METGASCO

30 June 2015

Annual Financial Report

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DIRECTORS' REPORT

Your Directors present their report on Metgasco Limited ("Metgasco" or the "Group") and the entities it controlled for the year ended 30 June 2015.

Principal Activities

The principal activities of the Group during the financial year were gas exploration, appraisal, and 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

Metgasco holds a 100% interest in three Petroleum Exploration Licences ("PEL's") covering approximately 4,556 km2 in the Clarence-Moreton Basin ("CMB") in northern New South Wales. These interests are Petroleum Exploration Licence (PEL) 13, PEL 16 and PEL 426.[1]

The bulk of the year was spent supporting the court action against the NSW Government. In the circumstances it was not possible or justified to pursue other activities associated with the Company's NSW Clarence Moreton Basin assets.

As per the Chairman and Managing Director's letter, the Company was successful in having the NSW Supreme Court lift the drilling suspension and the Company is now in discussions with the Government over damages arising from the unlawful suspension and the future of gas in the Northern Rivers region.

While supporting the court action, several activities related to the Clarence Moreton Basin asset were pursued:

- The well and facility decommissioning and rehabilitation program was completed. Landholders and Government have signed off on all activities and all related Government bonds have been returned. The only wells remaining are Corella P01 and Harrier P01, which have been suspended as future CSG production wells. Government now retains bonds for these two wells and for the Rosella well, which has yet to be drilled.

- Metgasco shut-down its previous office and workshop on the outskirts of Casino and moved to a new warehouse and office, located in the Casino shopping area. The move reduced ongoing costs and is expected to facilitate consultation and information sharing with the Casino plan.

- The Company worked with consultants and the NSW Government to update its community consultation program and has submitted this program to Government.

- The Company continued to refine its Clarence Moreton data base to better support ongoing CSG and conventional potential, and well as completing an Archimedes aero-magnetic gravity survey of the Rosella prospect to increase confidence in the Greater Mackellar structure and a possible future farmout.

- Discussions of a Rosella farmout with an interested party which will continue to be influenced by the current discussions with Government.

- Preparations for a restart of Rosella drilling, subject to the outcome of discussions with the NSW Government, were made - negotiation of a drilling contract is sufficiently advanced to allow the well to be drilled within several months of a decision to proceed.

[1] Government renewal of PEL 426, which was due February 2014, has not yet been received.

- A seismic acquisition program over the northern area of PEL 16 was scoped and costed to better define the extent of the Greater Mackellar structure – the start of field activity is dependent on the outcome of discussions with Government.

- Metgasco contributed data and geological models to a CSIRO / Government study of Clarence Moreton Basin aquifers.

- Metgasco continued to seek a formal production licence for PPLA 9, without success. The Development Approval for the Richmond Valley Power Station and Casino Gas Project was awarded in June 2010. Minister Chris Hartcher announced the licence award in September 2012. Metgasco has been offered the production licence and accepted all conditions on two occasions, the last being on 22 November 2012, and paid $140,000 of grant and security fees for the licence in 2010 and 2011.

  Metgasco notes that its initial licence submission was made in 2008. Seven years later, the government is still to issue the formal licence document.

  Metgasco started site works mid-year, a requirement of its Development Approval, securing the Development Approval in doing so.

  Metgasco approached the Office of Coal Seam Gas to understand why the production licence has not been issued. It was told that native title issues had not been resolved, despite considerable work completed some years ago, the offer of the production licences and no communication from government to indicate concerns with native title. The OCSG would not put its concerns in writing but was prepared to meet and provide a map showing some small isolated areas in which it considered native title issues uncertain. Metgasco has written to the OCSG following the meeting, accepting that the small areas the OCSG is concerned about are excised from the production licence. Metgasco is not aware of any reason for the formal award of the production licence to be delayed further.

- A formal renewal of PEL 426 was pursued. The renewal submission was made 1 January 2014 to cover the period beyond February 2014. More than 18 months later no approval has been given, despite Government acceptance of our licence fees and an insistence from the Office of Coal Seam Gas that Metgasco complies with reporting processes for the renewed licences. Metgasco has now complied with a Government request to resubmit the renewal application in a new format, consistent with the Government's new NSW Gas Policy. Several new requirements for renewal have been specified, some of which Metgasco has explained to Government are simply not possible for any company to satisfy.

- Metgasco continued to support the Government's review of the July 2013 Kingfisher safety incident and now been advised by the Department of Industry, Resources and Energy safety inspection unit (Regulatory Audit and Investigation) that no action will be taken against Metgasco. The investigation unit's communication with Metgasco emphasised the need for a strong safety focus, something that Metgasco's board and management endorse.

Certified Reserves and Resources

The Group recognises the following gas reserves and resources in its tenement areas, which are unchanged from the previous year.

Independently certified gas reserves and resources – Petajoules (PJ) All reserves and resources are 100% owned by Metgasco			
Reserve Category	**PEL 13**	**PEL 16**	**Total**
1P (Proven)	-	-	-
2P (Proven + Probable)	-	-	-
3P (Proven + Probable + Possible)	-	-	-
2C Contingent Resource	1,636	2,792	4,428

The estimates of gas reserves and resources have been prepared by Mr Tim Hower, and staff under his supervision, of MHA Petroleum Consultants (Denver). Mr Hower is chairman of MHA and has over 25 years of petroleum engineering experience and is a qualified person as defined under the ASX listing rule 5.11. Reserves and resources have been developed within the guidelines of the SPE. MHA has consented to the use of this information.

In addition to the NSW court and exploration activity outlined above, Metgasco continued to review petroleum business opportunities outside the NSW and the Clarence Moreton Basin. As a result of this work it announced a merger with ASX listed Elk Petroleum which, had the merger proceeded, would have given Metgasco an interest in an enhanced oil recovery (CO_2 flood) project in Wyoming and other potential in the area. The merger deal was identified and negotiated in an environment in which oil prices were US$85/Bbl and higher. The merger was contingent on Metgasco being able to obtain finance to cover field development costs through to first oil production, expected in Q1 2017. Metgasco provided a loan to Elk to facilitate the merger. Metgasco decided to terminate the deal in March 2015, after oil prices had fallen below US$50/Bbl and financing opportunities were, as a result, clearly unlikely. Elk subsequently repaid the Metgasco's loan.

Metgasco also looked at a number of other opportunities outside NSW. Most have not met Metgasco's investment criteria but a number of opportunities are in different stages of technical evaluation and commercial negotiation. Interest in some of these opportunities might be influenced by the outcome of Metgasco's discussions with the NSW Government.

Reconciliation of Reserve and Resource Movements

There were no reserve /resource movements during the reporting period.

Corporate

There were no capital raisings during the reporting period.

Significant Changes in the State of Affairs

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

Likely Developments and Expected Results

Metgasco is currently in discussions with the NSW Government over the future of its NSW operations. The results of these discussions will determine the Company's future, either: 1) initiating court action for compensation for damages from the Government's unlawful drilling suspension and initiating field activity to pursue its NSW Clarence Moreton Basin interests; or 2) initiating a court action to seek renewal of PEL 426 and production license for PPLA9; and 3) commencing seismic and drilling field activity; or 4) subject to shareholder approval of a buyback proposal, taking corresponding proceeds and investing in opportunities outside NSW.

Metgasco continues to evaluate business interests outside of NSW and is aware that the results of its discussions with the NSW Government could influence its interests in these opportunities as well as generate new ones.

Operating Results for the Year

The consolidated net loss after tax of the Group for the year ended 30 June 2015 amounted to $3,867,393 (2014: $85,917,632).

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 2015.

Proceedings on Behalf of the Group

No proceedings have been brought or intervened in on behalf of the Group 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. Metgasco relies upon the timely receipt of approvals from NSW Government in order to efficiently execute its work program.

