

METGASCO Ltd

ACN 088 196 383

INTERIM FINANCIAL REPORT HALF YEAR ENDED 31 DECEMBER 2004

METGASCO LIMITED
ACN 088 196 383

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1. APPENDIX 4D

1. HALF YEAR REPORT FOR THE PERIOD ENDING 31 DECEMBER 2004

2. Results for announcement to the market	
2.1 Revenue Change from previous period	Not available
2.2 Profit (loss) Change from previous period	Not available
2.3 Change in Profit (loss) attributed to members from previous period	Not available
2.4 Amount per security and franked amount per security of final and interim dividends	No dividend payment
2.5 The record date for determining entitlement to dividends	No dividend payment
2.6 An explanation of the figures above	Metgasco Ltd was listed on the 23 December 2004, a week prior to the end of the half year period. Prior to listing Metgasco did not complete half yearly accounts, consequently comparable half yearly accounts are not available. Comparable information will be provided to investors in following years.
3. Net tangible assets per security	\$0.08
4. Details of entities over which control has been gained or lost during the period	Not applicable
5. Details of individual and total dividends or distributions.	Not applicable
6. Details of any dividend or distribution reinvestment plans	Not applicable
7. Details of associates and joint venture entities	Not applicable
8. For foreign entities, which set of accounting standards is used in compiling the report	Not applicable
9. For all entities if the accounts are subject to audit dispute or qualification	An unqualified audit opinion has been issued

2. CORPORATE PARTICULARS

Directors:	Peter Power David Johnson Glenda McLoughlin Richard Wood	Chairman Managing Director Finance Director Operations Director
Company Secretary	Glenda McLoughlin	
ASX Symbol	MEL	
Registered Office	Level 1 402 New South Head Road Double Bay NSW 2028	
	Telephone:	(02)9363 9605
	Facsimile:	(02)9327 4765
	Website:	www.metgasco.com.au
	Email:	info@metgasco.com.au
Auditors:	McLeay Chartered Accountants 105 Pitt Street Sydney NSW 2000	
Bankers:	Macquarie Bank Limited 68 Pitt Street Sydney NSW 2000	
Share Registry:	Computershare Investor Services Pty Limited GPO Box 7115 Sydney NSW 2001	
Australian Company Number:	ACN 088 196 383	
Date and Place of Incorporation:	22 June 1999, Sydney, Australia	

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3. REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

The Directors of Metgasco Limited submit the financial report together with the Statement of Financial Position as at 31 December 2004 and the Statement of Financial Performance for the half year ended 31 December, 2004 and the auditor's report thereon.

Directors

The names of the Directors of the Company in office at any time during the half year and up to the date of this report are as follows:

Name	Role	Qualifications
Dr Peter Power	Chairman (Non-executive)	B.Sc, Ph D Geology
David Johnson	Managing Director	B.App Sc (Geol), MBA
Glenda McLoughlin	Executive Director	B. Ec, MBA
Rick Wood	Executive Director	B. Eng (Mining)

Review of Operations

The principal activity of the company during the half year was coal bed methane exploration within exploration permit PEL 16 located in Northern New South Wales. The Company has expended \$61,298 in exploration expenditure during the period, with total exploration expenditure for on the area being \$475,205.

On 23 December 2004 the Company was admitted to the official mining list of the Australian Stock Exchange following the raising of \$5,143,000 through a prospectus that had been issued in November 2004.

Metgasco intends to commence trial production at the South Casino project in early March 2005. Surface works have commenced and the Company has been advised by the drilling contractor that the rig will mobilise to PEL16 within the next two weeks. The drilling program will comprise five production test wells and one core hole. These wells will be located between 200m and 600m apart and will be flowed to establish gas production rates. The Company intends to test coal seams at a depth of between 500 and 620 metres.

Comparative Figures

As the Company had not been a listed entity prior to 23 December 2004, the prior year comparative figures were not required to be prepared. This information will be provided in subsequent years.

Dated at Sydney this 7th day of March 2005.

David Johnson
Director

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4. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2004

	<u>Note</u>	<u>31.12.2004</u> \$
Revenues from ordinary activities	2	10,422
Expenses from ordinary activities		
Classification of expenses by function:		
Administration costs		7,399
Public issue costs	2	<u>500,729</u>
		(508,128)
Loss from ordinary activities before		
Income tax expense		(497,706)
Income tax expense relating to ordinary		
Activities		<u>Nil</u>
Loss for ordinary activities after related		
Income tax expense		497,706
Net Loss		<u>497,706</u>
Net Loss attributable to members of Metgasco Limited		<u>497,706</u>
Basic earnings per share		(\$0.17)

The accompanying notes form part of these financial statements.

