



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

**CONSOLIDATED FINANCIAL REPORT  
HALF YEAR ENDED  
31 DECEMBER 2022**

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## DIRECTORS' REPORT

Your Directors present their report together with the consolidated financial statements of Metgasco Ltd ("Metgasco" or "Company") and its controlled entity (collectively referred to as "the Group") for the half year ended 31 December 2022.

### Directors

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

Mr Philip Amery – Non-Executive Director, Chairman

Mr Ken Aitken – Managing Director

Mr John Patton – Non-Executive Director

Mr Robbert Willink – Non-Executive Director

Mr Peter Lansom – Non-Executive Director

### Principal Activities

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

### Review of Operations

The following is an overview of the Company's activities during the half year ended 31 December 2022.

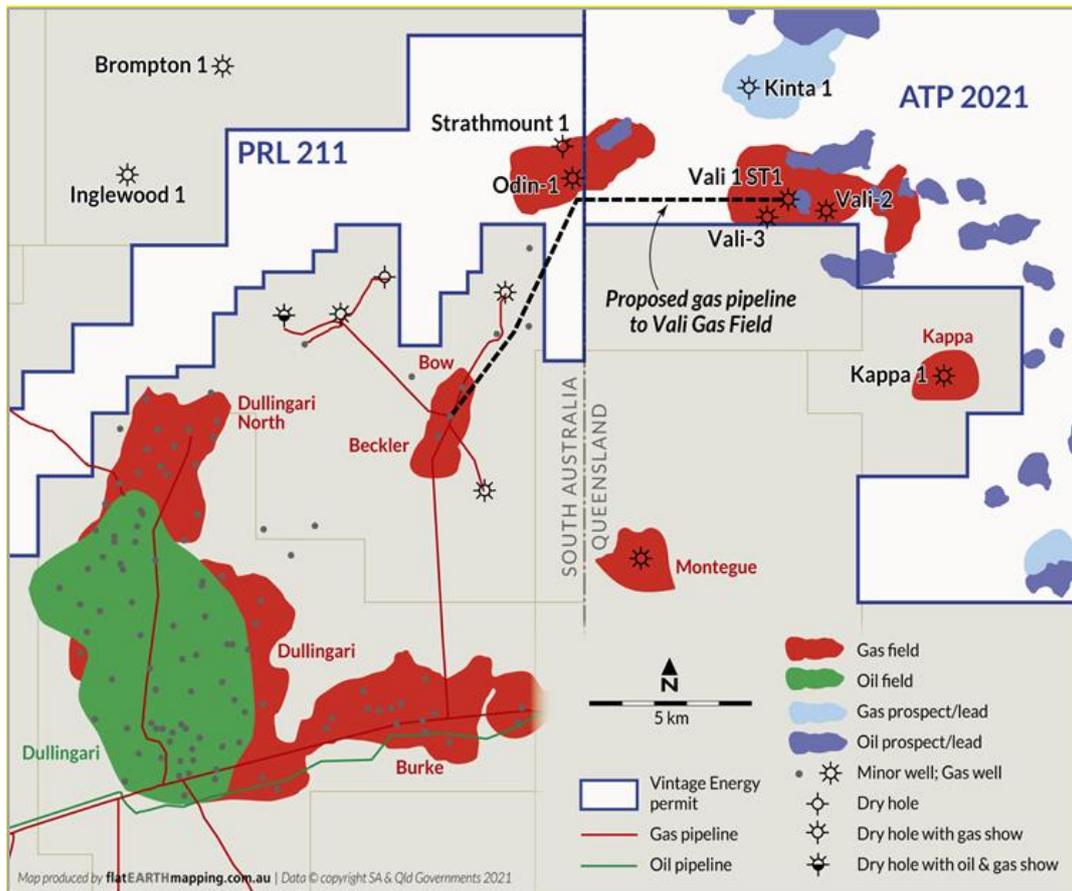
#### Cooper/Eromanga: ATP2021

ATP2021 is located in Queensland adjoining the Queensland - South Australia border (see Figure 1 below).

ATP2021 contains the Vali gas field, discovered by Vali-1 ST1 in January 2020 and successfully appraised by Vali-2 and Vali-3 in the June and September quarters of CY2021. The Vali field has three cased and completed wells and are being connected to the Moomba gas gathering network for supply to the Eastern Australia domestic energy market.

The ATP 2021 joint venture has contracted to supply an estimated 9 PJ to 16 PJ of gas from the Vali gas field to AGL. The joint venture is preparing the field to commence supply, completing pipeline and facilities construction prior to commissioning.

ATP 2021 is believed to contain the eastern portion of the Odin gas field, discovered by Odin-1 in the nearby South Australian licence PRL 211. Further discussion on PRL 211 (which has an identical joint venture composition to ATP 2021) and Odin follow:



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

The 2P reserve of the Vali gas field is 101.0 PJ (25.2PJ net to MEL) independently certified and booked by Metgasco (previously Gross 2P of 33.2PJ (8.3PJ net to MEL). The following tables detail the combined reserves estimates.

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

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

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

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

Activity during the first six months of FY23 was focussed on the well completion campaign and progressing the preparation for pipeline and facilities project works to enable gas supply from Vali as detailed below:

### Well completion campaign

The well completion campaign commenced early July and concluded mid-August having completed Vali-1 ST1, Vali-2 and Vali-3 as future gas producers. The Vali wells were completed as tandem producers enabling production from either or both of the Patchawarra and Toolachee formations. The wells were flowed for short periods following completion operations for clean-up. Performance of the wells will be monitored and analysed after connection of the field to infrastructure and production commenced.

