 July 2018, the Company will have to transfer $10,800,645, being the unrealised gain on fair value on listed investments as at 30 June 2018, from available for sale reserve to retained earnings.

<u>Hedge accounting</u>

The Company does not apply hedge accounting hence no impact is expected.

<u>Classification & measurement of financial liabilities</u>

No changes are expected. It is expected they will continue to be recorded at amortised cost.</td></tr>
</table>

New Standards	AASB 16 Leases
Nature of change	AASB 16: - replaces AASB 117 *Leases* and some lease-related Interpretations - requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases - provides new guidance on the application of the definition of lease and on sale and lease back accounting - largely retains the existing lessor accounting requirements in AASB 117 - requires new and different disclosures about leases.
Effective Date	Mandatory for financial years commencing on are after 1 January 2019 The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2019 and that comparatives will not be restated.
Impact	The Company's lease commitments are largely on a month-to-month basis, moreover the Company does not have any significant lease commitments that exceed 12 months at this stage. On that basis, management believe the application of AASB 16 will not have a material impact on the financial statements.

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 and credit risk.

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

	Consolidated	
	2018	**2017**
	$	**$**
Cash and cash equivalents	**6,777,906**	**10,197,415**
Secured convertible note	**4,911,835**	**7,189,999**
Financial assets - derivative	**1,548,478**	**267,400**
Byron Energy securities	**13,453,435**	**-**
Short term investments	**2,116,658**	**-**
Loans and receivables	**35,000**	**35,000**
Financial liabilities at amortised cost	**280,052**	**163,829**

3. Financial Risk Management (continued)

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 25 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 $6,777,906 would increase/decrease the annual amount of interest received by $67,779.

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.

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.

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. Revenue and Other Income

		Note	Consolidated	
			2018	2017
			$	$
(a)	**Revenue**			
	Interest generated on cash at bank and traded bonds		**268,866**	**405,190**
	Interest generated on convertible note		**748,601**	**426,082**
	Total revenue		**1,017,467**	**831,272**
(b)	**Other income**			
	Gain on disposal of assets		**20,640**	**15,000**
	Unwinding and other finance income on convertible note		**935,800**	**169,839**
	Other miscellaneous income		**42,843**	**225,983**
	Gain on fair value movement of derivative asset	*16*	**1,281,078**	**-**
	Total other income		**2,280,361**	**410,822**

6. Expenses

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

		Note	Consolidated 2018 $	Consolidated 2017 $
(a)	**Depreciation**			
	Plant and equipment		1,531	-
	Total depreciation		1,531	-
(b)	**Rent and occupancy**			
	Rent under operating lease - Sydney		39,973	38,563
	Total rent and occupancy		39,973	38,563
(c)	**Finance cost - external**			
	Loss on sale of short term investments		-	10,302
	Bank charges		1,872	2,190
	Total Finance Cost		1,872	12,492
(d)	**Employee costs**			
	Superannuation		20,902	33,264
	Wages and salaries		180,082	230,449
	Insurance		19,755	14,390
	Fringe benefits		-	(4,492)
	Total employee costs		220,739	273,611
(e)	**Impairment**			
	Exploration costs		684,400	-
	Total impairment		684,400	-
(f)	**Loss on fair value movement of derivative asset**	*16*	-	(612,500)
	Total loss on fair value movement of derivative asset		-	(612,500)
(g)	**Loss on fair value of exchange traded bonds***		(61,999)	-
	Total loss on fair value movement of derivative asset		(61,999)	-

Depreciation charged on assets employed directly in the Company's exploration activities for the year was $Nil (2017: $Nil) and expensed with the exploration activities. Depreciation charged on assets not in the above category was $Nil (2017: $Nil) for the year and is charged directly to the statement of profit or loss.

*Bond investments are held by the Company on a hold to maturity basis as yield investments.