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5. STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	<u>Note</u>	<u>31.12.2004</u>
		\$
CURRENT ASSETS		
Cash Assets		5,003,775
Receivables		<u>22,175</u>
TOTAL CURRENT ASSETS		5,025,950
NON CURRENT ASSETS		
Plant and equipment		903
Exploration and evaluation expenditure	3	475,205
Other - Security Deposits	5	<u>25,000</u>
TOTAL NON CURRENT ASSETS		<u>501,108</u>
TOTAL ASSETS		<u>5,527,058</u>
CURRENT LIABILITIES		
Payables		334,352
Other		<u>-</u>
TOTAL CURRENT LIABILITIES		<u>334,352</u>
TOTAL LIABILITIES		334,352
NET ASSETS		5,192,706
EQUITY		
Contributed equity		5,727,154
Accumulated losses		<u>534,448</u>
TOTAL EQUITY		<u>5,192,706</u>

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6. STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

<u>Note</u>	<u>31.12.2004</u>
	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	(17,136)
Payments of GST	(31,643)
Receipts from GST refunded	17,122
Interest Received	<u>10,422</u>
Net cash provided by (used in) operating activities	(21,235)
CASH FLOWS FROM INVESTING ACTIVITIES	
Expenditure on exploration	(138,399)
Receipt of Research and Development Grant	<u>10,026</u>
Net cash provided by (used in) investing activities	(128,373)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issue of shares	5,323,000
Expenses associated with issue of shares	(162,575)
Decrease in sundry creditors	<u>(7,399)</u>
Net cash provided by (used in) financing activities	<u>5,153,026</u>
Net increase in cash during the year	5,003,418
Cash at 1st July	<u>357</u>
Cash at 31 December	5,003,775

7. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

1. Statement of Accounting Policies

The half year financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial reporting; Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by the Company during the half year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The financial report has been prepared on an accrual basis of historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied; unless otherwise stated.

The accounting policies adopted by the Company are consistent with those applied in the 30 June 2004 financial report.

The half year financial report does not include full disclosures of the type normally included in an annual financial report.

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**NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER
2004**

2. Revenue and Expenses 31.12.04

The following revenue and expenses items are relevant in explaining
The financial performance for the interim half year period.

Operating Activities:

Interest received from other persons 10,422

Costs associated with public issue costs 500,729

3. Exploration and Evaluation Expenditure

Exploration and evaluation phase at cost 475,205

Movement during the financial period:

At Cost:

Opening balance **412,888**

Capitalised exploration expenditure 62,317

Exploration expenditure written off on tenements NIL

Carrying amount at reporting date **475,205**

4. Economic Dependency

During the period under review; the Company's principal activity has been that of an exploration company; predominantly, maintaining its tenements and carrying out exploration and evaluation: Other than interest income from funds on deposit the Company does not derive income from trading activity and is dependent upon support of shareholders for funds to finance its intended exploration activities;

5. Contingent Liabilities and Assets

The Statement of Financial Positions discloses as an asset under the heading "Other - security deposits" sums that have been deposited in escrow pursuant to the grant of PEL 16: The repayment of these funds is conditional upon site rehabilitation at the culmination of any further activity on the area by the Company.

At the date to which these accounts are made up the Directors are not aware of any contingent liabilities other than stated elsewhere in the Notes to these accounts; nor has there been a change in any contingent liability since the previous financial year.

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**NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER
2004**

6. Capital Commitments

Other than budgeted exploration and evaluation expenditure on PEL 16; the company does not have any capital commitments.

7. Segment Reporting

During the period; the Company was solely involved in exploration and evaluation activities associated with PEL 16 located in Northern New South Wales

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8. DIRECTOR'S DECLARATION

The Directors of METGASCO LIMITED declare that:

1. The attached financial statements and notes:
 - (a) comply with Accounting Standard 1029: Interim Financial Reporting and the Corporations Act 2001; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2004 and performance for the half year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

.....
D.W. Johnson
Director

.....
G.A. McLoughlin
Director

Sydney, 7 / March /2005

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9. INDEPENDENT AUDIT REPORT

Scope

I have audited the attached financial report comprising the Director's Declaration; Statement of Financial Performance; Statement of Financial Position; Statement of Cash flows and notes to and forming part of the financial statements for the half year ended 31 December 2004. The company's Directors are responsible for the financial report and accompanying information. I have conducted an independent audit of this half year financial report so as to express an opinion on it as required by Section 309 of the Corporations Act 2001.

My audit has been conducted in accordance with Australian Auditing Standards with emphasis on the requirements of Accounting Standard AASB 1029: Interim Financial Reporting; other mandatory professional reporting requirements in Australia and statutory requirements in order to state whether on the basis of procedures described; anything has come to my attention that would indicate that the financial report is not fairly presented and to provide reasonable assurance as to whether the financial statements are free of material misstatement.

My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates so as to present a view which is consistent with my understanding of the Company's financial position and performance as represented by the result of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the half year financial report of Metgasco Limited is in accordance with:

- a. The Corporations Act 2001, including,
 - i giving a true and fair view of the company's financial position as at 31 December 2004 and of the performance for the year ended on that date, and
 - ii complying with Accounting Standard 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

Gregory McLeay
Chartered Accountant

Dated this 6th day of February 2005, Sydney