



Annual Financial Report
for the year ended
30 June 2019

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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 2019.

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 2019 financial year was challenging due to two disappointing exploration results on the Bivouac Peak structure, onshore Louisiana and in South Marsh Island 74, Gulf of Mexico, with operator Byron Energy Limited ("Byron"). The latter drilling program in particular was adversely impacted by cost overruns and weather events, the financial closure of which have been outlined in ASX announcements subsequent to the end of the financial year. Disappointing as these results are they do not substantially detract from the confidence Metgasco has as an investor in Byron, an exposure initiated in 2016, and one which has generated strong financial returns for the Company.

On a more positive note it was pleasing to attract a company of the calibre of Vintage Energy Ltd ("Vintage") to farm-in as 50% interest-holder and operator on the Company's ATP2021 Cooper/Eromanga Basin assets. We look forward to drilling the exploration well Vali-1 later this year on ATP2021 with a view to unlocking inherent value in the Company's Cooper/Eromanga Basin portfolio.

In summary, the 50% farmin and operatorship arrangement with Vintage is as follows:

- I. Vintage to fund 65% of the first exploration well drilled, up to a maximum gross cost of \$5.3 million (with Vintage's share being up to \$3.445 million);
- II. Vintage to contribute a further \$527,800 which reflects 65% of the past licence back-costs/farm-out costs which have already been incurred by Metgasco; and
- III. Vintage to fund the full carry of \$70,000 of 2D/3D seismic re-processing currently scheduled to better identify expected shallow oil targets on the block.

Vintage quickly picked up the reigns of operator and are aligned with Metgasco to drill the Vali-1 gas prospect by Q4 CY 2019. Metgasco has continued to field interest in its Cooper/Eromanga Basin assets from other highly qualified parties.

The Metgasco team undertook a significant new business review and evaluation activity during the 2019 financial year which it expects will yield commercial opportunities for the business in the near future.

The Company commenced the year with cash and other financial assets of \$27 million, including its then \$5 million convertible note ("Note") facility with Byron, and ended it with cash and other financial assets, including its 5.8% substantial shareholding in Byron, of \$11.7 million. \$3 million of principal was repaid to the Company under the note terms and Metgasco elected to convert \$2 million of the loan into Byron shares, finalising the convertible note facility with Byron in January 2019.

At the end of the reporting period, Metgasco owned approximately 5.8% of Byron and also held 10 million options over Byron ordinary shares with a strike price of \$0.25, exercisable up to 21 July 2019. In May 2019 Metgasco disposed of 6 million Byron shares for cash at a price of 28c per share as part of its general capital management activities. This year \$8.3 million was spent on the drilling of two exploration wells in the Gulf of Mexico and this has reduced the business' cash balance significantly. This diminution of cash reserves and the aforementioned negative drilling results affected the Company's share price which declined from 5.9c (2 July 2018) to 4.7c (28 June 2019), a fall of around 20%. Metgasco's Board is acutely aware of the

importance of share price performance to its members and is focused on restoring and growing value for shareholders.

In the second quarter of the reporting period a seismic re-processing program was initiated to assist with ATP2020 farm-out activities. This was delayed by approximately six months due to being unable to access original tapes from the DNMRE or the previous licence operator. The re-processing project has improved the seismic quality and definition of the Loki lead. During the June quarter, farm-out discussions in relation to ATP2020 continued and at financial year end are ongoing with multiple interested and qualified parties. Subject to the outcome of this work a decision will be made on whether to continue holding the licence.

During the financial year an OCM was held with licence operator Senex and JV partner Cooper Energy. It was agreed at the OCM meeting to defer any exploration activities on the PRL237 to FY 2021.

Metgasco held a 10% Working Interest (WI) (7.45% Net Revenue Interest (NRI)) in the Bivouac Peak project which was expected to cost approx. US\$1.3 million. The drilling programme commenced in August 2018 and was plugged and abandoned (P&A) in October 2018 after testing all objectives and being drilled to a total depth of 17,766 feet Measured Depth (MD). Petrophysical evaluation of the porosity and sonic logs indicated the first objective to be a water bearing sand and the second objective a set of thinner, tight, gas bearing sands and shales with less than 5 net feet of conventionally logged hydrocarbon. The P&A operations were completed on 22 October 2018 and the Parker 77B rig released.

The data collected from the Weiss-Adler #1 were used to further evaluate the prospectivity of the surrounding area and to gain a greater understanding of the adjacent Bivouac Peak Deep Prospect. This evaluation work was completed in the March 2019 quarter. The Bivouac Peak state leases were relinquished during the December 2018 quarter and the private leases are expected to be relinquished in the coming months.

Metgasco farmed into the SM74 prospect in 2018 by agreeing to fund 40% of drilling costs to earn a 30% interest. On 1 April 2019 Metgasco remitted to SM74 operator, Byron, USD\$4,393,590, being its share of budgeted drilling costs for the SM74 deviated well, representing 40% of the well AFE (USD \$11,419,400).

The drilling rig arrival at SM74 was delayed due to operational delays with the preceding operator's well.