### Pipeline and facilities construction

The pipeline and facilities construction phase comprises installation of gas gathering, separation, metering and cooling infrastructure at Vali and the installation of dual 13 km pipes to connect the Vali field to the Moomba gas gathering system at the Beckler Field in South Australia. (see Figure 1 above).

The pipeline and facilities construction phase commenced during the September quarter with the prefabrication of production skids. Site works for pipeline installation commenced in September, later than previously anticipated, due to the ongoing effect of skilled trade shortages on fabrication timelines and tight contractor crew availability.

Workflow during the December quarter was further disrupted by weather events during November and December. However, by the end of the December quarter :

- flowlines and export pipelines were completed and had been successfully pressure tested.
- mechanical installation was underway with lease foundations in place at Vali-1 and Vali-3. Skids and pipework were on site and largely assembled.
- metering facility foundations were near completion, risers in place and metering equipment moved into place for installation on return from the Christmas New Year break.

Work resumed in January 2023, albeit affected by further rainfall and extreme heat restrictions. Mechanical handover of the facilities at Vali-1 took place on Saturday 11 February and well commissioning is underway with first gas anticipated in the 2nd half of February. Construction and installation work is ongoing at the Vali-2 and Vali-3 sites. Mechanical handover and commissioning at these locations is anticipated to occur by early March.

### Cooper/Eromanga: PRL 211

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

The Toolachee and Epsilon formations were successfully flow-tested at Odin-1 in the final quarter of CY 2021, with a stable rate of 6.5 million standard cubic feet per day recorded at a flowing wellhead pressure of 1,823 psi through a 28/64” fixed choke. At the end of the flow period, a multi-rate memory production log was acquired, which confirmed gas flow was being contributed from each of the perforated Epsilon and Toolachee formations.

Contingent resources (2C) attributable to Odin, including joint venture and Metgasco shares and allocation between PRL211 and ATP2021 were reported as follows in Table 3&4 below:

**Table 3&4 - Odin gross and net (25% equity) Contingent Resources:**

| Gross Odin Gas Field Contingent Resources (Bcf) |             |      |             |
|---|-------------|------|-------------|
|   | 1C          | 2C   | 3C          |
| <b>Total</b>                                    | <b>20.2</b> | 39.7 | <b>78.2</b> |

| Net Odin Gas Field Contingent Resources (Bcf) |             |             |              |
|---|-------------|-------------|--------------|
|   | 1C          | 2C          | 3C           |
| PRL 211                                       | 2.85        | 5.55        | 10.95        |
| ATP 2021                                      | 2.00        | 4.00        | 7.80         |
| <b>Total</b>                                  | <b>4.85</b> | <b>9.55</b> | <b>18.75</b> |

**Notes on Odin Contingent Resource assessment:**

1. Gross Contingent Resources represent 100% total of estimated recoverable volumes within PRL 211 and ATP 2021.
2. Working interest Contingent Resources represent Metgasco’s share of the gross Contingent Resources based on its working interest in PRL 211, which is 25%, and ATP 2021, which is 25%.
3. These are unrisks Contingent Resources that have not been risked for Chance of Development and are sub-classified as Development Unclassified.
4. Contingent Resources volumes shown have had shrinkage applied to account for inerts removal and include hydrocarbon gas only.
5. No allowance for fuel and flare volumes has been made.
6. Resources estimates have been made and classified in accordance with the Petroleum Resources Management System 2018 (“PRMS”).
7. Probabilistic methods have been used for individual sands and totals for each reservoir interval have been summed deterministically.
8. A conversion factor of 1.09 is applied to convert from billion standard cubic feet (Bscf) to petajoules (PJ).
9. Contingent Resources certified by ERCE are as at 14 September 2021 and updated on 29 March 2022 to reflect 25% net Metgasco ownership.
10. Contingent Resources were first disclosed in a release to the ASX on 16 September 2021.