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:

Leonard Gill	Non-Executive Director and Chairman
Gregory Short	Non-Executive Director
Peter Henderson	Managing Director and Chief Executive Officer
Nicholas Heath	Non-Executive Director (resigned 30 September 2014)
Peter Berry	Non-Executive Director (resigned 21 January 2015)

Sean Hooper was the Company Secretary during the 2015 financial year.

Leonard Gill – B. Eng (Hons), MAICD
Independent Non-Executive Director
Elected Chairman on 20 December 2013

Mr Gill has over 30 years' experience in the Australian energy industry, with a focus on power generation, energy trading and risk management and energy retailing to large customers. He was previously Chief Executive Officer of TXU Australia (now part of Energy Australia) and led their wholesale energy division for five years, with responsibilities including power generation, gas storage and gas and electricity contracting and trading.

Special responsibilities: Member of the Audit and Risk Management Committee, Chairman of the Nomination and Remuneration Committee.

Other directorships: Non-Executive Director of WDS Limited and Non-Executive Director of Family Life.

Previous directorships of listed companies during the last three years: Non-Executive Chairman of Alinta Energy, renamed Redbank Energy in March 2011 (Retired 2011).

Peter Henderson – B. Eng (Mech), GAICD, SPE
Managing Director & Chief Executive Officer
Appointed: 4 April 2011

Mr Henderson has over 30 years oil and gas industry experience. Mr Henderson was previously Development Manager for Premium Oil PLC where he managed major offshore project developments in Indonesia and Vietnam. Prior to this role he was Chief Operating Officer of Anzon Australia Limited.

Mr Henderson has held senior management roles with oil and gas companies covering operations, development, commercial and exploration activities (Esso Australia, Santos, Western Mining, Nido Petroleum). He also has experience working with engineering companies (Clough and JBFM Babcock).

Special responsibilities: Managing Director and Chief Executive Officer.

Other directorships: None

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

Gregory Short – B.Sc (Geology) (Hons), Graduate of AICD
Independent Non-Executive Director
Appointed: 6 August 2013

Mr Short is a geoscientist and manager with over 40 years' experience in the upstream oil and gas industry. He retired from ExxonMobil in 2006 after a 33 year career as a geologist and in managerial roles. Mr Short has extensive international experience in predominantly management in Malaysia, Africa and North America and spent the last 15 years of his career in management assignments that included Exploration Manager for USA, Chad and Nigeria as well as serving seven years in Angola as Geoscience Director.

Mr Short brings valuable experience in taking start-up ventures from exploration through to development and production.

Special responsibilities: Member of the Nomination and Remuneration Committee, Chairman of the Audit and Risk Management Committee.

Other directorships: Non-Executive Director of MEO Australia, Pryme Energy Limited and Po Valley Energy Limited.

Peter Berry – Bachelor of Laws and Bachelor of Commerce
Independent Non-Executive Director
Resigned 21 January 2015

Mr Berry has been an investment banker for more than 25 years, specialising in the energy and infrastructure sectors. Mr Berry brings broad experience from those sectors as well as experience from the capital markets.

Special responsibilities: Member of the Nomination and Remuneration Committee, Chairman of the Audit and Risk Management Committee.

Other directorships: Non-Executive Director of Hansen Technologies Limited.

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

Nicholas Heath – B. Eng (Chem), FIChemE, SPE
Independent Non-Executive Director
Retired 30 September 2014

Mr Heath has over 35 years' experience in the petroleum industry in technical, operational and commercial roles with the ExxonMobil group of companies. From 1993 he was director of Esso Australia Pty Ltd later ExxonMobil Australia Pty Ltd, with functional responsibility for Gas & Power Marketing.

Mr Heath worked on the early development and commissioning of Esso's Gippsland basin oil and gas fields offshore Victoria. In 1987 Mr Heath became the Managing Director of Esso subsidiary Delhi Petroleum Pty Ltd with operations in central Australia. Mr Heath has served as Chairman of the Australian Petroleum Production and Exploration Association ("APPEA"), which awarded him the Reg Sprigg Gold Medal and honorary life membership.

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

Other directorships: None

Previous directorships of listed companies during the last three years: Non-Executive Chairman of MEO Australia Limited.

Indemnification of Directors and Officers

Throughout the reporting period, the Group 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

During the financial year, fourteen meetings of Directors were held. Attendances were as follows:

Director	Number of meetings attended while a Director	Number of meetings held while a Director
Leonard Gill	14	14
Nicholas Heath	4	4
Peter Henderson	14	14
Gregory Short	14	14
Peter Berry	7	7

Audit and Risk Management Committee Meetings
Peter Berry was the Chairman of the Audit and Risk Management Committee until his resignation from the Board on 21 January 2015. Gregory Short was appointed Chairman of the Audit and Risk Committee on 21 January 2015, Nicholas Heath (until his retirement), and Leonard Gill were members of this committee. This committee met twice during the year with all members in attendance.

Nomination and Remuneration Committee Meetings
The Nomination and Remuneration Committee is responsible for nominations and for reviewing the remuneration strategy for Directors and Key Management Personnel. Gregory Short was the Chairman of the Nomination and Remuneration Committee until his appointment to the position of Chairman of the Audit and Risk Committee on 21 January 2015 at which time Leonard Gill became the Chairman of the Nomination and Remuneration Committee. Nicholas Heath (until his retirement), Peter Berry (until his resignation) and Leonard Gill were members of this committee. This committee met once during the reporting period and all members attended the meeting.

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

Options
Details of unexpired options on issue are contained 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.

Full details of options outstanding can be found in Note 20 to these accounts.

All shares issued by the Group as a result of the exercising of options are fully paid ordinary shares. A detailed table showing full particulars of all options outstanding can be seen at Note 20 to the Financial Statements.

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. The remuneration rates of its senior management have been frozen since July 2012 in response to adverse market conditions.

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. Remuneration was reduced by 20% for the 2013/14 financial year and currently remains frozen at that reduced level.

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 2015 were $171,693.

Executive Team
The executive team are remunerated through:

- Base pay, superannuation and benefits;
- Short term incentives; and
- Long term incentives.

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 Group, 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 Group and comprises a fixed base pay amount paid in cash, superannuation and certain non-cash benefits in particular cases.

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

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

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

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

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

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

- Leonard Gill, Non-Executive Director and Chairman
- Gregory Short, Non-executive Director
- Nicholas Heath, Non-Executive Director, Retired 30 September 2014
- Peter Berry, Non-Executive Director, Resigned 21 January 2015
- Peter Henderson, Managing Director & CEO
- Sean Hooper, Chief Financial Officer and Company Secretary

Details of the nature and amount of each element of remuneration of each Director and Key Management Personnel of the Group for the year ended 30 June 2015 are as follows:

Remuneration 2015

	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Share Based Payments				
Name	**Cash Salary & fees**	**Other benefits**	**Retention incentive**	**Termination Payments**	**Superannua -tion**	**Long Service Leave**	**Net no. of shares granted in period**	**Share expense for year**	**Option expense for year**	**Total**	**% of remuneration that is equity based**
Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**	**$**	
P. Henderson	425,916	36,447	23,600	-	34,995	-	-	91,688***	-	612,646	15%
N. Heath*	12,404	-	-	-	1,178	-	-	-	-	13,582	-
G. Short	46,000	-	-	-	4,370	-	-	-	-	50,370	-
P. Berry**	27,980	-	-	-	2,658	-	-	-	-	30,638	-
L. Gill	70,414	-	-	-	6,689	-	-	-	-	77,103	-
Executive Officers											
S. Hooper	234,544	12,381	10,000	-	29,991	-	-	81,256	-	368,172	22%
Total	**817,258**	**48,828**	**33,600**	**-**	**79,881**	**-**	**-**	**172,944**	**-**	**1,152,511**	**15%**

*Retired 30 September 2014
**Resigned 21 January 2015
*** This represents the amortisation of long term incentive share rights granted to Mr Henderson in 2011 and 2012, consistent with accounting principles. No share rights were granted to Mr Henderson in relation to the 2013, 2014 or 2015 financial years.