The SM74 D-14 exploration drilling operations commenced 15 May and drilling continued through the 1st primary reservoir target to a depth of 14,423 feet measured depth (MD) where the drilling assembly became stuck in the hole. An open-hole cement plug was set to facilitate sidetrack drilling around the stuck drilling assembly. The well was drilled to a total depth of 14,933 feet MD and, through the use of real-time gamma and resistivity logging tools, the well bore was deemed uncommercial and the decision was taken to plug and abandon. The well was in the process of being plugged and abandoned when Tropical Storm Barry resulted in an evacuation of rig personnel delaying operations for several days.

On 18 July 2019 Metgasco finalised its exposure to the SM74 drilling program costs, after negotiation, by reaching commercial agreement with Byron on terms which it considers to be fair and reasonable, as follows:

- Metgasco to pay Byron AUD \$1.75 million to settle its exposure to the additional costs, on a capped basis (i.e., no liability to further cost overruns), with payment due by 30 September 2019; and
- Metgasco agreed with Byron to exercise the 10 million options it held over BYE shares in accordance with its previously advised intention (see announcement 31 May 2019).

The exercise of these options was completed in accordance with the option terms (see above).

The Board of Metgasco believes that the commercial agreement reached with Byron delivered a more attractive outcome to Metgasco's shareholders than other practicable alternative open to the Company.

Activities of the Company were undertaken with a high standard of diligence and effort on the part of the Board of Directors, reflected, in part, in the substantial number of constructive and effective board meetings held by the Company. With near term drilling activity ahead in Central Australia, other projects under active

consideration and a significant investment in Byron Metgasco is hopeful that 2020 will be a successful one for the Company and its shareholders.

Certified Reserves and Resources

The company has no certified reserves. Metgasco's sub-surface work on Cooper/Eromanga basin ATP2021 confirmed two seismically defined conventional gas prospects with prospective gas resources. The table below indicates Metgasco's 50% interest in the licence on agreeing a farm-out agreement with Vintage in May.

Vali Prospect*	Low (P90)	Best (P50)	High (P10)
Net OGIP (Raw) Bcf	3.3	13.1	50.6
Net Recoverable Gas (Raw) Bcf	2.4	9.5	36.4

Odin Prospect*	Low (P90)	Best (P50)	High (P10)
Net OGIP (Raw) Bcf	1.9	6	18.9
Net Recoverable Gas (Raw) Bcf	1.3	4.3	13.6

* The Prospective Resources estimates are probabilistic in nature, and are recoverable raw gas attributable to Metgasco's 50% interest in ATP2021 following the Vintage farm-in. Raw gas includes the content of inert gases such as carbon dioxide which is known to be variable in the region. Prospective Resources as per Metgasco's ASX release of 26 November 2018.

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.

New business initiatives reviewed and evaluated during the year are likely to result in at least one new project opportunity for the business in 2020.

Operating Results for the Year

The consolidated net loss after tax of the Company for the year ended 30 June 2019, which includes the impairment of the Gulf of Mexico exploration costs of \$10.2 million, amounted to \$14,223,289 (2018: Profit 1,021,275).

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 2019.

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 Chairman (appointed Executive Chairman from 7 August 2018 to 4 September 2018)
John Patton	Non-Executive Director
Robbert Willink	Non-Executive Director
Alexander Lang	Executive Chairman (resigned 7 August 2018)
Mr Ken Aitken	Executive Director (from 4 September 2018. Resigned 27 November 2018)
Philip Mackey	Company Secretary (resigned 28 March 2019)
Mark Langan	Company Secretary (appointed 28 March 2019)

Philip Amery

Independent Non-Executive Chairman (Executive Chairman from 7 August 2018 to 4 September 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: Austar Gold Limited (ASX: AUL)

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

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

DIRECTORS' REPORT

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. 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

Ken Aitken

Executive Director

Appointed: 4 September 2018

Resigned: 27 November 2018

Ken has over 30 years of international and domestic experience in onshore and offshore oil and gas developments in technical, leadership and executive roles. His skill set focus is upstream oil and gas, across exploration, development and production.

Mr. Aitken's prior roles include Origin Energy Limited, Hess Corporation, Enterprise Oil, Apache Corporation, New Standard Energy Ltd and Empire Oil and Gas NL, including as Asset Manager, Reservoir Development Manager, Chief Petroleum Engineer, General Manager Operations and Engineering and CEO.

Ken holds a BSc in Mechanical Engineering from Heriot-Watt University and he is a member of the Institute of Company Directors.

Special responsibilities: None

Other directorships of listed companies: None

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
Number of meetings held	19		2
P. Amery	19	18	2
J. Patton	19	19	2
R. Willink	19	18	2
A. Lang	3	3	-
K. Aitken	3	3	-

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

Committee membership

As at the date of this report, the Company had an audit & risk management committee, of the board of directors.

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

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

Retirement and Election of Directors

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

Options

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 2019 were \$160,545.

Executive Team

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

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

Base Pay

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

Benefits

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

Short Term Performance Incentives (STIs)

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 Board 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.