## Activity

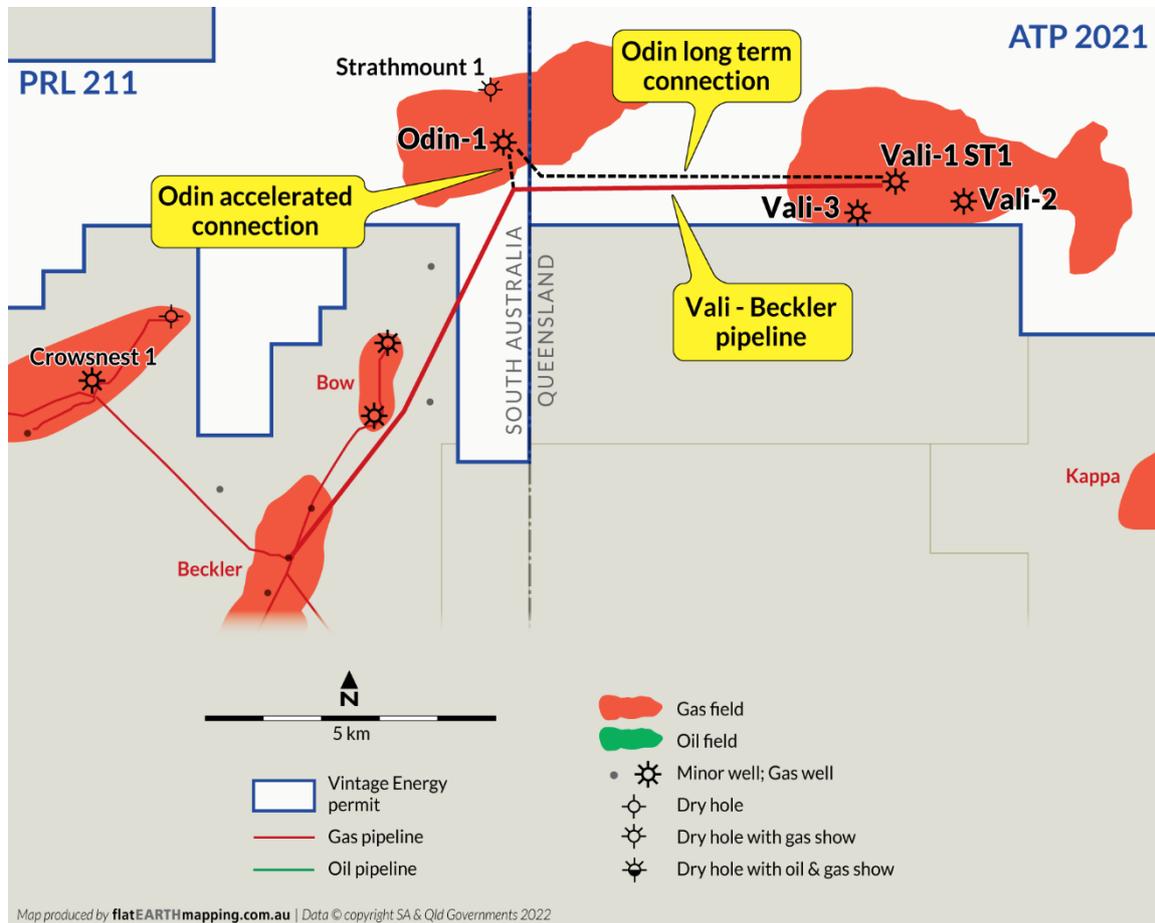
Odin-1 was successfully completed during the September quarter as part of the Vali completion campaign.

Concept Engineering studies to evaluate options for connection of Odin-1 to the Vali-Beckler pipeline were completed in the September quarter. On consideration of the studies the PRL 211 joint venture resolved to accelerate connection and sales from the field via a two-stage connection program.

The connection project will provide an interim accelerated connection and sales from Odin, contemporaneous with work on the superior longer-term connection option selected by the joint venture from the concept work. This long-term connection option comprises connection of the Odin gas field to facilities at the Vali gas field for dewatering, metering and transport to the Beckler tie-in point. The Vali gas field is also owned by the same joint venture parties (in the ATP 2021 Joint Venture) and is being prepared to commence Vali gas production.

The accelerated connection will use temporary rental equipment and the installation of a 1.4-kilometre Fibrespar connection from the well-site to the mid-line riser of the pipeline currently being installed to transport gas from the Vali gas field to the Moomba gas

gathering network at Beckler. The long-term connection will enable metering and dewatering of the Odin gas stream at Vali prior to transportation to Beckler and requires installation of a 6.3-kilometre Fibrespar pipeline from the mid-line riser to the Vali facilities (see Figure 2).



**Figure 2: Illustration of Odin accelerated connection and long term connection to Vali**

Site works on the Odin accelerated connection commenced in December 22 with right of way surveying. Line clearing and trenching commenced in January 23. Other connection infrastructure both rental and permanent will be installed in the coming months.

### Cooper Basin: PRL237

The JV agreed a budget which included minimal activity in relation to PRL 237 for FY2023.

### Corporate Activities

#### Patriot Hydrogen

On 16 August 2022 Metgasco signed a binding term sheet for the phased acquisition of Patriot Hydrogen Limited (“Patriot”), a renewable hydrogen and energy developer with near term production, with certain technical and commercial milestones (conditions precedent).

Metgasco terminated the agreement on 10 November for the staged acquisition of Patriot. Metgasco's decision to terminate the agreement was, amongst other factors, due to a number of the transaction conditions precedent not being met.

Metgasco provided a modest secured working capital facility to Patriot, for plant shipment and delivery, and have commenced the process of recovery of loaned funds which are anticipated to be returned in Q1 2023.

## **Financial Results**

The Company reported a loss for the half year ended 31 December 2022 of \$665,359 (31 December 2021 \$1,152,649).

The Group ended the period with a cash balance of \$820,144 and no debt. The cash balances were held as cash at bank. Other financial assets of the Company are detailed in the Consolidated Statement of Financial Position and the accompanying notes.

## **Significant Events Subsequent to 31 December 2022**

### **Vali First Production**

On Tuesday 21 February 2023 the Vali Field achieved first gas production from the Vali 1 well. The Vali 1 well is currently producing from the Patchawarra Formation, although the well has been completed as a dual producer with capacity to produce from the Toolachee Formation.