7. Income Tax

		Consolidated 2018 $	Consolidated 2017 $
(a)	**Income tax expense**		
	Profit/(Loss) before income tax expense	**1,021,275**	**(1,054,819)**
	Prima facie tax expense/(benefit) on profit/(loss) at 27.5% (2017: 27.5%)	**280,851**	**(290,075)**
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Share based payments	**-**	**-**
		280,851	**(290,075)**
	Movements in unrecognised temporary differences	**3,629**	**(3,288)**
	Tax effect of current year tax losses for which no deferred tax asset has been recognised	**-**	**293,363**
	Utilisation of unused tax losses	**(284,480)**	**-**
	Income tax expense	**-**	**-**
(b)	**Unrecognised deferred tax assets and liabilities**		
	Capital raising costs	**975,085**	**975,085**
	Accruals and provision for employee's benefits	**7,188**	**3,558**
	Carry forward tax losses:		
	– Operating	**2,563,418**	**2,844,269**
	– Exploration and evaluation expenditure	**23,149,773**	**22,961,673**
	Deferred tax liability - taxable temporary differences	**(22,961,673)**	**(22,961,673)**
	Net unrecognised deferred tax asset	**3,733,791**	**3,822,912**

The taxation benefits will be obtained only if the assessable income derived is of a nature and an amount sufficient to enable the benefit of deductions to be realised; conditions for deductibility imposed by the law are complied with; and there are no changes in tax legislation which adversely affect the realisation of the benefit of the deductions. For Financial Statement purposes, with respect to the above, the Company has not brought the tax benefit to account.

Effective from 1 July 2012, the Petroleum Resource Rent Tax ("PRRT") scheme is extended to include onshore oil and gas activities. Under the new legislation, a tax starting base is available to taxpayers who hold interest in petroleum projects at 2 May 2010. The Company has unrecognised deferred tax assets which will be available to be utilised against future PRRT projects.

8. Cash and Cash Equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank and on hand	**3,042,933**	**4,049,139**
Term deposits	**3,734,973**	**6,148,276**
Total	**6,777,906**	**10,197,415**

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.

8. Cash and Cash Equivalents (continued)

b) Term deposits

Term deposits attracted rates of interest ranging from 1.75% to 2.55% (2017: 1.75% to 2.95%). The maturity dates of the various term deposits ranged from 22 days to 71 days after the end of the reporting period.

Cash and cash equivalents are held by two banks and the carrying amount represents the maximum exposure to credit risk at the end of the reporting period.

9. Investments

	Consolidated	
	2018	2017
Investment in traded bonds (current)	$	$
Opening balance	-	-
Acquired during the period	2,178,657	-
Movement in fair value	(61,999)	-
	2,116,658	-
Investment in listed securities (non-current)		
Opening balance	-	-
Acquired during the period	2,652,790	-
Movement in fair value	10,800,645	-
	13,453,435	-

Pursuant to the Company's Convertible Note Deed (refer to note 15) with Byron Energy Limited, the Board elected to exercise its priority rights and in September 2017, took a 10% participation via a subscription of A$2,652,790 for 37,897,000 Byron Energy securities, at an issue price of A$0.07. The consequent valuations of the shares to fair value at the reporting date resulted in a gain of $10,800,645 recognised in other comprehensive income.

Short term investments are exchange traded bonds with coupon rates between 4.50% and 7.75% with maturity dates from November 2019 to November 2025.

10. Trade and Other Receivables (Current)

	Consolidated	
	2018	2017
	$	$
GST receivable	42,438	26,047
Accrued Income	28,963	7,369
Rent deposits	3,182	3,182
Prepayments	59,037	47,498
Security bonds - current	11,000	11,000
Other	-	1,795
Total	144,620	96,891

No receivables are past due or impaired.

11. Exploration and Evaluation Expenditure

	Consolidated 2018 $	Consolidated 2017 $
Expenditure for the entities operations		
Movement during the financial period (at cost):		
Opening balance	121,477	-
Capitalised exploration expenditure	1,097,910	121,477
Impairment	(684,400)	-
Carrying amount at end of year	534,987	121,477
Carrying amount at end of year - Australia	385,568	12,948
Carrying amount at end of year - USA	149,419	108,529
	534,987	121,477

12. Plant and Equipment

	Consolidated 2018 $	Consolidated 2017 $
Computer equipment		
At cost	10,618	2,503
Accumulated depreciation and impairment	(1,531)	-
Net carrying amount	9,087	2,503

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:

	2018	2017
Computer equipment		
Carrying amount at beginning of financial year	2,503	-
Additions	8,115	2,503
Impairment	-	-
Depreciation	(1,531)	-
Carrying amount at end of financial year	9,087	2,503
Total plant and equipment		
Carrying amount at beginning of financial year	2,503	-
Additions	8,115	2,503
Disposals	-	-
Impairment	-	-
Depreciation	(1,531)	-
Carrying amount at end of financial year	9,087	2,503

Impairment loss

At 30 June 2018, 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 2018 financial year (2017: $Nil).