REMUNERATION REPORT (CONTINUED)

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

Key Management Personnel

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

- Philip Amery Non-Executive Chairman (appointed Executive Chairman from 7 August 2018 to 4 September 2018)
- John Patton Non-Executive Director
- Robbert Willink Non-Executive Director
- Alexander Lang Executive Director and Chairman (resigned 7 August 2018)
- Ken Aitken CEO and Executive Director (4 September 2018 to 27 November 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 2019 are as follows:

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REMUNERATION REPORT (CONTINUED)

Remuneration 2019

Name	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Net no. of shares granted in period	Share Based Payments			% of remuneration that is equity based
	Cash Salary & fees	Other benefits	Performance Bonus	Termination Payments	Superannuation	Long Service Leave		Share expense for year	Option expense for year	Total	
Directors	\$	\$	\$	\$	\$	\$		\$	\$	\$	
P Amery	53,272	-	-	-	5,061	-	-	-	-	58,333	-
J Patton	50,000	-	-	-	-	-	-	-	-	50,000	-
R Willink	57,272	-	-	-	5,061	-	-	-	-	62,333	-
A Lang*	6,984	-	-	-	-	-	-	-	-	6,984	-
K Aitken**	169,706	-	-	-	25,000	-	-	-	-	194,706	-
Total	337,234	-	-	-	35,122	-	-	-	-	372,356	-

* Resigned 7 August 2018

** Appointed 4 September 2018

No shares were granted as remuneration for the reporting period ending 30 June 2019.

No incentives were granted to KMP in reporting period ending 30 June 2019.

DIRECTORS' REPORT

REMUNERATION REPORT (CONTINUED)

Remuneration 2018

Name	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Net no. of shares granted in period	Share Based Payments		Total	% of remuneration that is equity based
	Cash Salary & fees	Other benefits	Performance Bonus	Termination Payments	Superannuation	Long Service Leave		Share expense for year	Option expense for year		
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)**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 2019, the direct and indirect interests of the Key Management Personnel in the ordinary shares of Metgasco are as follows:

Shares 2019	Opening Balance	Granted as Compensation	Received on Exercise of Options	Long term incentives forfeited	Shares Acquired	Closing Balance
Philip Amery	3,768,445	-	-	-	808,032	4,576,477
J Patton	550,000	-	-	-	-	550,000
R Willink	-	-	-	-	1,282,701	1,282,701
Alexander Lang	-	-	-	-	-	-
K Aitken	-	-	-	-	160,668	160,668

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 2019.

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.

Key terms of employment for Mr. Ken Aitken, following from his resignation as a Director on 27 November 2018 are as follows:

Title:	Chief Executive Officer (CEO).
Total fixed remuneration:	\$262,800, comprising base compensation of \$240,000 and superannuation contributions of \$22,800.
Time Commitment:	0.8 Full Time Commitment (FTC).

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 2018 Annual General Meeting

The Remuneration Report for the financial year ended 30 June 2018 was adopted at the Company's Annual General Meeting held on 28 November 2018.

REMUNERATION REPORT (CONTINUED)**Directors' and Officers' Interests and Benefits**

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

	Options	Ordinary Shares
Philip Amery	-	4,576,477
John Patton	-	550,000
Robbert Willink	-	1,282,701
Ken Aitken	-	160,668

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 17, and forms part of this report.

Audit Services

During the year, audit and review fees payable to Grant Thornton Audit Pty Ltd amounted to \$74,000.

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:

ATP 2021 Farm-Out Agreement

On 2 July 2019 the Company announced it had executed a Farm-Out Agreement including a Joint Operating Agreement with Vintage Energy Ltd to earn a 50% interest in the Cooper Eromanga Basin Licence ATP 2021.

South Marsh Island 74 D-14 Well Plugged and Abandoned

On 5 July 2019 the Company announced that the Byron Energy Ltd operated well was deemed uncommercial and was to be plugged and abandoned.

Notice of Intention of Off-market Takeover Received

On 15 July 2019 the Company received an unsolicited conditional takeover offer from Melbana Energy Limited.

Trading Halt

On 15 July 2019 the Company applied for a Trading Halt to consider the Conditional Takeover offer made by Melbana Limited, confer with key stakeholders in relation to that offer so as to ensure the market is fully informed in the context of Metgasco's response to that offer, and to finalise determination of cost overruns in relation to Metgasco's SM74 drilling program given operational and announced weather events.

Metgasco Concludes Financial Exposure to SM74

On 18 July 2019 the Trading Halt was lifted and the Company announced it would pay Byron Energy Ltd AUD \$1.75 million on or before 30 September 2019 to settle its exposure to additional program costs, on a capped basis (i.e. with no liability to further overruns/weather events). The Company also agreed with Byron Energy Ltd to exercise the 10 million options (exercise price \$0.25) it held over BYE shares in accordance with its previously advised intention (see announcement 31 May 2019 Metgasco: Update on Funding Position).

Farm-out further 25% of ATP2021

On 29 August 2019 Metgasco signed a binding farm-out agreement with Bridgeport (Cooper Basin) Pty. Ltd. to farm-out 25% of Cooper/Eromanga Basin asset ATP 2021. Bridgeport will fund 32.5% of the first exploration well drilled up to a maximum cost of \$5.3million and will also pay 32.5% of Metgasco's share of future exploration costs in ATP2021 up-to a maximum cap of \$812,000 gross. The combination of the Vintage and Bridgeport farm-out deals will result in Metgasco being free carried through the first exploration well on ATP 2021 planned for Q4 CY 2019 and retaining a 25% non-operated interest.