### **Debt Facility**

On Monday 13 March 2023, Metgasco Limited secured a \$5 million debt Facility with Keybridge Capital and Glennon Small Companies Limited . Formal Loan note deed have been signed and the key terms of the Facility are:

- \$5 million to be drawn down within 12 months from the initial issue date.
- 3 years tenor from first drawdown.
- Funds to be applied, full payment of outstanding fees, costs in relation to the Vali and Odin Gas Fields and working capital and general corporate purposes.
- Interest Rate of 10% p.a. expensed and payable quarterly in arrears immediately.
- A 1% establishment fee payable (on drawn funds only)
- Secured by way of a general security deed ("GSD"), jointly over all present property of the Company.
- In consideration for the facility and the ongoing availability of drawdown funds during the availability period with no line fee, the issue of 160 million options proportionally to the note facility participants at an exercise price of 2.5c per share for the same tenor as the debt facility, of which 159.58 million options will be issued to the parties on issuance of the first loan note. The remaining 0.42 million options are to be issued subject to shareholder approval to be obtained at the next Annual General Meeting of the Company's shareholders. The options will be exercisable at any time over the three year term by way of either cash settlement or cancellation of notes.
- If early repayment of drawn funds is undertaken by Metgasco, it will provide Glennon and Keybridge with an early redemption fee equal to 5% of the face value of the notes redeemed early.

## **Auditor's Independence Declaration**

A copy of the independence declaration by the lead auditor under Section 307C is included on page 10 to this Half Year Report.

Signed in accordance with a resolution of the Directors.

Dated at Perth on 15 March 2023.



Philip Amery  
Chairman

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## Auditor's Independence Declaration

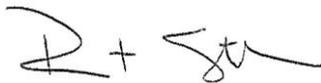
### To the Directors of Metgasco Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Metgasco Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B P Steedman  
Partner – Audit & Assurance  
Perth, 15 March 2023

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

|   |      | Consolidated Entity<br>Half Year |                     |
|---|------|----------------------------------|---------------------|
|   | Note | 31 December<br>2022              | 31 December<br>2021 |
|   |      | \$                               | \$                  |
| Interest income   |      | 252                              | 9                   |
| Finance costs   |      | (4,418)                          | (2,476)             |
| Realised gain on sale of long term investments                                |      | -                                | 3,246               |
| Depreciation  |      | (518)                            | (434)               |
| Professional fees   |      | (109,158)                        | (73,302)            |
| Advertising and marketing fees  |      | (10,700)                         | (80,989)            |
| Exploration expenditure expensed  |      | (28,603)                         | -                   |
| Directors' fees   |      | (262,825)                        | (279,102)           |
| Employee costs  |      | (101,641)                        | (126,577)           |
| Share based payments  |      | -                                | (491,769)           |
| Other administrative  |      | (147,748)                        | (101,255)           |
|   |      | <u>(665,359)</u>                 | <u>(1,152,649)</u>  |
| <b>Loss before income tax expense</b>   |      |                                  |                     |
| Income tax expense  |      | -                                | -                   |
| <b>Loss after tax from continuing operations</b>                              |      | <u>(665,359)</u>                 | <u>(1,152,649)</u>  |
| <b>Other comprehensive income</b>   |      | -                                | -                   |
| <b>Total comprehensive loss for the half year</b>                             |      | <u>(665,359)</u>                 | <u>(1,152,649)</u>  |
| Earnings per share attributable to ordinary equity holders of<br>Metgasco Ltd |      |                                  |                     |
|   |      | \$                               | \$                  |
| Basic loss per share (cents)  | 11   | (0.07)                           | (0.17)              |
| Diluted loss per share (cents)  | 11   | (0.07)                           | (0.17)              |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

|  |      | Consolidated Entity       |                       |
|--|------|---------------------------|-----------------------|
|  | Note | 31 December<br>2022<br>\$ | 30 June<br>2022<br>\$ |
| <b>Assets</b>                          |      |                           |                       |
| <b>Current assets</b>                  |      |                           |                       |
| Cash and cash equivalents              |      | 820,114                   | 3,635,270             |
| Trade and other receivables            |      | 221,741                   | 491,011               |
| <b>Total current assets</b>            |      | <b>1,041,855</b>          | <b>4,126,281</b>      |
| <b>Non-current assets</b>              |      |                           |                       |
| Exploration and evaluation expenditure | 3    | 2,335,836                 | 2,030,734             |
| Oil and gas properties in development  | 4    | 13,655,860                | 11,099,790            |
| Plant and equipment                    |      | 2,253                     | 1,418                 |
| Other receivables                      |      | 24,000                    | 24,000                |
| <b>Total non-current assets</b>        |      | <b>16,017,949</b>         | <b>13,155,942</b>     |
| <b>Total assets</b>                    |      | <b>17,059,804</b>         | <b>17,282,223</b>     |
| <b>Liabilities</b>                     |      |                           |                       |
| <b>Current liabilities</b>             |      |                           |                       |
| Trade and other payables               | 5    | 68,705                    | 2,126,820             |
| Contract Liabilities                   | 6    | 833,333                   | 833,333               |
| Provisions                             | 7    | 112,781                   | 112,781               |
| <b>Total current liabilities</b>       |      | <b>1,014,819</b>          | <b>3,072,934</b>      |
| <b>Non-current liabilities</b>         |      |                           |                       |
| Trade and other payables               | 5    | 301,940                   | 301,940               |
| Contract Liabilities                   | 6    | 2,916,667                 | 2,916,667             |
| Provisions                             | 7    | 691,401                   | 691,401               |
| <b>Total non-current liabilities</b>   |      | <b>3,910,088</b>          | <b>3,910,088</b>      |
| <b>Total liabilities</b>               |      | <b>4,924,827</b>          | <b>6,982,942</b>      |
| <b>Net assets</b>                      |      | <b>12,134,977</b>         | <b>10,299,281</b>     |
| <b>Equity</b>                          |      |                           |                       |
| Contributed equity                     | 8    | 123,159,468               | 120,675,302           |
| Share option reserve                   |      | 529,676                   | 524,380               |
| Accumulated losses                     |      | (111,554,167)             | (110,900,401)         |
| <b>Total equity</b>                    |      | <b>12,134,977</b>         | <b>10,299,281</b>     |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