13. Other Receivables (Non-current)

	Consolidated 2018	Consolidated 2017
	$	$
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			
			2018	2017	**2018**	2017
			%	%	**$**	$
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. Secured Convertible Note

	Consolidated 2018	Consolidated 2017
	$	$
Current		
Secured convertible note	**4,000,000**	**3,000,000**
Accrued interest income	**116,712**	**189,370**
Deferred gain	**(180,828)**	**(432,136)**
	3,935,884	**2,757,234**
Non-current		
Secured convertible note	**1,000,000**	**5,000,000**
Deferred gain	**(24,049)**	**(567,235)**
	975,951	**4,432,765**
Total		
Secured convertible note	**5,000,000**	**8,000,000**
Accrued interest income	**116,712**	**189,370**
Deferred gain	**(204,877)**	**(999,371)**
	4,911,835	**7,189,999**

The secured convertible note advance was provided to Byron Energy Limited (ASX: BYE) on terms as detailed in announcements to the ASX. The terms include a Facility Fee of 2.5%, a Line Fee of 2% and a coupon of 12% payable quarterly in arrears. The note is convertible by the Company at its election after eighteen months from initial drawdown, being 20 July 2018 up to 21 July 2019. As such, the Company is able to convert at any time now until the note is extinguished.

16. Financial Assets

The derivative asset relates to 10 million options granted by Byron Energy Limited to the Company on 21 July 2016 which are recorded at fair value. They are to be revalued at each reporting period with any change being recorded in the profit and loss. The options are non-transferable unlisted options with an exercise price of $0.25 per share and a three year expiry (being 21 July 2019). The assumptions used in the valuation as follows:

	At Grant Date	At Balance Date
Grant date	21 July 2016	21 July 2016
Vesting period ends	21 July 2019	21 July 2019
Share price	$0.17	$0.355
Volatility	95%	75%
Option life	3 years	3 years
Dividend yield	0%	0%
Risk free investment rate	1.49%	2.05%
Fair value at grant date	$879,900	-
Fair value at balance date	-	$1,548,478
Exercise price at date of grant	$0.25	$0.25
Exercisable from	20 Jul 2018	20 Jul 2018
Exercisable to	21 July 2019	21 July 2019
Weighted average remaining contractual life	3.0 years	1.1 years

	Consolidated	
	2018	**2017**
	$	**$**
Fair value at beginning of the year	**267,400**	**879,900**
Profit/(Loss) on fair value movement of derivative asset	**1,281,078**	**(612,500)**
Total	**1,548,478**	**267,400**

17. Trade and Other payables (Current)

	Consolidated	
	2018	**2017**
	$	**$**
Trade payables	**105,179**	**69,824**
Accrued charges and expenses	**174,873**	**94,005**
Employee benefits	**11,561**	**3,060**
Total	**291,613**	**166,889**

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

18. Provisions (Non-current)

	Consolidated	
	2018	**2017**
	$	**$**
Long service leave	**14,576**	**9,879**
Provision for long service leave		
Opening balance	**9,879**	**7,331**
Amounts provided	**4,697**	**2,548**
Closing balance for long service leave	**14,576**	**9,879**

19. Share Capital

	Parent Entity		Parent Entity	
	No of Shares	No of shares	**$**	$
	2018	2017	**2018**	2017
(a) Share Capital				
Ordinary Shares - Fully Paid	**392,875,160**	**398,464,823**	**111,232,683**	**111,562,703**

(b) Movements in Ordinary Share Capital

	Date	No of Shares	Value $
Balance at 30 June 2017		**398,464,823**	**111,562,703**
Shares buyback	18 May to 29 June	**(5,589,663)***	(330,020)
Balance at 30 June 2018		**392,875,160**	**111,232,683**

*Of the 5,589,663 shares bought back during the year, 1,474,595 shares were formally cancelled on 16 July 2018.

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.

At the end of the reporting period there were no options over ordinary shares on issue. There were no options granted during the reporting period which had vesting dates within the reporting period. No options were issued in the year by the Company with vesting dates after 30 June 2018.