No shares were granted as remuneration for the reporting period ending 30 June 2015.

Incentives granted to KMP in reporting period as a percentage of maximum potential incentive

	STI % achieved	**STI % forfeited**	**LTI % achieved**	**LTI % forfeited**	**% of total remuneration that is performance based**
P. Henderson	-	100%	-	100%	-
S. Hooper	-	100%	-	100%	-

Remuneration 2014

	Short Term Employment Benefits			Post-Employment Benefits		Long Term Benefits	Share Based Payments				
Name	Cash Salary & fees	Other benefits	Short term incentive	Termination Payments	Superannua -tion	Long Service Leave	Net no. of shares granted in period	Share expense for year	Option expense for year	Total	% of remuneration that is equity based
Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**	**$**	
P. Henderson*	453,327	2,362	-	-	25,188	-	-	225,387****	-	706,264	32%
N. Heath	56,465	-	-	-	5,223	-	-	-	-	61,688	-
G. Short**	41,548	-	-	-	3,843	-	-	-	-	45,391	-
P. Berry***	24,236	-	-	-	2,242	-	-	-	-	26,478	-
L. Gill	57,862	-	-	-	11,763	-	-	-	-	69,625	-
Executive Officers											
S. Hooper	242,632	19,595	-	-	23,265	-	2,473,885	81,033	-	366,525	22%
Total	**876,070**	**21,957**	**-**	**-**	**71,524**	**-**	**2,473,885**	**306,420**	**-**	**1,275,971**	**24%**

* The reported increase in remuneration was a result of a realignment of the payroll cycle for the Company. Mr Henderson's base rate of salary has been frozen since 2012.
** Appointed 6 August 2013
*** Appointed 23 December 2013
**** This represents the amortisation of long term incentive share rights granted to Mr Henderson in 2011 and 2012, consistent with accounting principles. No share rights were granted to Mr Henderson in relation to the 2013 or 2014 financial years.

No equity was granted as remuneration to directors for the reporting period ending 30 June 2014.

Details of shares granted as remuneration for the reporting period ending 30 June 2014

Name	No. of deferred shares granted	Fair value at grant date	Date granted	Date vesting
Executive Officers		**$**		
S. Hooper	2,473,885	131,116	25/07/2013	23/07/2016
Total	**2,473,885**	**131,116**		

The recipients of the above deferred shares paid no consideration towards them. Deferred shares granted in the reporting period are subject to the condition that those in receipt of the deferred shares remain in employment with the Group through to the date of vesting and the VWAP price hurdles are:

- 1/3 shares must reach a volume weighted average price (VWAP) of $0.14 or more during any period of 30 days commencing immediately after the date of grant and the vesting date
- 1/3 shares must reach a volume weighted average price (VWAP) of $0.17 or more during any period of 30 days commencing immediately after the date of grant and the vesting date
- 1/3 shares must reach a volume weighted average price (VWAP) of $0.20 or more during any period of 30 days commencing immediately after the date of grant and the vesting date

Incentives granted to KMP in reporting period as a percentage of maximum potential incentive

	STI % achieved	STI % forfeited	LTI % achieved	LTI % forfeited	% of total remuneration that is performance based
P. Henderson	0	100	0	100	0
S. Hooper	0	100	100	0	22

Key Management Personnel Remuneration

There were no payments received or receivable by key management personnel of the Group or related parties of the Group other than those which are disclosed in the remuneration section of the Directors' Report and Note 21 and Note 23 of the Financial Statements.

At 30 June 2015, the direct and indirect interests of the Key Management Personnel in the securities of Metgasco are as follows:

Shares 2014	Opening Balance	Granted as Compensation	Received on Exercise of Options	Long term incentives lapsing	Shares Disposed	Closing Balance
Nicholas Heath*	783,590	-	-	-	-	783,590
Peter Henderson	2,572,161	-	-	(645,161)	-	1,927,000
Gregory Short	150,000	-	-	-	-	150,000
Peter Berry**	2,994,413	-	-	-	-	2,994,413
Leonard Gill	745,386	-	-	-	-	745,386
Sean Hooper	3,163,268	-	-	-	-	3,163,268

* Retired 30 September 2014. Closing balance is the quantum held at retirement.
** Resigned 21 January 2015. Closing balance is the quantum held at resignation.

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 2015.

Other key remuneration disclosures
During the year there were no transactions of any kind between the Group and Directors, Key Management Personnel or parties related to these groups other than what has been disclosed in this remuneration report and Note 21 and Note 23 of the Financial Statement. 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 Group or related parties of the Group other than as disclosed in this remuneration section of the Directors’ Report.

Details of Employment Agreements

It is the Board’s policy that all Executive Directors, Key Management Personnel and employees enter into Employment Agreements.

Peter Henderson - Managing Director & Chief Executive Officer
Mr Henderson provides services under an employment contract whereby the base remuneration for the year ended 30 June 2015, inclusive of superannuation, under the contract is $460,911. Mr Henderson’s remuneration level is subject to an annual review which references remuneration levels at a pool of comparable companies. Remuneration is determined by the Board with reference to those benchmarks. Mr Henderson is eligible to receive up to 25% of his base salary by way of short term incentives and up to 50% of his base salary by way of long term incentives.

In the current circumstances of the Company, the Board has determined that no STI or LTI payments are appropriate. This will be reviewed in the event of a material improvement to the Company’s operational outlook.

The Group can terminate the contract immediately on the grounds of serious misconduct, incapacity or non-performance. The Managing Director can resign by giving six months’ notice. The Group can terminate the contract by giving six months’ notice.

In the event that the Company becomes a target for takeover, in consideration of the Executive refraining from seeking or obtaining alternative employment for the duration of the takeover offer, the Company will in the event that the Executive is terminated by the Company within 6 months of the change of control of the Company, pay to the Executive an amount equivalent to six months of Total Remuneration Package.

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 and comments made at the Company's 2014 Annual General Meeting
Metgasco Limited received a 96% majority of 'yes' votes on its Remuneration Report for the financial year ended 30 June 2014. The company received no specific feedback on its Remuneration Report at the Annual General Meeting.

End of Audited Remuneration Report

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
Peter Henderson	-	1,927,000
Gregory Short	-	150,000
Leonard Gill	-	745,386
Sean Hooper	-	3,163,268

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

At a Board meeting on 15 June 2015, consideration was given to STI and LTI awards. The Company made no STI or LTI awards to any staff for the year 2014/15.

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

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.

Audit Services

During the year, audit and review fees payable to Grant Thornton Audit Pty Ltd amounted to $64,500.

Non Audit Services

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

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, Metgasco Limited and its subsidiaries ('the Group') have adopted the third edition of the Corporate Governance Principles and Recommendations8 which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.
The Group's Corporate Governance Statement for the financial year ending 30 June 2015 was approved by the Board on 25 May 2015. 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

On 12 August 2015 the Group received $250,000 from the NSW Government being the recovery of legal fees awarded following the decision by the New South Wales Supreme Court to reinstate its right to drill the Rosella E01 well and the awarding of costs to Metgasco.