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

A handwritten signature in black ink, appearing to read 'Philip Amery', is positioned above the printed name and title.

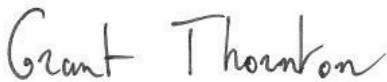
Philip Amery
Chairman
4 September 2019

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 4 September 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Finance income	5 (a)	377,701	1,017,467
Other Income	5 (b)	244,539	2,280,361
		622,240	3,297,828
Expenses			
Finance costs	6 (c)	(10,538)	(1,872)
Accounting, compliance, legal & professional costs		(127,648)	(210,066)
Investor relations		(131,129)	(216,160)
Consulting fees		(221,495)	(199,010)
Depreciation	6 (a)	(3,590)	(1,531)
Impairment of capitalised exploration costs	6 (e)	(10,239,707)	(684,400)
Directors fees		(177,651)	(352,079)
Employee costs	6 (d)	(368,986)	(220,739)
Rent and occupancy	6 (b)	(41,703)	(39,973)
Travel & accommodation		(54,333)	(55,826)
Other administrative		(265,788)	(232,898)
Fair value movement of exchange traded bonds		-	(61,999)
Unrealised loss on fair value movement of long-term investments		(1,626,754)	-
Realised loss on sale of long-term investments		(450,000)	-
Loss on fair value movement of derivative asset	6(f)	(1,126,207)	-
		14,845,529	2,276,553
(Loss)/Profit for the year		(14,223,289)	1,021,275
Income tax expense	7(a)	-	-
Net (Loss)/Profit for the year		(14,223,289)	1,021,275
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Gain on fair value movement of listed securities		-	10,800,645
<i>Items that may be reclassified subsequently to profit and loss</i>			
Gain on fair value movement of exchange traded bonds		2,187	-
Total comprehensive (Loss)/Profit for the year		(14,221,102)	11,821,920
Earnings per share for profit from continuing operations			
Basic (loss)/profit per share (cents)	28	(3.64)	0.3
Diluted (loss)/profit per share (cents)	28	(3.64)	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 2019

	Note	2019	2018
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	8	1,803,197	6,777,906
Short term investments	9	1,393,540	2,116,658
Investment in listed securities	9	4,500,000	-
Trade and other receivables	10	121,931	144,620
Secured convertible note	15	-	3,935,884
Current assets		7,818,668	12,975,068
Non-current			
Exploration and evaluation expenditure	11	1,298,423	534,987
Plant and equipment	12	5,957	9,087
Other receivables	13	24,000	24,000
Secured convertible note	15	-	975,951
Investment in listed securities	9	7,196,681	13,453,435
Financial derivative assets	16	422,271	1,548,478
Non-current assets		8,947,332	16,545,938
TOTAL ASSETS		16,766,000	29,521,006
LIABILITIES			
Current			
Trade and other payables	17	1,882,919	291,613
Current liabilities		1,882,919	291,613
Non-current			
Provisions	18	21,580	14,576
Total non-current liabilities		21,580	14,576
TOTAL LIABILITIES		1,904,499	306,189
NET ASSETS		14,861,501	29,214,817
EQUITY			
Share capital	19	111,100,469	111,232,683
Financial assets at FVOCI reserve		(59,812)	-
Available for sale reserve	21	-	10,800,645
Accumulated losses		(96,179,156)	(92,818,511)
TOTAL EQUITY		14,861,501	29,214,817

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 2019

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Financial Assets at FVOCI reserve</i>	<i>Available for Sale Reserve</i>	<i>Total equity</i>
	\$	\$	\$	\$	\$
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
Adjustment from adoption of AASB9	-	10,862,644	(61,999)	(10,800,645)	-
Adjusted balance at 1 July 2018	111,232,683	(81,955,867)	(61,999)	-	29,214,817
Loss for the year	-	(14,223,289)	-	-	(14,223,289)
Other comprehensive income	-	-	2,187	-	2,187
Total comprehensive profit for the year	111,232,683	(96,179,156)	(59,812)	-	14,993,715
Transactions with owners in their capacity as owners					
Share buyback	(132,214)	-	-	-	(132,214)
At 30 June 2019	111,100,469	(96,179,156)	(59,812)	-	14,861,501

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 2019**

	Note	2019	2018
		\$	\$
Operating activities			
Payments to suppliers and employees (inclusive of goods and service taxes)		(1,558,229)	(1,412,585)
Interest and other income received		553,030	1,262,440
Finance costs paid		-	(1,872)
Net cash flow used in operating activities	27	(1,005,199)	(152,017)
Investing activities			
Expenditure on exploration, evaluation and decommissioning		(9,253,143)	(1,097,910)
Sale/(Purchase) of short/long term investments		2,405,307	(4,831,447)
Security Bond received/(advanced)		11,000	-
Secured convertible note facility		3,000,000	3,000,000
Purchase of property, plant and equipment		(460)	(8,115)
Net cash flow used in investing activities		(3,837,296)	(2,937,472)
Financing activities			
Share Buyback		(132,214)	(330,020)
Net cash flow used in financing activities		(132,214)	(330,020)
Net (decrease) in cash and cash equivalents held		(4,974,709)	(3,419,509)
Cash and cash equivalents at the beginning of year		6,777,906	10,197,415
Cash and cash equivalents, end of year	8	1,803,197	6,777,906

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 2019

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 2019 were approved and authorised for issue by the board of directors on 4 September 2019.