|   | <i>Contributed Equity</i> | <i>Share Option Reserve</i> | <i>Accumulated Losses</i> | <i>Total Equity</i> |
|---|---------------------------|-----------------------------|---------------------------|---------------------|
|   | \$                        | \$                          | \$                        | \$                  |
| <b>At 1 July 2021</b>                               | <b>111,697,074</b>        | <b>17,189</b>               | <b>(104,822,756)</b>      | <b>6,891,507</b>    |
| Profit for the period                               | -                         | -                           | (1,152,649)               | (1,152,649)         |
| Other Comprehensive Income                          | -                         | -                           | -                         | -                   |
| Sub-total   | -                         | -                           | (1,152,649)               | (1,152,649)         |
| Issue of new share capital net of issue costs       | 4,133,674                 | -                           | -                         | 4,133,674           |
| Shares issued of a result of exercised options      | 17,166                    | -                           | -                         | 17,166              |
| Issue of broker options                             | -                         | 46,374                      | -                         | 46,374              |
| Issue of employee options                           | -                         | 491,769                     | -                         | 491,769             |
| Issue of employee performance rights                | -                         | 18,496                      | -                         | 18,496              |
| Cancellation of employee performance rights         | -                         | (35,685)                    | 35,685                    | -                   |
| <b>At 31 December 2021</b>                          | <b>115,847,914</b>        | <b>538,143</b>              | <b>(105,939,720)</b>      | <b>10,446,337</b>   |
| <b>At 1 July 2022</b>                               | <b>120,675,302</b>        | <b>524,380</b>              | <b>(110,900,401)</b>      | <b>10,299,281</b>   |
| Loss for the period                                 | -                         | -                           | (665,359)                 | (665,359)           |
| Other Comprehensive Income                          | -                         | -                           | -                         | -                   |
| Sub-total   | -                         | -                           | (665,359)                 | (665,359)           |
| Issue of new share capital net of issue costs       | 2,483,959                 | -                           | -                         | 2,483,959           |
| Shares issued of as a result of exercise of options | 207                       | -                           | -                         | 207                 |
| Issue of broker share options                       | -                         | 16,889                      | -                         | 16,889              |
| Lapse of broker share options                       | -                         | (11,593)                    | 11,593                    | -                   |
| <b>At 31 December 2022</b>                          | <b>123,159,468</b>        | <b>529,676</b>              | <b>(111,554,167)</b>      | <b>12,134,977</b>   |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

|  | <b>Consolidated Entity</b> |                    |
|--|----------------------------|--------------------|
|  | <b>Half Year</b>           |                    |
|  | <b>31 December</b>         | <b>31 December</b> |
|  | <b>2022</b>                | <b>2021</b>        |
|  | <b>\$</b>                  | <b>\$</b>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                            |                    |
| Payments to suppliers and employees                              | (1,083,504)                | (731,197)          |
| Interest received  | 252                        | -                  |
| Interest paid  | (4,418)                    | (2,476)            |
|  | <hr/>                      | <hr/>              |
| <b>Net cash outflow from operating activities</b>                | <b>(1,087,670)</b>         | <b>(733,673)</b>   |
|  | <hr/>                      | <hr/>              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                            |                    |
| Expenditure on exploration, evaluation and decommissioning       | (195,189)                  | (1,147,018)        |
| Expenditure on development assets                                | (3,932,000)                | -                  |
| Advances to other external entities                              | (100,000)                  | -                  |
| Proceeds from sale of short/long term investments                | -                          | 181,129            |
| Purchase of property, plant and equipment                        | (1,352)                    | -                  |
|  | <hr/>                      | <hr/>              |
| <b>Net cash outflow from investing activities</b>                | <b>(4,228,541)</b>         | <b>(965,889)</b>   |
|  | <hr/>                      | <hr/>              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                            |                    |
| Issue of new share capital, net of issue costs                   | 2,501,055                  | 4,197,214          |
|  | <hr/>                      | <hr/>              |
| <b>Net cash inflow from financing activities</b>                 | <b>2,501,055</b>           | <b>4,197,214</b>   |
|  | <hr/>                      | <hr/>              |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD</b> | <b>(2,815,156)</b>         | <b>2,497,652</b>   |
| Net cash at beginning of period                                  | 3,635,270                  | 553,760            |
|  | <hr/>                      | <hr/>              |
| <b>NET CASH AT END OF PERIOD</b>                                 | <b>820,114</b>             | <b>3,051,412</b>   |
|  | <hr/>                      | <hr/>              |

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2022

### Note 1. Summary of Significant Accounting Policies

These interim financial statements of Metgasco Ltd (“Metgasco” or “Company”) and its controlled entity (collectively referred to as “the Group”) for the half year reporting period ended 31 December 2022 have been prepared in accordance with AASB134 “Interim Financial Reporting” and the Corporations Act 2001. They are presented in Australian Dollars (\$) which is the functional currency of the parent company. The historical cost basis has been used.

These interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by Metgasco during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as those employed in the Group’s annual financial statements for the year ended 30 June 2022.

The interim Financial Statements have been approved and authorised by the Board of Directors on 15 March 2023.

### Going concern

The Group’s financial statements are prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities and commitments in the normal course of business.