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

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

Gregory Short
Chairman Audit and Risk Management Committee
27 August 2015

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Auditor's Independence Declaration
To the Directors of Metgasco Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metgasco Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner - Audit & Assurance

Sydney, 27 August 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	**2015**	**2014**
		$	**$**
Revenue	*5 (a)*	**324,891**	**553,119**
Other Income	*5 (b)*	**-**	**145,610**
Expenses			
Finance costs	*6 (c)*	**(15,108)**	**(21,744)**
Accounting, compliance, legal & professional costs		**(758,574)**	**(327,903)**
Investor relations		**(384,366)**	**(402,702)**
Consulting fees		**(283,107)**	**(139,380)**
Depreciation	*6 (a)*	**(13,655)**	**(18,922)**
Impairment of inventory and other non-current assets		**-**	**(997,630)**
Impairment of exploration and evaluation expenditure	*11*	**-**	**(81,219,760)**
Directors fees		**(128,818)**	**(155,047)**
Exploration activities expensed		**(929,602)**	**(963,485)**
Employee costs	*6 (d)*	**(1,076,314)**	**(1,662,580)**
Rent and occupancy	*6 (b)*	**(267,459)**	**(259,605)**
Loss on disposal of assets		**(31,028)**	**-**
Travel & accommodation		**(81,276)**	**(106,700)**
Other administrative		**(222,977)**	**(340,903)**
Loss before income tax		**(3,867,393)**	**(85,917,632)**
Income tax expense	*7*	**-**	**-**
Net loss for the year		**(3,867,393)**	**(85,917,632)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(3,867,393)**	**(85,917,632)**
Loss attributable to owners of the parent		**(3,867,393)**	**(85,917,632)**
Earnings per share for loss from continuing operations			
Basic loss per share (cents)	*27*	(0.9)	(19.1)
Diluted loss per share (cents)	*27*	(0.9)	(19.1)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	2015	2014
		$	**$**
ASSETS			
Current			
Cash and cash equivalents	*8*	**7,655,361**	**11,480,269**
Inventory	*9*	**167,131**	**305,572**
Trade and other receivables	*10*	**88,779**	**75,057**
Current assets		**7,911,271**	**11,860,898**
Non-current			
Exploration and evaluation expenditure	*11*	**-**	**-**
Plant and equipment	*12*	**362,133**	**530,512**
Other receivables	*13*	**646,000**	**770,497**
Non-current assets		**1,008,133**	**1,301,009**
TOTAL ASSETS		**8,919,404**	**13,161,907**
LIABILITIES			
Current			
Trade and other payables	*15*	**406,947**	**696,389**
Provisions	*16*	**-**	**100,000**
Borrowings	*17*	**17,039**	**11,576**
Current liabilities		**423,986**	**807,965**
Non-current			
Provisions	*18*	**272,673**	**286,320**
Borrowings	*17*	**-**	**17,039**
Total non-current		**272,673**	**303,359**
TOTAL LIABILITIES		**696,659**	**1,111,324**
NET ASSETS		**8,222,745**	**12,050,583**
EQUITY			
Share capital	*19*	**123,990,967**	**123,990,967**
Share option reserve	*20*	**389,423**	**5,715,622**
Accumulated losses		**(116,157,645)**	**(117,656,006)**
TOTAL EQUITY		**8,222,745**	**12,050,583**

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 2015

	Share capital	*Accumulated losses*	*Share option reserve (Note 20)*	*Total equity*
	$	**$**	**$**	**$**
At 30 June 2013	**123,990,967**	**(31,738,374)**	**5,240,882**	**97,493,475**
Loss for the year	-	(85,917,632)	-	(85,917,632)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	**(85,917,632)**	-	**(85,917,632)**
Transactions with owners in their capacity as owners				
Share based payment expense	-	-	474,740	474,740
At 30 June 2014	**123,990,967**	**(117,656,006)**	**5,715,622**	**12,050,583**
Loss for the year	-	(3,867,393)	-	(3,867,393)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	**(3,867,393)**	-	**(3,867,393)**
Transactions with owners in their capacity as owners				
Share based payment expense	-	-	39,555	39,555
Transfer share option reserve to accumulated losses		5,365,754	(5,365,754)	-
At 30 June 2015	**123,990,967**	**(116,157,645)**	**389,423**	**8,222,745**

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 2015

	Note	2015	2014
		$	$
Operating activities			
Payments to suppliers and employees (inclusive of goods and service taxes)		(3,392,234)	(2,556,189)
Interest received		324,891	553,119
Receipts from customers		65,099	72,469
Net cash flow from operating activities	26	(3,002,244)	(1,930,601)
Investing activities			
Expenditure on exploration and evaluation		(1,021,962)	(7,748,612)
R&D grant received		-	46,243
Bond refund		127,897	128,351
Proceeds on disposal of property, plant and equipment		116,727	246,766
Purchase of property, plant and equipment		(18,642)	(4,623)
Net cash flow from investing activities		(795,980)	(7,331,875)
Financing activities			
Repayments of borrowings		(11,576)	(91,486)
Finance costs paid		(15,108)	(21,744)
Net cash flow from financing activities		(26,684)	(113,230)
Net (decrease) in cash and cash equivalents held		(3,824,908)	(9,375,706)
Cash and cash equivalents at the beginning of year		11,480,269	20,855,975
Cash and cash equivalents, end of year	8	7,655,361	11,480,269

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 2015

1. Corporate Information

a) Nature of operations
Metgasco Limited and subsidiaries' (the Group) principal activities include gas exploration, appraisal, and 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 Group 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 Limited is a for-profit entity for the purpose of preparing the financial statements.

Metgasco Limited is the Group's ultimate parent company. Metgasco Limited is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 11, 2 Elizabeth Plaza, North Sydney NSW 2060.

The consolidated financial statements for the year ended 30 June 2015 were approved and authorised for issue by the board of directors on 27 August 2015.

2. Summary of Significant Accounting Policies

a) Critical accounting estimates and judgments
The preparation of a financial report requires the Group 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 Group 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.

Assessment of impairment indicators

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In 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.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

2. Summary of Significant Accounting Policies (continued)

Assessment of impairment indicators (continued)

An assessment is also made at the end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred tax assets

The application of accounting judgments is manifested in the Group'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.

Share based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for site restoration

The Group 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.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Metgasco and its subsidiaries, as at and for the year ended 30 June 2015. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

At 30 June 2015, Metgasco controlled 100% of Richmond Valley Power Pty Ltd, Clarence-Moreton No.1 Pty Ltd and The Lions Way Pipeline Pty Ltd. The financial statements of the subsidiaries 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 Group. 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 subsidiaries are accounted for in the parent entity at cost.

2. Summary of Significant Accounting Policies (continued)

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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law. The Group has not formed a consolidated tax 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) Business undertakings

The Group intends to conduct oil and gas exploration activities and to develop associated energy infrastructure.

f) Joint ventures

At the end of the reporting period the Group was not a party to any joint venture arrangements.

g) Revenue and expenses

Interest revenue is recognised as interest accrued using the effective interest method. Expenses are recognised on an accruals basis. Revenue from the hiring of equipment is recognised in the period in which the hirer of that equipment enjoys the use and possession of it. All revenue and expenses are stated at the net amount after adjustment for applicable goods and services tax (GST).

h) Foreign currency translation

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

i) Earnings per share

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

(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

2. Summary of Significant Accounting Policies (continued)

assumed to have been issued for no consideration. At the end of the reporting period, options over unissued shares are not considered to be dilutive and have not been used to calculate diluted loss per share.

j) Exploration expenditure and petroleum tenement leases

The Group is actively involved in hydrocarbon exploration and evaluation activities in relation to coal seam gas and conventional hydrocarbons on PEL 13, 16 & 426. 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 one of the following conditions is met:

- Such expenditure is expected to be recouped by:
  - Successful development of the area of interest; or
  - By sale of the area of interest.