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.

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 2019.

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

At 30 June 2019, 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

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

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

2. Summary of Significant Accounting Policies (continued)

to assess the Group's contractual arrangements with its customers as part of its implementation of AASB 15 and is satisfied that there is no impact to the Group's financial statements upon adoption.

Accounting policies applicable to comparative period (30 June 2018)

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.

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 or 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.

2. Summary of Significant Accounting Policies (continued)

j) Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

Classifications are determined by both:

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

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

Financial assets at amortised cost

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

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

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

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

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

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

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at

2. Summary of Significant Accounting Policies (continued)

FVOCI. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

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

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

Impairment of financial assets

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

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

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

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

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

Trade and other receivables and contract assets

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

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through other comprehensive income

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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

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

Accounting policies applicable to comparative period (30 June 2018)

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.

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

2. Summary of Significant Accounting Policies (continued)

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'.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

2. Summary of Significant Accounting Policies (continued)

- 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.

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

Retained earnings include all current and prior period retained profits.

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

2. Summary of Significant Accounting Policies (continued)

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The reconciliation of equity for the impact of AASB 9 at 1 July 2018 is disclosed in the statement of changes in equity and described below in note b) and c).

The adoption of AASB 9 has mostly impacted the following areas:

- **Classification and measurement of the Group's financial assets**
 - a) Trade and other receivables are recorded at amortised cost. AASB 9 does not have any measurement impact. The new impairment model applies but no adjustment was required at 1 July 2018.
 - b) Investments in traded bonds were previously 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 transferred \$61,999, being the unrealised loss on fair value as at 30 June 2018, from retained earnings to a reserve account.
 - c) It was decided by management that listed securities, which previously met 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 transferred \$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.
 - d) Derivative assets continue to be measured at fair value through profit or loss. AASB 9 does not have any impact.
 - e) Convertible notes were previously recorded at amortised cost. Since 1 July 2018, convertible notes are recorded at fair value through profit or loss. Management has assessed that the impact on the value would be minimal given the notes are convertible at a 10% discount of the market price and have an interest rate of 12%. These terms would be fairly similar if another entity was investing a large amount in the entity or was providing a loan to the entity.

2. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group's debt instruments carried at fair value through other comprehensive income (Debt FVOCI) are subject to AASB 9's new three-stage expected credit loss model. The traded bonds are considered to be low credit risk and therefore the impairment allowance is determined as 12 months expected credit losses. No impairment allowance was recognised for the bonds.

AASB 15 Revenue from Contracts with Customers

The Group adopted AASB 15 from 1 July 2018 but 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 Group starts generating revenue, revenue will be recognised in accordance with AASB 15. Therefore, there is no impact from the transition from AASB 118 to AASB 15.

The judgements, estimates and assumptions applied in the financial statements including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

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 2019 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

New Standards	AASB 16 Leases
Nature of change	<p>AASB 16:</p> <ul style="list-style-type: none"> - replaces AASB 117 <i>Leases</i> 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	<p>Mandatory for financial years commencing on or after 1 January 2019</p> <p>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.</p>
Impact	<p>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.</p> <p>On that basis, management believe the application of AASB 16 will not have an impact on the financial statements.</p>

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	
	2019	2018
	\$	\$
Cash and cash equivalents	1,803,197	6,777,906
Secured convertible note	-	4,911,835
Financial assets - derivative	422,271	1,548,478
Byron Energy securities	11,696,681	13,453,435
Short term investments	1,393,540	2,116,658
Loans and receivables	24,000	35,000
Financial liabilities at amortised cost	1,863,020	280,052

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 \$1,803,197 would increase/decrease the annual amount of interest received by \$18,032.

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

iii) The Long-Term Investment risk.

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

b) Credit risk

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

3. Financial Risk Management (continued)**c) Liquidity risk**

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

4. Segment Information

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

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

5. Finance Income and Other Income

	Note	Consolidated	
		2019	2018
		\$	\$
(a) Finance income			
Interest generated on cash at bank and traded bonds		169,263	268,866
Interest generated on convertible note		208,438	748,601
Total finance income		<u>377,701</u>	<u>1,017,467</u>
(b) Other income			
Gain on disposal of assets		-	20,640
Unwinding and other finance income on convertible note		239,877	935,800
Other miscellaneous income		4,662	42,843
Gain on fair value movement of derivative asset	16	-	1,281,078
Total other income		<u>244,539</u>	<u>2,280,361</u>