During the period ended 30 June 2022 the group recognised a loss of \$665,359 (31 December 2021: \$1,152,649), had net cash outflows from operating and investing activities of \$5,316,211 (30 June 2022: \$1,699,562).

The Directors review of cash flow forecasts, confirm that the going concern basis of accounting remains appropriate but acknowledges that additional funding and or cash inflows from gas sales is required to enable the company to fund its operations and meet its short term commitments for the twelve month period from the date of this financial report. The Directors believe that the additional funding may be derived from one or more of the following:

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

Subsequent to the reporting period the Group entered into a \$5 million debt facility. Refer to note 12 for details in regard to the facility.

In the event the Group is unable to achieve some of the matters above, this would create a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and accordingly to realise its assets and extinguish its liabilities in the ordinary course of the operations and at amounts to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or to the amounts and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

## Note 2. Segment Information

The Group's operating segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the Board. The Group undertook oil and gas development and exploration related activities in Australia during the period.

### Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

|                        | Segment Assets    |                   | Segment Liabilities |                  |
|------------------------|-------------------|-------------------|---------------------|------------------|
|                        | 31 December 2022  | 30 June 2022      | 31 December 2022    | 30 June 2022     |
|                        | \$                | \$                | \$                  | \$               |
| Oil and gas properties | 13,474,790        | 11,099,790        | 4,234,496           | 4,234,496        |
| Exploration            | 2,626,320         | 2,459,734         | 621,626             | 396,064          |
| Corporate              | 958,694           | 3,722,699         | 68,705              | 2,352,382        |
|                        | <b>17,059,804</b> | <b>17,282,223</b> | <b>4,924,827</b>    | <b>6,982,942</b> |

### Segment Results

The following is an analysis of the Group's results by reportable segment for the period:

|                        | Segment Loss     |                  |
|------------------------|------------------|------------------|
|                        | 31 December 2022 | 31 December 2021 |
|                        | \$               | \$               |
| Oil and gas properties | -                | -                |
| Exploration            | 28,603           | -                |
| Corporate              | 636,756          | 1,152,649        |
|                        | <b>665,359</b>   | <b>1,152,649</b> |

### Note 3. Exploration and Evaluation Expenditure

|   | 31 December 2022 | 30 June 2022     |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Expenditure for the entity's operations</b>    |                  |                  |
| Movement during the financial period:             |                  |                  |
| Opening balance                                   | 2,030,734        | 6,751,305        |
| Additions   | 305,102          | 4,802,005        |
| Acquisitions                                      | -                | 553,477          |
| Impairment losses                                 | -                | (4,221,232)      |
| Transfer to oil and gas properties in development | -                | (5,854,821)      |
| <b>Carrying amount at end of half year</b>        | <b>2,335,836</b> | <b>2,030,734</b> |

### Note 4. Oil and Gas Properties

|  | 31 December 2022  | 30 June 2022      |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Expenditure for the entity's operations Assets in development</b> |                   |                   |
| Movement during the financial period:                                |                   |                   |
| Opening balance  | 11,099,790        | -                 |
| Additions  | 2,556,070         | 5,244,969         |
| Transfer from oil and gas properties in development                  | -                 | 5,854,821         |
| <b>Carrying amount at end of half year</b>                           | <b>13,655,860</b> | <b>11,099,790</b> |

### Note 5. Trade and Other payables

|                              | 31 December 2022 | 30 June 2022     |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| <b>Current</b>               |                  |                  |
| Trade payables               | 3,364            | 2,011,568        |
| Accrued charges and expenses | 30,524           | 36,500           |
| Employee benefits            | 34,816           | 78,752           |
|                              | <b>68,705</b>    | <b>2,126,820</b> |
| <b>Non-current</b>           |                  |                  |
| Contingent consideration (a) | 301,940          | 301,940          |
|                              | <b>301,940</b>   | <b>301,940</b>   |
| <b>Total</b>                 | <b>370,645</b>   | <b>2,428,760</b> |

(a) On 10<sup>th</sup> June 2022, the company acquired an additional stake in the PRL211 asset. The considerations terms for the acquisition included a component that is contingent subject the achievement of the following milestones:

- Payment of \$187,500 upon 15 Business Days following First Production from the Odin Field.
- Payment of \$125,000 upon 15 Business Days following production of 1.06 Petajoules of sales gas or equivalent from the Odin Field.

Management have fair valued the contingent consideration on the basis of probability of meeting these milestones.

## Note 6. Contract Liabilities

|                    | 31 December 2022 | 30 June 2022     |
|--------------------|------------------|------------------|
|                    | \$               | \$               |
| <b>Current</b>     |                  |                  |
| Deferred revenue   | 833,333          | 833,333          |
|                    | <b>833,333</b>   | <b>833,333</b>   |
| <b>Non-current</b> |                  |                  |
| Deferred revenue   | 2,916,667        | 2,916,667        |
|                    | <b>2,916,667</b> | <b>2,916,667</b> |
| <b>Total</b>       | <b>3,750,000</b> | <b>3,750,000</b> |

On 15<sup>th</sup> March 2022 the Company executed a Gas Supply Agreement (GSA) for its interest in the Vali Gas Field with AGL Whole Gas Limited. The GSA provided that an amount of \$15M (\$3.75M - Metgasco share) would be advanced to Metgasco and its partners prior of first gas productions to assist with the costs to bring the Vali Gas Field into Production.