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.

20. Share Based Payments

The Metgasco Employees and Officers Equity Plan ("EOEP") was approved in November 2004. A summary of the rules of the EOEP is set out below.

The allocation of options or shares to each employee, officer or consultant is at the discretion of the Board. Each option or share is to subscribe for one fully paid ordinary share in the Parent Company. Options will expire five years from their date of issue. An option or share is exercisable at any time from its date of vesting. Options or shares are issued at no cost and the exercise price of options is determined by the Board, subject to a minimum price equal to the market value of the Parent Company's shares at the time the Board resolves to offer those options.

	Consolidated	
	2018	**2017**
	$	**$**
Opening balance	**-**	**8,652**
Cost of securities issued under EOEP	**-**	**-**
Transferred to accumulated losses	**-**	**(8,652)**
Closing balance of reserve	**-**	**-**

20 Share Based Payments (continued)

Details of options outstanding as part of the EOEP and those issued to contractors outside of the EOEP during the financial year are as follows:

Consolidated and Parent Entity 2018

There were no options outstanding or issued during the year.

Consolidated and Parent Entity 2017

There were no options outstanding or issued during the year.

21. Available For Sale Reserve

	Consolidated	
	2018	2017
	$	$
Balance at the beginning of the year	-	-
Amount recognised during the year	10,800,645	-
Balance at the end of the year	10,800,645	-

22. Key Management Personnel

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	346,011	322,260
Post-employment employee benefits	6,068	10,235
Share based payments	-	-
Total compensation	352,079	332,495

23. Auditor's Remuneration

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

	Consolidated	
	2018	2017
	$	$
During the year, fees paid/payable to the Company's auditors were:		
For audit and review – Grant Thornton Audit Pty Ltd	73,000	61,285

24. 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. There are no further related party transactions to disclose.

25. Contingent Liabilities and Assets

	Consolidated	
	2018	2017
	$	$
Security Bonds to State governments	35,000	35,000

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

The Company has also a credit card limit of $50,000, of which $50,000 is unused as at 30 June 2018.

26. Commitments

The exploration expenditure relates to the farm-in commitments for Bivouac Peak, SM74 and two Exploration Licences in the Cooper Basin.

	Consolidated	
	2018	2017
	$	$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	17,021,447	108,000
Year 2 to Year 4	17,300,000	-
Over 5 years	-	-
Total	34,321,447	108,000
Office Rent		
Within one year	41,566	39,709
Later than one year but not later than five years	-	-
Total	41,566	39,709

27. Statement of Cash Flows Reconciliation

		Consolidated 2018 $	Consolidated 2017 $
(a)	**Reconciliation of net loss after tax to net cash flows from operations**		
	Net profit/(loss) for the year	**1,021,275**	**(1,054,819)**
	Adjustments for:		
	Depreciation	**1,531**	**-**
	(Profit)/Loss on fair value movement of derivative asset	**(1,281,078)**	**612,500**
	Unrealised (gain) on exchange traded bonds	**61,999**	**-**
	Net profit on disposal of property, plant and equipment	**-**	**(15,000)**
	Unwinding and other finance income on convertible note – non cash	**(791,650)**	**-**
	Impairment of exploration and evaluation expenditure	**684,400**	**-**
	Changes in assets and liabilities:		
	(Increase)/Decrease in trade and other receivables	**(47,729)**	**190,389**
	Decrease in secured convertible note	**69,814**	**-**
	Increase/(Decrease) in trade and other payables	**124,724**	**(92,952)**
	Increase in provisions	**4,697**	**2,548**
	Net cash flows used in operating activities	**(152,017)**	**(357,334)**

(b) Non cash financing and investing activities

$Nil (2017: $Nil)

28. Earnings Per Share

	Consolidated 2018 $	Consolidated 2017 $
Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit/(loss) attributable to owners of Metgasco Ltd used to calculate basic earnings per share	**1,021,275**	**(1,054,819)**
Diluted earnings per share		
Profit/(loss) attributable to owners of Metgasco Ltd used to calculate diluted earnings per share	**1,021,275**	**(1,054,819)**
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**398,010,451**	**399,109,450**
Profit/(loss) per share (cents)	**0.3**	**(0.3)**

There are no Options.