Exploration and evaluation activities have not yet 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 Group is not able to assess with certainty the chances of the recoupment of expenditure through successful development or the rate at which the yet to be determined resources would be depleted.

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

k) Inventory

Inventories comprise of drill hole casing and other consumable items and are recorded at weighted average cost.

l) Receivables

Receivables are recognised at their original invoice value less an allowance for any amounts deemed uncollectible. The terms for all receivables are 30 days. Receivables are assessed for their collectability on an ongoing basis. Debts which are known as uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due. Evidence of impairment includes: financial difficulties of the debtor, default payments or debts more than 60 days overdue.

m) 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 Group 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 Group 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.

n) Depreciation

All fixed assets are depreciated on a straight line basis over their useful lives to the Group. 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 is depreciated at rates from 10–40%. 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 Group's exploration activities is capitalised. This is consistent with the treatment of other exploration related expenses.

o) 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 cashflows 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).

p) 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.

q) Trade and other payables

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

r) Employee benefits

Provision is made for the Group'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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Share based payments

Share based compensation benefits are provided to employees via the Metgasco Employee and Officer's Equity Plan. Metgasco has issued options and share rights to Directors and employees as part of their remuneration.

- The fair value of options and share rights granted under The Employee and Officer's Equity Plan is recognised as an Employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and share rights.

2. Summary of Significant Accounting Policies (continued)
r) Employee benefits (continued)

- 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 Group 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.

s) Provisions
Provisions are recognised when the Group 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.

t) 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.

u) 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.

v) 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 Group 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.

w) New and revised standards effective for these financial statements
A number of new and revised standards and an interpretation became effective for the first time to annual periods beginning on or after 1 July 2014. Information on these new standards is presented below.

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.
The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

w) New and revised standards effective for these financial statements (continued)

When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets* and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* (or AASB 139 *Financial Instruments: Recognition and Measurement* where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and Territory fund management authorities.

AASB 2013-5 is applicable to annual reporting periods beginning on or after 1 January 2014.

This Standard has not had any impact on the Group as it does not meet the definition of an 'investment entity' in order to apply this consolidation exception.

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

x) Accounting Standards issued but not yet effective and not been adopted early by the Group (continued)

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
- the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.
Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:
- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.
Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 – Revenue from Contracts with Customers
AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations:
- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

AASB 2014-1 Amendments to Australian Accounting Standards
Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14. When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9

x) Accounting Standards issued but not yet effective and not been adopted early by the Group (continued)

and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements. Refer to the section on AASB 9 above.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

i. The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or

ii. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15. Refer to the section on AASB 15 above.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9. Refer to the section on AASB 9 above.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015. Refer to the section on AASB 9 above.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011).

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets

x) Accounting Standards issued but not yet effective and not been adopted early by the Group (continued)

or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control

over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. When this Standard is first adopted for the year ending 30 June 2016, there will be no impact on the financial statements.

3. Financial Risk Management

Activities undertaken by Metgasco and its subsidiaries may expose it to a variety of financial risks including: market risk, credit risk and liquidity risk. The Group'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 Group has minimal exposure to market and credit risk.

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

	Consolidated	
	2015	**2014**
	$	**$**
Cash and cash equivalents	**7,655,361**	**11,480,269**
Loans and receivables	**646,000**	**773,897**
Financial liabilities at amortised cost	**277,555**	**624,945**

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 24 accompanying the financial statements.

Of the financial liabilities disclosed above, the sum of $17,039 (2014: $28,615) represents amounts due on finance leases and the maturity analysis can be seen in Note 17 to the accounts. The remainder represents trade payables and various accrued amounts that are expected to be settled within 30 to 60 days from the reporting date as disclosed in Note 15 to the accounts.

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

Small components of the Group's purchases of well materials are 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 Group. From time to time throughout the reporting period, the Group has made purchases of well casing and other items that are denominated in US dollars. Due to the infrequency of such purchases, no foreign currency hedging is 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 Group 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 $7,655,361would increase/decrease the annual amount of interest received by $76,553.

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

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 Group incurring a financial loss. This usually occurs when debtors or counterparties to contracts fail to settle their obligations owing to the Group. The Group is currently in the exploration and appraisal stage of development and has 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 Group ensures that sufficient cash reserves are available to carry out its committed program of works. The Group is reliant upon continued support from shareholders to maintain the liquidity of the Group. The Directors have not presented a detailed maturity analysis because the Group has sufficient cash reserves to meet all short term and long term financial liabilities as disclosed in Notes 15 and 17.

4. Segment Information

The operations of the Group are conducted wholly within Australia. The Group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the executive management team that makes strategic decisions.

This has resulted in two reportable segments with those being hydrocarbon exploration and the development of the Richmond Valley Power Station project.

Description of segments
Management has determined the operating segments based on reports reviewed by the executive management team for making strategic decisions. The executive management team comprises the Chief Executive Officer, Chief Financial Officer and the General Manager Exploration.

i) *Hydrocarbon exploration and development*
This segment comprises the exploration, evaluation and development of principally coal seam gas and also conventional gas, in the Clarence-Moreton Basin in northern NSW.

ii) *Richmond Valley Power Station*
This segment comprises the development of a 30 megawatt gas fired power station located outside the township of Casino. Metgasco retains its development approval for the Casino Gas Project / Richmond Valley Power Station. The project is currently on hold. Apart from the NSW CSG regulatory environment, changes in the eastern coast electricity market have questioned the timing for new base load power stations. Metgasco will continue to review options, which include the building of a peak load power station rather than a base load power station. The carrying amount of this asset was impaired to the land value of the site, as determined by an independent valuer. Refer Note 12.

No segment revenue is disclosed because no discrete information is provided to the executive management team as both activities are still in their exploration and start up phase. Neither activity is generating revenue and all operating expense to date being expensed through the statement of profit or loss.

Total asset amounts provided to the Executive Committee and the Board in internal reports are not broken down by segment.

5. Revenue and Other Income

		Consolidated	
		2015	2014
		$	$
(a)	**Revenue**		
	Interest received from financial institutions and other parties	324,891	553,119
	Total revenue	324,891	553,119
(b)	**Other income**		
	Gain on disposal of assets	-	142,624
	Miscellaneous income	-	2,986
	Total other income	-	145,610

6. Expenses

Loss before income tax includes the following specific expenses:

		Consolidated	
		2015	2014
		$	$
(a)	**Depreciation**		
	Plant and equipment	13,655	18,922
	Total depreciation	13,655	18,922
(b)	**Rent and occupancy**		
	Rent under operating lease - Sydney	119,351	123,994
	Occupancy costs	148,108	135,611
	Total rent and occupancy	267,459	259,605
(c)	**Finance cost - external**		
	Interest expense	-	3,673
	Bank charges	15,108	18,071
	Total Finance Cost	15,108	21,744
(d)	**Employee costs**		
	Superannuation	64,011	92,185
	Wages and salaries	828,247	860,004
	Workers compensation	22,938	33,131
	Payroll tax	35,438	50,575
	Share based payments	39,555	474,740
	Recruitment and consultants	18,015	91,819
	Miscellaneous others	68,110	60,126
	Total employee costs	1,076,314	1,662,580

Depreciation charged on assets employed directly in the Group’s exploration activities for the year was $115,852 (2014: $247,189) and expensed with the exploration activities. Depreciation charged on assets not in the above category was $13,655 (2014: $18,922) for the year and is charged directly to the statement of profit or loss.