The GSA allows for the delivery of 9PJ of gas up to 31 December 2026 with the delivery scheduled for 2PJ in 2023, 2.33 PJ per year from 2024-2025 and 2.34PJ in 2026. Any amounts not delivered within the production year are rolled forward into the next calendar year.

The Company has recognised a contract liability for the deferred under the GSA to deliver natural gas in future periods for which payment has already been received. Deferred revenue liabilities unwind as revenue from contracts, upon satisfaction of the performance obligation.

## Note 7. Provisions

|  | 31 December 2022 | 30 June 2022   |
|--|------------------|----------------|
|  | \$               | \$             |
| <b>Current</b>                                 |                  |                |
| Restoration obligations                        | 112,781          | 112,781        |
|  | <b>112,781</b>   | <b>112,781</b> |
| <b>Non-current</b>                             |                  |                |
| Restoration obligations                        | 691,401          | 691,401        |
|  | <b>691,401</b>   | <b>691,401</b> |
| <b>Total</b>                                   | <b>804,182</b>   | <b>804,182</b> |
| <i>Restoration Obligations</i>                 |                  |                |
| Carrying amount at beginning of financial year | 804,182          | -              |
| Increases                                      | -                | 804,182        |
| Carrying amount at end of financial year       | <b>804,182</b>   | <b>804,182</b> |

The Company is obliged to complete restoration activities where site areas have been disturbed. Estimates have been calculated and provisions made for the activities on the Vali, Odin, and Cervantes projects.

## Note 8. Contributed Equity

| Ordinary Shares                                     | No. of Shares                  |                            | \$                             |                            |
|---|--------------------------------|----------------------------|--------------------------------|----------------------------|
|   | Half Year Ended<br>31 Dec 2022 | Year Ended<br>30 June 2022 | Half Year Ended<br>31 Dec 2022 | Year Ended<br>30 June 2022 |
| Opening balance                                     | 930,002,677                    | 549,649,424                | 120,675,302                    | 111,679,074                |
| Issue of new share capital<br>net of issue costs    | 133,875,402                    | 375,523,551                | 2,483,959                      | 8,828,219                  |
| Shares issued as a result of<br>exercise of options | 6,666                          | 4,829,702                  | 207                            | 150,009                    |
| Closing balance                                     | <b>1,063,884,745</b>           | <b>930,002,677</b>         | <b>123,159,468</b>             | <b>120,675,302</b>         |

| Options<br>(quoted on ASX) | No. of Options<br>Half Year Ended<br>31 Dec 2022 | No. of Options<br>Year Ended<br>30 June 2022 |
|----------------------------|--|--|
|                            | Opening balance                                  | 124,498,055                                  |
| Options issued             | -  | 307,253,147                                  |
| Options exercised          | (6,666)  | (310,190)                                    |
| Options lapsed             | (58,388,846)                                     | (182,444,902)                                |
| Closing balance            | <b>66,102,543</b>                                | <b>124,498,055</b>                           |

| Options<br>(not quoted on ASX) | No. of Options<br>Half Year Ended<br>31 Dec 2022 | No. of Options<br>Year Ended<br>30 June 2022 |
|--------------------------------|--|--|
|                                | Opening balance                                  | 35,375,000                                   |
| Options issued                 | 2,000,000  | 39,875,000                                   |
| Options exercised              | -  | (4,519,512)                                  |
| Options lapsed                 | (1,500,000)                                      | (182,457,424)                                |
| Closing balance                | <b>35,875,000</b>                                | <b>35,375,000</b>                            |

| Performance Rights | No. of Performance<br>Rights<br>Half Year Ended<br>31 Dec 2022 | No. of Performance<br>Rights<br>Year Ended<br>30 June 2022 |
|--------------------|--|--|
|                    | Opening balance  | -  |
| Rights issued      | -  | -  |
| Rights lapsed      | -  | (5,209,205)  |
| Rights cancelled   | -  | (5,209,206)  |
| Closing balance    | -  | -  |

## Note 9. Share Based Payments

During the reporting period 2,000,000 Broker Options were issued by the Company in relation to the Placement Offer announced in October 2022. The option entitles the holder to exchange for ordinary shares in the Company on a 1 for 1.

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

|                      | Broker Options  |
|----------------------|-----------------|
| Share price on issue | \$0.020         |
| Issue date           | 8 December 2022 |
| Exercise price       | \$0.036         |
| Life (years)         | 3               |
| Volatility           | 88%             |
| Risk free rate       | 3.07%           |
| Valuation per option | \$0.0084447     |
| Total options issued | 2,000,000       |
| <b>Total Value</b>   | <b>\$16,889</b> |

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

As at 30 December 2022, the share option reserve amounts to \$529,676 (30 June 2022: \$524,380)

## Note 10. Earnings Per Share

|   | 31 December<br>2022  | 31 December<br>2021  |
|---|----------------------|----------------------|
| Reconciliation of earnings used in calculating earnings<br>Per share  |                      |                      |
| <b>Basic earnings per share</b>   |                      |                      |
| Loss attributable to owners of Metgasco Ltd used to calculate<br>basic Loss   | <u>(665,359)</u>     | <u>(1,152,649)</u>   |
| <b>Diluted earnings per share</b>   |                      |                      |
| Loss attributable to owners of Metgasco Ltd used to calculate<br>diluted earnings per share                               | <u>(665,359)</u>     | <u>(1,152,649)</u>   |
| Weighted average number of ordinary shares used as the<br>denominator in calculating basic and diluted earnings per share | <b>982,061,298</b>   | <b>679,714,054</b>   |
| <b>Loss per share (cents)</b>   | <u><b>(0.07)</b></u> | <u><b>(0.17)</b></u> |

The Company's potential ordinary shares, being 101,977,543 options granted, are not considered dilutive as the options strike price was above the closing share price of the Company at 31 December 2022 and the Company is also in a loss position as at 31 December 2022.