29. 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 2018 and 30 June 2017:

30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Exchange Traded Bonds	2,117	-	-	2,117
Listed securities	13,453	-	-	13,453
Derivative asset	-	-	1,548	1,548
Total assets	15,570	-	1,548	17,118
Net fair value	15,570	-	1,548	17,118

30 June 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Derivative asset	-	-	267	267
Total assets	-	-	267	267
Net fair value	-	-	267	267

30. Financial Facilities

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

31. Parent Entity Disclosures

	2018	2017
	$	$
Current assets	12,975,068	13,051,540
Non-current assets	16,546,038	4,848,145
Total assets	29,521,106	17,899,685
Current liabilities	291,613	166,889
Non-current liabilities	14,676	9,879
Total liabilities	306,289	176,768
Contributed equity	111,232,683	111,562,703
Accumulated losses	(92,818,511)	(93,839,786)
Available for sale reserve	10,800,645	-
Total equity	29,214,817	17,722,917
Profit/(Loss) for the year	1,021,275	(1,054,819)
Other comprehensive income for the year	10,800,645	-
Total comprehensive profit/(loss) for the year	11,821,920	(1,054,819)

Commitments

	2018	2017
	$	$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	17,021,447	108,000
Year 2 to Year 4	17,300,000	-
Over 5 years	-	-
Total	34,321,447	108,000
Office Rent		
Within one year	41,566	39,709
Later than one year but not later than five years	-	-
Total	41,566	39,709

The parent entity has an exploration commitment in relation to the farm-in for Bivouac Peak and the two Exploration Licences in the Cooper Basin as per the following:

Contingent Liabilities

	2018	2017
	$	$
Security deposits to state governments	35,000	35,000

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

32. 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:

(1) The Bivouac Peak East Prospect (Weiss-Adler et al No. 1 Initial Test Well), within which Metgasco is an farm in partner (10% WI, 7.45% NRI) has spudded (27th August, 2018) and

(2) Metgasco has elected to farm-in to the South Marsh Island 74 salt dome project, with an expected spud date in November 2018 (see ASX announcement *Metgasco Farms In to South Marsh Island Area Block 74*, 19th July, 2018).

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 2018 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 Executive Chairman and Chief Financial Officer for the financial year ended 30 June 2018.

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
Executive Chairman
Sydney, 30 August 2018

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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 2018, 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 2018 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.

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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.

Key audit matter	How our audit addressed the key audit matter
Secured convertible note at amortised cost and derivative asset ***Note 15 and 16***	
The Group recognises financial instruments in accordance with AASB 139 *Financial Instruments*. During the prior financial year, Metgasco Limited provided a facility to Byron Energy Limited with a three year term and an option to convert this facility into shares in Byron Energy. As part of this facility, the company was issued 10 million unlisted options by Byron Energy Limited with an exercise price of $0.25 and a 3 year expiry date. This area is a key audit matter. The accounting treatment and valuation of the convertible note is complex due to the degree of management judgement involved in identifying the receivable components of the convertible note and the relevant inputs to the fair value calculation of the embedded derivative, including the volatility of the share price.	Our audit procedures included, among others: • Reviewing the agreement to ensure the key terms and conditions did not change since the prior year; • Vouching a sample of payments received during the year for principal and interests to the bank statements; • Auditing the model, the assumptions and the methodology used by management for compliance with accounting standards, ensuring that the convertible note has been correctly recorded at amortised cost using the effective interest method and that the derivative asset has been correctly valued. • Testing the model through sensitivity analysis to ensure sufficient professional scepticism has been applied; • Consulting with our valuation specialists to ensure the basis of the valuation was reasonable; and • Assessing the appropriateness of the related disclosures in the financial statements.
Exploration and Evaluation Expenditure ***Note 11***	
The Group recognises capitalised exploration and evaluation expenditure in accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources.* As at 30 June 2018, the Group held exploration and evaluation assets amounting to $534,987. During the year, the Group capitalised $1,097,910 of costs to exploration and evaluation assets in relation to different areas of interest and impaired $684,400 of these costs in relation to an area that was discontinued. This is a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to the evaluation for any impairment indicators, in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources.*	Our procedures included, amongst others: • 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 of 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.

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 2018, 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.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 8 to 13 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Metgasco Limited, for the year ended 30 June 2018 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.

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Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 30 August 2018