6. Expenses

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

		Consolidated	
	Note	2019	2018
		\$	\$
(a) Depreciation			
Plant and equipment		3,590	1,531
Total depreciation		3,590	1,531
(b) Rent and occupancy			
Rent under operating lease - Sydney		41,703	39,973
Total rent and occupancy		41,703	39,973
(c) Finance cost - external			
Brokerage on sale of long-term investments		8,400	-
Bank charges		2,138	1,872
Total Finance Cost		10,538	1,872
(d) Employee costs			
Superannuation		38,107	20,902
Wages and salaries		306,593	180,082
Insurance		24,286	19,755
Fringe benefits		-	-
Total employee costs		368,986	220,739
(e) Impairment			
Exploration costs	11	10,239,707	684,400
Total impairment		10,239,707	684,400
(f) Loss on fair value movement of derivative asset	16	1,126,207	-
Total loss on fair value movement of derivative asset		1,126,207	-

Depreciation charged on assets employed directly in the Company's exploration activities for the year was \$Nil (2018: \$Nil) and expensed with the exploration activities. Depreciation charged on assets not in the above category was \$3,590 (2018: \$1,531) 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	
	2019	2018
	\$	\$
(a) Income tax expense		
(Loss)/Profit before income tax expense	(14,223,289)	1,021,275
Prima facie tax (benefit)/expense on profit/(loss) at 27.5% (2018: 27.5%)	(3,911,404)	280,851
Tax effect of amounts which are not deductible in calculating taxable income:		
Share based payments	-	-
	(3,911,404)	280,851
Movements in unrecognised temporary differences	4,219	3,629
Tax effect of current year tax losses for which no deferred tax asset has been recognised	3,907,185	-
Utilisation of unused tax losses		(284,480)
Income tax expense	-	-
(b) Unrecognised deferred tax assets and liabilities		
Capital raising costs	1,072,730	975,085
Accruals and provision for employee's benefits	11,407	7,188
Carry forward tax losses:		
– Operating	3,006,286	2,563,418
– Exploration and evaluation expenditure	25,965,802	23,149,773
Deferred tax liability - taxable temporary differences	(28,488,622)	(22,961,673)
Net unrecognised deferred tax asset	1,567,603	3,733,791

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	
	2019	2018
	\$	\$
Cash at bank and on hand	1,803,197	3,042,933
Term deposits	-	3,734,973
Total	1,803,197	6,777,906

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 2.50% (2018: 1.75% to 2.55%). The maturity dates of the various term deposits ranged from 60 days to 90 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	
	2019	2018
	\$	\$
Investment in traded bonds (current)		
Opening balance	2,116,658	-
Acquired during the period	-	2,178,657
Sold during the period	(725,305)	-
Movement in fair value	2,187	(61,999)
	1,393,540	2,116,658
Investment in listed securities		
Opening balance	13,453,435	-
Acquired during the period	2,000,000	2,652,790
Sold during the period	(1,680,000)	-
Realised loss on sale	(450,000)	-
Movement in fair value	(1,626,754)	10,800,645
	11,696,681	13,453,435
Investment in listed securities		
Current	4,500,000	-
Non-current	7,196,681	13,453,435
	11,696,681	13,456,435

Pursuant to the Company's Convertible Note Deed (refer to note 15) with Byron Energy Ltd., the Board elected to exercise its priority rights in September 2017. As at 30 June 2019, the Company owned 40,333,383 shares in Byron Energy Ltd. During the period, it sold 6,000,000 shares realising a loss of \$450,000. As a result of a decrease of the share price at 30 June 2019, the unrealised loss is \$1,626,754 (2018: unrealised gain of \$10,800,645).

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	
	2019	2018
	\$	\$
GST receivable	23,478	42,438
Accrued Income	10,008	28,963
Rent deposits	3,182	3,182
Prepayments	85,260	59,037
Security bonds - current	-	11,000
Other	3	-
Total	121,931	144,620

No receivables are past due or impaired.

11. Exploration and Evaluation Expenditure

	Consolidated	
	2019	2018
	\$	\$
Expenditure for the entity's operations		
Movement during the financial period (at cost):		
Opening balance	534,987	121,477
Capitalised exploration expenditure	11,003,143	1,097,910
Impairment	(10,239,707)	(684,400)
Carrying amount at end of year	1,298,423	534,987
Carrying amount at end of year - Australia	1,298,423	385,568
Carrying amount at end of year - USA	-	149,419
	1,298,423	534,987

12. Plant and Equipment

	Consolidated	
	2019	2018
	\$	\$
<i>Computer equipment</i>		
At cost	11,077	10,618
Accumulated depreciation and impairment	(5,120)	(1,531)
Net carrying amount	5,957	9,087

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

<i>Computer equipment</i>		
Carrying amount at beginning of financial year	9,087	2,503
Additions	460	8,115
Impairment	-	-
Depreciation	(3,590)	(1,531)
Carrying amount at end of financial year	5,957	9,087
<i>Total plant and equipment</i>		
Carrying amount at beginning of financial year	9,087	2,503
Additions	460	8,115
Disposals	-	-
Impairment	-	-
Depreciation	(3,590)	(1,531)
Carrying amount at end of financial year	5,957	9,087

Impairment loss

At 30 June 2019, 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 2019 financial year (2018: \$Nil).