## Note 11. Commitments

These relates to committed expenditure on ATP2021, PRL211 and PRL237.

|   | 31 December 2022 | 30 June 2022     |
|---|------------------|------------------|
| <b>Minimum Exploration &amp; Evaluation Expenditure for Exploration Tenements</b> | <b>\$</b>        | <b>\$</b>        |
| Within one year   | 1,947,567        | 2,787,153        |
| Year 2 to Year 4  | -                | 11,004           |
| Over 5 years  | -                | -                |
| <b>Total</b>  | <b>1,947,567</b> | <b>2,798,157</b> |
| <br>  |                  |                  |
| <b>Office Rent</b>  |                  |                  |
| With one year   | 4,376            | 24,855           |
| Later than one year but not later than five years                                 | -                | -                |
| <b>Total</b>  | <b>4,376</b>     | <b>24,855</b>    |

## Note 12. Events after the Reporting Date

Other than the matters noted below, no matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future reporting periods other than:

### Vali First Production

On Tuesday 21 February 2023 the Vali Field achieved first gas production from the Vali 1 well. The Vali 1 well is currently producing from the Patchawarra Formation, although the well has been completed as a dual producer with capacity to produce from the Toolachee Formation.

### Debt Facility

On Monday 13 March 2023, Metgasco Limited secured a \$5 million debt Facility with Keybridge Capital and Glennon Small Companies Limited. Formal Loan note deed have been signed and the key terms of the Facility are:

- \$5 million to be drawn down within 12 months from the initial issue date.
- 3 years tenor from first drawdown.
- Funds to be applied, full payment of outstanding fees, costs in relation to the Vali and Odin Gas Fields and working capital and general corporate purposes.
- Interest Rate of 10% p.a. expensed and payable quarterly in arrears immediately.
- A 1% establishment fee payable (on drawn funds only)
- Secured by way of a general security deed ("GSD"), jointly over all present property of the Company.
- In consideration for the facility and the ongoing availability of drawdown funds during the availability period with no line fee, the issue of 160 million options proportionally to the note facility participants at an exercise price of 2.5c per share for the same tenor as the debt

facility, of which 159.58 million options will be issued to the parties on issuance of the first loan note. The remaining 0.42 million options are to be issued subject to shareholder approval to be obtained at the next Annual General Meeting of the Company's shareholders. The options will be exercisable at any time over the three year term by way of either cash settlement or cancellation of notes

- If early repayment of drawn funds is undertaken by Metgasco, it will provide Glennon and Keybridge with an early redemption fee equal to 5% of the face value of the notes redeemed early.

## DECLARATION BY DIRECTORS

In the opinion of the Directors of Metgasco Ltd (the 'Company'):

1. The accompanying financial report and notes are in accordance with the Corporations Act 2001 including:
  1. give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date.
  2. comply with Australian Accounting Standards the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3 The financial report and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is signed in accordance with a resolution of the Board of Directors.

Philip Amery  
Chairman



Perth 15 March 2023

## Independent Auditor's Review Report

### To the Members of Metgasco Ltd

#### Report on the half year financial report

##### Conclusion

We have reviewed the accompanying half year financial report of Metgasco Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

##### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$665,359 and has net cash outflows from operating and investing activities of \$5,316,211. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the half-year financial report

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

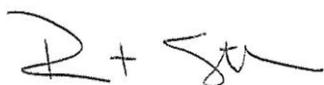
### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B P Steedman

Partner – Audit & Assurance

Perth, 15 March 2023

## CORPORATE DIRECTORY

|   |  |   |
|---|--|---|
| <b>Directors:</b>                       | Philip Amery<br>Ken Aitken<br>John Patton<br>Robbert Willink<br>Peter Lansom                         | Chairman<br>Managing Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director |
| <b>Company Secretary:</b>               | Victoria McLellan  |   |
| <b>Home Stock Exchange:</b>             | Australian Securities Exchange (ASX)<br>4 Bridge Street<br>Sydney NSW 2000                           |   |
| <b>ASX Symbol:</b>                      | MEL  |   |
| <b>Registered Office:</b>               | Level 2, 30 Richardson Street<br>West Perth WA 6005  |   |
|   | Telephone:   | +61 8 6245 0060   |
|   | Website:   | <a href="http://www.metgasco.com.au">www.metgasco.com.au</a>  |
|   | Email:   | <a href="mailto:info@metgasco.com.au">info@metgasco.com.au</a>  |
| <b>Share Registry:</b>                  | Link Market Services Limited<br>Level 12, 680 George Street<br>Sydney, NSW 2000                      |   |
| <b>Auditors:</b>                        | Grant Thornton Audit Pty Ltd<br>Level 43 Central Park<br>152-158 St Georges Terrace<br>Perth WA 6000 |   |
| <b>Bankers:</b>                         | National Australia Bank<br>Level 17, 500 Oxford St<br>Bondi Junction NSW 2022                        |   |
| <b>Australian Company Number:</b>       | ACN 088 196 383  |   |
| <b>Australian Business Number:</b>      | ABN 24 088 196 383   |   |
| <b>Date and Place of Incorporation:</b> | 22 June 1999, Sydney, Australia  |   |