7. Income Tax

		Consolidated	
		2015	2014
		$	$
(a)	**Income tax expense**		
	Loss before income tax expense	(3,867,393)	(85,917,632)
	Prima facie tax benefit on loss at 30% (2014: 30%)	(1,160,218)	(25,775,290)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Share based payments	11,867	142,422
		(1,148,351)	(25,632,868)
	Movements in unrecognised temporary differences	9,908	(2,390)
	Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,138,443	25,635,258
	Income tax expense	-	-
(b)	**Unrecognised deferred tax assets and liabilities**		
	Capital raising costs	1,063,729	974,735
	Accruals and provision for employees benefits	56,731	46,823
	Carry forward tax losses:		
	– Operating	11,471,922	10,930,874
	– Exploration and evaluation expenditure	24,933,850	24,365,928
	Deferred tax liability - taxable temporary differences	(24,933,850)	(24,365,928)
	Net unrecognised deferred tax asset	12,592,382	11,952,432

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 Group 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	
	2015	2014
	$	$
Cash at bank and on hand	243,260	334,405
Term deposits	7,412,101	11,145,864
Total	7,655,361	11,480,269

a) Cash at bank and on hand

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

8. Cash and Cash Equivalents (continued)

b) Term deposits

Term deposits attract rates of interest ranging from 2.25% to 3.55% (2014: 2.95% to 3.70%) The maturity dates of the various term deposits range from 20 day to 43 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. Inventory

	Consolidated	
	2015	**2014**
	$	**$**
Opening balance	**305,572**	**1,312,082**
Disposals	**(138,441)**	**(8,880)**
Impairment	**-**	**(997,630)**
Carrying amount at end of year	**167,131**	**305,572**

The cost of inventories recognised as an expense in 2015 was nil. Inventory is valued at the lower of costs and net realisable value. The assessment of the allowance for inventory obsolescence requires a degree of estimation and judgment. The level of the allowance is assessed by taking into account the ageing of inventories, the expected amount to be recovered through the use of inventory, disposals and other factors that affect inventory obsolescence. Inventory items consist predominantly of materials used in the construction of coal seam and conventional gas wells. Inventory items are periodically assessed for impairment indicators. Such an indicator might be that an item of inventory is no longer able to be used safely or effectively in the manner in which it was intended to be used.

10. Trade and Other Receivables (Current)

	Consolidated	
	2015	**2014**
	$	**$**
Trade receivables	**37,500**	**-**
GST receivable	**20,557**	**31,166**
Rent deposits	**-**	**3,400**
Prepayments	**30,722**	**40,491**
Total	**88,779**	**75,057**

Security bonds are held by the National Australia Bank. No receivables are past due.

11. Exploration and Evaluation Expenditure

	Consolidated	
	2015	**2014**
	$	**$**
Expenditure for the entities operations		
Movement during the financial period (at cost):		
Opening balance	**-**	**77,778,821**
Capitalised exploration expenditure	**-**	**3,487,182**
R & D grant	**-**	**(46,243)**
Impairment charges	**-**	**(81,219,760)**
Carrying amount at end of year	**-**	**-**

11. Exploration and Evaluation Expenditure (continued)

Due to the uncertainty as to when field exploration activities would be able to recommence, following the NSW Government's unlawful suspension of the Rosella exploration well, the Group has expensed all exploration activities during the 2015 and 2014 financial years. All capitalised exploration expenditure incurred prior to the 2014 financial year was impaired on this basis.

12. Plant and Equipment

	Consolidated	
	2015	**2014**
	$	**$**
Office equipment		
At cost	**33,612**	**89,072**
Accumulated impairment	**-**	**(30,455)**
Accumulated depreciation	**(24,804)**	**(36,262)**
Net carrying amount	**8,808**	**22,355**
Computer equipment		
At cost	**76,111**	**510,572**
Accumulated impairment	**-**	**(16,260)**
Accumulated depreciation	**(59,470)**	**(472,091)**
Net carrying amount	**16,641**	**22,221**
Motor vehicles		
At cost	**-**	**52,865**
Accumulated depreciation	**-**	**(28,012)**
Net carrying amount	**-**	**24,853**
Motor vehicles under finance lease at cost		
At cost	**269,268**	**306,498**
Accumulated depreciation	**(252,105)**	**(277,473)**
Net carrying amount	**17,163**	**29,025**
Improvements		
At cost	**127,077**	**308,001**
Accumulated impairment	**(21,736)**	**(95,851)**
Accumulated depreciation	**(17,446)**	**(112,659)**
Net carrying amount	**87,895**	**99,491**

12. Plant and Equipment (continued)

	Consolidated 2015 $	Consolidated 2014 $
Plant and equipment		
At cost	**305,613**	1,337,179
Accumulated impairment	**-**	(28,218)
Accumulated depreciation	**(268,987)**	(1,171,394)
Net carrying amount	**36,626**	137,567
Richmond Valley Power Station – development costs		
At cost	**3,144,252**	3,144,252
Accumulated impairment	**(2,949,252)**	(2,949,252)
Net carrying amount	**195,000**	195,000
Total plant and equipment		
At cost	**3,955,933**	5,748,439
Accumulated impairment	**(2,970,988)**	(3,120,036)
Accumulated depreciation	**(622,812)**	(2,097,891)
Net carrying amount	**362,133**	530,512

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:

	2015 $	2014 $
Office and equipment		
Carrying amount at beginning of financial year	**22,355**	35,257
Disposals	**(5,949)**	(160)
Impairment	**-**	767
Depreciation	**(7,598)**	(13,509)
Carrying amount at end of financial year	**8,808**	22,355
Computer equipment		
Carrying amount at beginning of financial year	**22,221**	42,969
Additions	**12,642**	2,426
Depreciation	**(18,222)**	(23,174)
Carrying amount at end of financial year	**16,641**	22,221
Motor vehicles		
Carrying amount at beginning of financial year	**24,853**	36,745
Disposals	**(14,939)**	-
Depreciation	**(9,914)**	(11,892)
Carrying amount at end of financial year	**-**	24,853

12. Plant and Equipment (continued)

	Consolidated 2015 $	Consolidated 2014 $
Motor vehicles under finance lease at cost		
Carrying amount at beginning of financial year	**29,025**	**157,630**
Disposals	**(933)**	**(79,422)**
Depreciation	**(10,929)**	**(49,183)**
Carrying amount at end of financial year	**17,163**	**29,025**
Improvements		
Carrying amount at beginning of financial year	**99,491**	**106,305**
Additions	**-**	**1,431**
Disposals	**(3,642)**	**-**
Depreciation	**(7,954)**	**(8,245)**
Carrying amount at end of financial year	**87,895**	**99,491**
Plant and equipment		
Carrying amount at beginning of financial year	**137,567**	**394,707**
Additions	**6,000**	**-**
Disposals	**(32,051)**	**(97,032)**
Depreciation	**(74,890)**	**(160,108)**
Carrying amount at end of financial year	**36,626**	**137,567**
Richmond Valley Power Station – development costs		
Carrying amount at beginning of financial year	**195,000**	**195,000**
Carrying amount at end of financial year	**195,000**	**195,000**
Total plant and equipment		
Carrying amount at beginning of financial year	**530,512**	**968,613**
Additions	**18,642**	**3,857**
Disposals	**(57,514)**	**(176,614)**
Impairment	**-**	**767**
Depreciation	**(129,507)**	**(266,111)**
Carrying amount at end of financial year	**362,133**	**530,512**

Impairment loss

At 30 June 2015, the Group reviewed the carrying amount of its plant and equipment for indicators of impairment in accordance with Group's accounting policy (refer Note 2(m)).

The recoverable amounts of plant and equipment were also formerly reassessed. No impairment was required during 2015 financial year (2014: $Nil).