13. Other Receivables (Non-current)

	Consolidated	
	2019	2018
	\$	\$
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			
			2019	2018	2019	2018
			%	%	\$	\$
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	
	2019	2018
	\$	\$
Current		
Secured convertible note	-	4,000,000
Accrued interest income	-	116,712
Deferred gain	-	(180,828)
	-	3,935,884
Non-current		
Secured convertible note	-	1,000,000
Deferred gain	-	(24,049)
	-	975,951
Total		
Secured convertible note	-	5,000,000
Accrued interest income	-	116,712
Deferred gain	-	(204,877)
	-	4,911,835

The secured convertible note advance was provided to Byron Energy Limited (ASX: BYE) on terms as detailed in announcements to the ASX. The terms included a Facility Fee of 2.5%, a Line Fee of 2% and a coupon of 12% payable quarterly in arrears. The note was 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 elected to convert \$1 million notes into shares on September 2018 and an additional \$1 million on January 2019.

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	\$0.29
Volatility	95%	10%
Option life	3 years	3 years
Dividend yield	0%	0%
Risk free investment rate	1.49%	1.38%
Fair value at grant date	\$879,900	-
Fair value at balance date	-	\$422,271
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	0.1 years

	Consolidated	
	2019	2018
	\$	\$
Fair value at beginning of the year	1,548,478	267,400
(Loss)/Profit on fair value movement of derivative asset	(1,126,207)	1,281,078
Total	422,271	1,548,478

17. Trade and Other payables (Current)

	Consolidated	
	2019	2018
	\$	\$
Trade payables	50,518	105,179
Accrued charges and expenses	1,812,502	174,873
Employee benefits	19,899	11,561
Total	1,882,919	291,613

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	
	2019	2018
	\$	\$
Long service leave	21,580	14,576
Provision for long service leave		
Opening balance	14,576	9,879
Amounts provided	7,004	4,697
Closing balance for long service leave	21,580	14,576

19. Share Capital

	Parent Entity		Parent Entity	
	No of Shares	No of shares	\$	\$
	2019	2018	2019	2018
(a) Share Capital				
Ordinary Shares - Fully Paid	390,601,434	392,875,160	111,100,469	111,232,683
(b) Movements in Ordinary Share Capital				
	Date	No of Shares	Value \$	
Balance at 30 June 2018		392,875,160	111,232,683	
Shares buyback	July to 13 September	(2,273,726)*	(132,214)	
Balance at 30 June 2019		390,601,434	111,100,469	

*Of the 2,273,726 shares bought back during the year, 594,434 shares were formally cancelled on 20 September 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 2019.

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	
	2019	2018
	\$	\$
Opening balance	-	-
Cost of securities issued under EOEP	-	-
Transferred to accumulated losses	-	-
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 2019

There were no options outstanding or issued during the year.

Consolidated and Parent Entity 2018

There were no options outstanding or issued during the year.

21. Available for Sale Reserve

	Consolidated	
	2019	2018
	\$	\$
Balance at the beginning of the year	10,800,645	-
Amount recognised during the year	-	10,800,645
Transferred to accumulated losses on adoption of AASB9	(10,800,645)	-
Balance at the end of the year	-	10,800,645

On adoption of AASB9 the balance of the reserve was transferred to accumulated losses. The Company continues to hold the asset.

22. Key Management Personnel

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	337,234	346,011
Post-employment employee benefits	35,122	6,068
Share based payments	-	-
Total compensation	372,356	352,079

23. Auditor's Remuneration

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

	Consolidated	
	2019	2018
	\$	\$
During the year, fees paid/payable to the Company's auditors were:		
For audit and review – Grant Thornton Audit Pty Ltd	74,000	73,000

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	
	2019	2018
	\$	\$
Security Bonds to State governments	24,000	35,000

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

The Company has also a credit card limit of \$50,000, of which \$41,842 is unused as at 30 June 2019.

26. Commitments

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

	Consolidated	
	2019	2018
	\$	\$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	5,925,000	17,021,447
Year 2 to Year 4	14,185,000	17,300,000
Over 5 years	-	-
Total	20,110,000	34,321,447
Office Rent		
Within one year	43,373	41,566
Later than one year but not later than five years	-	-
Total	43,373	41,566

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

- (i) sale of marketable securities;
- (ii) a further farm-down of one or more of its ATP assets;
- (iii) raising capital; or
- (iv) some combination of the above.

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

27. Statement of Cash Flows Reconciliation

	Consolidated	
	2019	2018
	\$	\$
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net (loss)/profit for the year	(14,223,289)	1,021,275
Adjustments for:		
Depreciation	3,590	1,531
Loss/(Profit) on fair value movement of derivative asset	1,126,207	(1,281,078)
Unrealised (loss) on exchange traded bonds	-	61,999
<i>Loss on fair value movement of long-term investments:</i>		
Unrealised loss on fair value movement of long-term investments	1,626,754	-
Realised loss on sale of long-term investments	450,000	-
Unwinding and other finance income on convertible note	(114,799)	(791,650)
Impairment of exploration and evaluation expenditure	10,239,707	684,400
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	128,404	(47,729)
Decrease in secured convertible note	(90,078)	69,814
(Decrease)/Increase in trade and other payables	(158,697)	124,724
Increase in provisions	7,002	4,697
Net cash flows used in operating activities	(1,005,199)	(152,017)

(b) Non cash financing and investing activities

\$Nil (2018: \$Nil)