13. Other Receivables (Non-current)

	Consolidated	
	2015	2014
	$	$
Security bonds non-current	646,000	770,497
Total	646,000	770,497

Security bonds are comprised of term deposits which are held in favour of the NSW Department of Industry and Investment and the Group's landlord (being rental bond). The term deposits attract market interest rates.

Receivables are not due until such time as the Group has satisfied certain conditions such as the rehabilitation of well sites or the satisfactory handing back of leased offices to the Group's landlord. The fair value of this asset approximates its carrying value.

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			
			2015	2014	2015	2014
			%	%	$	$
Richmond Valley Power Pty Ltd	Australia	Ordinary	100	100	100	100
Clarence-Moreton No. 1 Pty Ltd	Australia	Ordinary	100	100	2	2
The Lions Way Pipeline Pty Ltd	Australia	Ordinary	100	100	2	2

The proportion of ownership interest is equal to the proportion of voting power held for all the above subsidiaries. The subsidiaries Clarence-Moreton No. 1 and The Lions Way Pipeline were registered on 5 January 2009.

15. Trade and Other payables (Current)

	Consolidated	
	2015	2014
	$	$
Trade payables	122,679	196,775
Accrued charges and expenses	137,837	399,555
Employee benefits	146,431	100,059
Total	406,947	696,389

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

16. Provisions (Current)

	Consolidated	
	2015	2014
	$	$
Provision for site rehabilitation		
Opening balance	100,000	2,350,425
Rehabilitation work	(100,000)	(2,250,425)
Closing balance for site rehabilitation	-	100,000
Total	-	100,000

The Group recognises the costs of site rehabilitation for the wells at the time of drilling. Provisions for wells sites expected to be rehabilitated within 12 months are classed as current and therefore the associated cash flows are not subject to discounting.

17. Borrowings

	Consolidated	
	2015	2014
	$	$
Current	17,039	11,576
Finance lease liability	17,039	11,576
Non-Current	-	17,039
Finance lease liability	-	17,039

The Group has borrowings in the form of finance leases. The rate of interest charged for the lease held was 6.0%. The fair value of the above financial liabilities approximates their carrying value. The lease liability is secured by motor vehicles which have a book value of $17,163 at the end of the reporting period.

Full details of the lease commitments are as follows:

Finance Lease Commitments

Within one year	17,271	12,946
Later than one year but not later than 5 years	-	17,271
Minimum lease payments	17,271	30,217
Future finance charges	(232)	(1,602)
Recognised as a liability	17,039	28,615

18. Provisions (Non-current)

	Consolidated 2015 $	Consolidated 2014 $
Long service leave	**42,673**	56,320
Lease make good	**30,000**	30,000
Provision for site rehabilitation		
Opening balance	**200,000**	-
Amounts provided	**-**	200,000
Closing balance for site rehabilitation	**200,000**	200,000
Total	**272,673**	286,320

Provision is made for the future estimated cost of well site rehabilitation at the time of drilling. The estimated costs of well site rehabilitation, where such costs are not expected to be incurred within 12 months of the end of the reporting period, are classed as non-current and therefore discounted accordingly.

19. Share Capital

	Parent Entity No of Shares 2015	Parent Entity No of shares 2014	Parent Entity $ 2015	Parent Entity $ 2014
(a) Share Capital				
Ordinary Shares - Fully Paid		448,702,530	**123,990,967**	123,990,967

(b) Movements in Ordinary Share Capital

	Date	No of Shares	Value $	Issue Price $
Balance at 30 June 2014		**448,702,530**	**123,990,967**	
Shares cancelled during the year	28/11/2014	(4,697,982)	-	-
Balance at 30 June 2015		**444,004,548**	**123,990,967**	

	No of Options 2015	No of Options 2014
Options (not quoted on ASX)		
Opening balance	**1,202,222**	**3,284,143**
Exercised by employees	**-**	**-**
Lapsed	**(1,202,222)**	**(2,081,921)**
Closing balance	**-**	**1,202,222**

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.

19. Share Capital (continued)

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 2015. The Company's options are not quoted on the ASX.

Capital risk management

The Group considers its capital to comprise its ordinary shares. In managing its capital, the Group'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 Group's means of achieving its long term operational and strategic objectives. As the Group is involved in exploration and has no debt apart from finance leases disclosed in Note 17 the use of various gearing ratios is not employed.

20. Share Based Payments

The Metgasco Limited 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 free 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	
	2015	**2014**
	$	**$**
Opening balance	**5,715,622**	**5,240,882**
Cost of securities issued under EOEP	**39,555**	**474,740**
Transferred to accumulated losses	**(5,365,754)**	**-**
Closing balance of reserve	**389,423**	**5,715,622**

The entire movement in the share option reserve in the current year is attributable to share rights granted to Group employees and as such has been expensed to the profit or loss.

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 2015

Grant Date	Vesting Date	Expiry Date	Exercise Price	Applicable Spot Price	Balance at beginning of year	Granted during year	Lapsed / forfeited during year	Exercised during year	Balance at end of year	Fair Value
			$	$	Number	Number	Number	Number	Number	$
1/09/2009	1/09/2012	1/09/2014	0.50	0.445	912,222	-	912,222	-	-	-
1/09/2009	1/09/2012	1/09/2014	0.50	0.445	290,000	-	290,000	-	-	-
Total					**1,202,222**	-	**1,202,222**	-	**-**	**-**
Weighted average exercise price					**0.50**				**-**	

Share Based Payments – Deferred Share Awards to Employees

Grant Date	Vesting Date	Issue Price	Balance at Beginning of year	Granted during year	Vested / Forfeited during year	Balance at end of year	Fair Value
		$	Number	Number	Number	Number	$
12/09/2011	01/09/2014	0.31	447,462	-	447,462	-	-
15/11/2011	01/09/2014	0.31	645,161	-	645,161	-	-
15/11/2011	18/07/2014	0.26	30,000	-	30,000	-	-
23/08/2012	24/08/2015	0.22	1,270,972	-	729,368	541,604	119,153
14/11/2012	24/08/2015	0.20	983,272	-	-	983,272	196,654
25/07/2013	01/07/2014	0.053	400,000	-	400,000	-	-
25/07/2013	23/07/2014	0.053	5,713,648	-	3,069,951	2,643,697	140,116
Total			**9,490,515**		**5,321,942**	**4,168,573**	**455,923**

Refer Note 2(r) for details of accounting policy on share based payments.

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 2014

Grant Date	Vesting Date	Expiry Date	Exercise Price	Applicable Spot Price	Balance at beginning of year	Granted during year	Lapsed / forfeited during year	Exercised during year	Balance at end of year	Fair Value
			$	$	Number	Number	Number	Number	Number	$
1/07/2008	1/07/2008	1/07/2013	1.20	1.050	289,486	-	289,486	-	-	-
1/07/2008	1/07/2009	1/07/2013	1.20	1.050	310,375	-	310,375	-	-	-
1/07/2008	1/07/2009	1/07/2013	1.20	1.050	241,283	-	241,283	-	-	-
1/07/2008	1/07/2010	1/07/2013	1.40	1.050	100,000	-	100,000	-	-	-
1/07/2008	1/07/2010	1/07/2013	1.60	1.050	390,777	-	390,777	-	-	-
21/08/2008	21/08/2008	21/08/2013	1.00	0.720	375,000	-	375,000	-	-	-
21/11/2008	21/11/2008	21/11/2013	1.00	0.380	375,000	-	375,000	-	-	-
1/09/2009	1/09/2012	1/09/2014	0.50	0.445	912,222	-	-	-	912,222	300,067
1/09/2009	1/09/2012	1/09/2014	0.50	0.445	290,000	-	-	-	290,000	95,393
Total					**3,284,143**	-	**2,081,921**	-	**1,202,222**	**395,460**
Weighted average exercise price					**0.95**				**0.50**	

20 Share Based Payments (continued)

Share Based Payments – Deferred Share Awards to Employees

Grant Date	Vesting Date	Issue Price	Balance at Beginning of year	Granted during year	Vested / Forfeited during year	Balance at end of year	Fair Value
		$	Number	Number	Number	Number	$
13/08/2010	13/08/2013	0.45	268,000	-	268,000	-	-
12/09/2011	01/09/2014	0.31	458,752	-	11,290	447,462	138,713
15/11/2011	01/09/2014	0.31	645,161	-	-	645,161	200,000
15/11/2011	04/04/2014	0.525	200,000	-	200,000	-	-
15/11/2011	18/07/2014	0.26	30,000	-	-	30,000	7,800
23/08/2012	24/08/2015	0.22	1,290,517	-	19,545	1,270,972	279,614
29/08/2012	30/07/2015	0.26	75,000	-	75,000	-	-
14/11/2012	24/08/2015	0.20	983,272	-	-	983,272	196,654
25/07/2013	01/07/2014	0.053	-	400,000	-	400,000	21,200
25/07/2013	23/07/2014	0.053	-	5,789,339	75,691	5,713,648	302,823
Total			**3,950,702**	**6,189,339**	**649,526**	**9,490,515**	**1,146,804**

Refer Note 2(r) for details of accounting policy on share based payments.

21. Key Management Personnel

	Consolidated	
	2015	2014
	$	$
Short-term employee benefits	899,686	898,027
Post-employment employee benefits	79,881	71,524
Share based payments	172,944	306,420
Total compensation	1,152,511	1,275,971

22. Auditor's Remuneration

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

	Consolidated	
	2015	2014
	$	$
During the year, fees paid/payable to the Company's auditors were:		
For audit and review – Grant Thornton Audit Pty Ltd	64,500	83,000

23. 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.

24. Contingent Liabilities and Assets

	Consolidated	
	2015	2014
	$	$
Bank guarantees Department of Primary Industry	696,104	660,497
Rental bond / corporate credit card	-	33,400

Should the Group fail to satisfactorily rehabilitate well sites after their abandonment, amounts secured by bank guarantee as well as cash lodged with the Department of Industry and Investment, could be forfeited. The Group has a facility limit of $831,239 which $239,176 is unused as at 30 June 2015. The Group has also a credit card limit of $50,000 which $43,460 is unused as at 30 June 2015.

25. Commitments

The Group is committed to a minimum program of works in the coming years involving exploration and evaluation activities in PEL 13, 16 & 426. The minimum expenditure for this is set out below. The Group also has the following operating lease commitments.

	Consolidated	
	2015	2014
	$	$
Minimum Exploration & Evaluation expenditure for exploration Tenements within one year	2,600,000	150,000
Total	2,600,000	150,000
Office Rent		
Within one year	143,612	149,905
Later than one year but not later than five years	-	103,059
Total	143,612	252,964

The minimum contractual commitment towards remuneration costs of Executive Directors is $221,064.

26. Statement of Cash Flows Reconciliation

		Consolidated 2015 $	Consolidated 2014 $
(a)	**Reconciliation of net loss after tax to net cash flows from operations**		
	Net loss for the year	**(3,867,393)**	**(85,917,632)**
	Adjustments for:		
	Depreciation	**13,655**	**18,922**
	Impairment of inventory and other non-current assets	**-**	**997,630**
	Impairment of exploration and evaluation expenditure	**-**	**81,219,760**
	Net loss on disposal of inventory	**90,150**	**-**
	Net profit on disposal of property, plant and equipment	**(59,122)**	**(70,155)**
	Finance cost classified as financing activities	**15,108**	**21,744**
	Share based payment expense	**39,555**	**474,740**
	Exploration costs classified as investing activities	**929,602**	**963,485**
	Changes in assets and liabilities:		
	(Increase)/Decrease in trade and other receivables	**(17,122)**	**429,882**
	Decrease in inventory	**48,290**	**6,906**
	Decrease in trade and other payables	**(227,692)**	**-**
	Increase/(Decrease) in provisions	**32,725**	**(75,883)**
	Net cash flows used in operating activities	**(3,002,244)**	**(1,930,601)**

(b) Non cash financing and investing activities

$Nil (2014: $Nil)

27. Earnings Per Share

	Consolidated 2015 $	Consolidated 2014 $
Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Loss attributable to owners of Metgasco Ltd used to calculate basic earnings per share	**3,867,393**	**85,917,632**
Diluted earnings per share		
Loss attributable to owners of Metgasco Ltd used to calculate diluted earnings per share	**3,867,393**	**85,917,632**
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**445,948,097**	**449,199,130**
Loss per share (cents)	**(0.9)**	**(19.1)**

Options, being potential shares are not considered dilutive and have not been used to calculate diluted loss per share.

28. Financial Facilities

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

29. Government Grants

There have been no grants of any type received or that are receivable during the year ended 30 June 2015.

30. Parent Entity Disclosures

	Consolidated	
	2015	2014
	$	$
Current assets	7,911,271	11,860,898
Non-current assets	1,008,133	1,301,009
Total assets	8,919,404	13,161,907
Current liabilities	423,986	807,965
Non-current liabilities	272,673	303,359
Total liabilities	696,659	1,111,324
Contributed equity	123,990,967	123,990,967
Accumulated losses	(116,157,645)	(117,656,006)
Share option reserve	389,423	5,715,622
Total equity	8,361,186	12,050,583
Loss for the year	3,867,393)	(85,917,632)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(3,867,393)	(85,917,632)

Included in the non-current assets of the parent is an amount receivable from the wholly owned subsidiary, Richmond Valley Power Pty Ltd for $195,000 (2014: $195,000). The amount receivable by the parent entity from wholly owned subsidiaries is for funds advanced for the purpose of the development of the Richmond Valley Power Station. The parent expects that the subsidiary will have sufficient cash reserves at the end of the project to repay this loan.

Commitments

The parent entity is committed to a minimum program of works in the coming years involving exploration and evaluation activities in PEL 13, 16 & 426. The minimum expenditure for this is set out below. The Group also has the following operating lease commitments.

	Consolidated	
	2015	2014
	$	$
Minimum Exploration & Evaluation expenditure for exploration Tenements within one year	2,600,000	150,000
Total	2,600,000	150,000
Office Rent		
Within one year	143,612	149,905
Later than one year but not later than five years	-	103,059
Total	143,612	252,964

30. Parent Entity Disclosures (Continued)

Contingent Liabilities

	2015	2014
	$	$
Bank guarantees Department of Primary Industry	**696,104**	**660,497**
Rental bond / corporate credit card	**-**	**33,400**

Should the parent entity fail to satisfactorily rehabilitate well sites after their abandonment, amounts secured by bank guarantee as well as cash lodged with the Department of Industry and Investment, could be forfeited.

31. Events After the Reporting Period

On 12 August 2015 the Group received $250,000 from the NSW Government being the recovery of legal fees awarded following the decision by the New South Wales Supreme Court to reinstate its right to drill the Rosella E01 well and the awarding of costs to Metgasco.

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

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Metgasco Limited:

   (a) the consolidated financial statements and notes of Metgasco Limited are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of its financial position as at 30 June 2015 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 Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Peter J Henderson
Managing Director and CEO

Greg Short
Chairman Audit and Risk Management Committee

Sydney, 27 August 2015

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Independent Auditor's Report
To the Members of Metgasco Limited

Report on the financial report

We have audited the accompanying financial report of Metgasco Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion,

a the financial report of Metgasco Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 15 of the directors' report for the year ended 30 June 2015. 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

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Metgasco Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner - Audit & Assurance

Sydney, 27 August 2015