28. Earnings Per Share

	Consolidated	
	2019	2018
	\$	\$
Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
(Loss)/profit attributable to owners of Metgasco Ltd used to calculate basic earnings per share	(14,223,289)	1,021,275
Diluted earnings per share		
(Loss)/profit attributable to owners of Metgasco Ltd used to calculate diluted earnings per share	(14,223,289)	1,021,275
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	390,714,337	398,010,451
(Loss)/profit per share (cents)	(3.64)	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 2019 and 30 June 2018:

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Exchange Traded Bonds	1,394	-	-	1,394
Listed securities	11,697	-	-	11,697
Derivative asset	-	-	422	422
Total assets	13,091	-	422	13,513
Net fair value	13,091	-	422	13,513
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. Financial Facilities

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

31. Parent Entity Disclosures

	2019	2018
	\$	\$
Current assets	7,818,668	12,975,068
Non-current assets	8,947,432	16,546,038
Total assets	16,766,100	29,521,106
Current liabilities	1,882,919	291,613
Non-current liabilities	21,680	14,676
Total liabilities	1,904,599	306,289
Contributed equity	111,100,469	111,232,683
Accumulated losses	(96,179,156)	(92,818,511)
Financial asset at FVOCI reserve	(59,812)	-
Available for sale reserve	-	10,800,645
Total equity	14,861,501	29,214,817
(Loss)/Profit for the year	(14,223,289)	1,021,275
Other comprehensive income for the year	2,187	10,800,645
Total comprehensive (loss)/profit for the year	(14,221,102)	11,821,920

Commitments

	2019	2018
	\$	\$
Minimum Exploration & Evaluation expenditure for exploration Tenements		
Within one year	5,925,000	17,021,447
Year 2 to Year 4	14,185,000	17,300,000
Over 5 years	-	-
Total	20,110,000	34,321,447
Office Rent		
Within one year	43,373	41,566
Later than one year but not later than five years	-	-
Total	43,373	41,566

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

	2019	2018
	\$	\$
Security deposits to state governments	24,000	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.

31 Parent Entity Disclosures (continued)

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

- (i) sale of marketable securities;
- (ii) a further farm-down of one or more of its ATP assets;
- (iii) raising capital; or
- (iv) some combination of the above.

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

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:

ATP 2021 Farm-Out Agreement

On 2 July 2019 the Company announced it had executed a Farm-Out Agreement including a Joint Operating Agreement with Vintage Energy Ltd to earn a 50% interest in the Cooper Eromanga Basin Licence ATP 2021.

South Marsh Island 74 D-14 Well Plugged and Abandoned

On 5 July 2019 the Company announced that the Byron Energy Ltd operated well was deemed uncommercial and was to be plugged and abandoned.

Notice of Intention of Off-market Takeover Received

On 15 July 2019 the Company received an unsolicited conditional takeover offer from Melbana Energy Limited.

Trading Halt

On 15 July 2019 the Company applied for a Trading Halt to consider the Conditional Takeover offer made by Melbana Limited, confer with key stakeholders in relation to that offer so as to ensure the market is fully informed in the context of Metgasco's response to that offer, and to finalise determination of cost overruns in relation to Metgasco's SM74 drilling program given operational and announced weather events.

Metgasco Concludes Financial Exposure to SM74

On 18 July 2019 the Trading Halt was lifted and the Company announced it would pay Byron Energy Ltd AUD \$1.75 million on or before 30 September 2019 to settle its exposure to additional program costs, on a capped basis (i.e. with no liability to further overruns/weather events). The Company also agreed with Byron Energy Ltd to exercise the 10 million options (exercise price \$0.25) it held over BYE shares in accordance with its previously advised intention (see announcement 31 May 2019 Metgasco: Update on Funding Position).

Farm-out further 25% of ATP2021

On 29 August 2019 Metgasco signed a binding farm-out agreement with Bridgeport (Cooper Basin) Pty. Ltd. to farm-out 25% of Cooper/Eromanga Basin asset ATP 2021. Bridgeport will fund 32.5% of the first exploration well drilled up to a maximum cost of \$5.3million and also pay 32.5% of Metgasco's share of future exploration costs in ATP2021 up-to a maximum cap of \$812,000 gross. The combination of the Vintage and Bridgeport farm-out deals will result in Metgasco being free carried through the first exploration well on ATP 2021 planned for Q4 CY 2019 and retaining a 25% non-operated interest.

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 2019 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 2019.

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, 4 September 2019

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 2019, 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 2019 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.

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
Exploration and Evaluation Expenditure Note 11	
<p>The Group recognises capitalised exploration and evaluation expenditure in accordance with <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>.</p> <p>As at 30 June 2019, the Group held exploration and evaluation assets amounting to \$1,298,423. During the year, the Group capitalised \$11,003,143 of costs to exploration and evaluation assets in relation to different areas of interest and impaired \$10,239,707 of these costs in relation to areas that were discontinued.</p> <p>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 <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining from management a reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Vouching a sample of expenditure to ensure they meet the recognition criteria under AASB 6; • Reviewing management's areas of interest considerations against AASB 6; • Confirming whether the rights to tenure 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 2019, 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 9 to 14 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Metgasco Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 4 September 2019