



**INTERIM FINANCIAL REPORT
HALF YEAR ENDED
31 DECEMBER 2007**

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1. REVIEW OF ACTIVITIES

Summary

In the half year to 31 December 2007, Metgasco has successfully pursued a very active exploration program and commercial agenda. Major achievements since 30 June 2007 include:

- 1,023% increase in independently certified 2P gas reserves in PEL 16 (from 22 Petajoules to 247 Petajoules).
- Completed Reserve Expansion drilling program with 17 core wells drilled during the program.
- Commenced Phase II pilot drilling program with six surface to inseam wells now completed. These wells are currently in the dewatering stage of initial production and all completed wells are producing water and gas.
- Committed to conduct an extensive seismic acquisition program in PEL 426 and PEL 13 in the Clarence Moreton basin.
- Progressed gas sale contract negotiations with CS Energy towards a field development decision in the second half of 2008.
- Entered into a Joint Feasibility Study to supply 15 Petajoules per year of coal seam gas to BP Australia and to examine the extension of the Casino to Ipswich gas transmission pipeline to the Port of Brisbane.
- Continued progress on the Casino to Ipswich pipeline with the project being awarded Major Project status from the NSW Department of Planning. The Company has now commenced the environmental assessment of this strategic project which will provide an alternative route for gas supply into the south-east Queensland energy markets.

Review of Exploration and Appraisal Developments

During the reporting period, the Company has focussed its efforts on increasing its coal seam gas ("CSG") reserves, progressing its pilot well program and commencing its conventional gas exploration program.

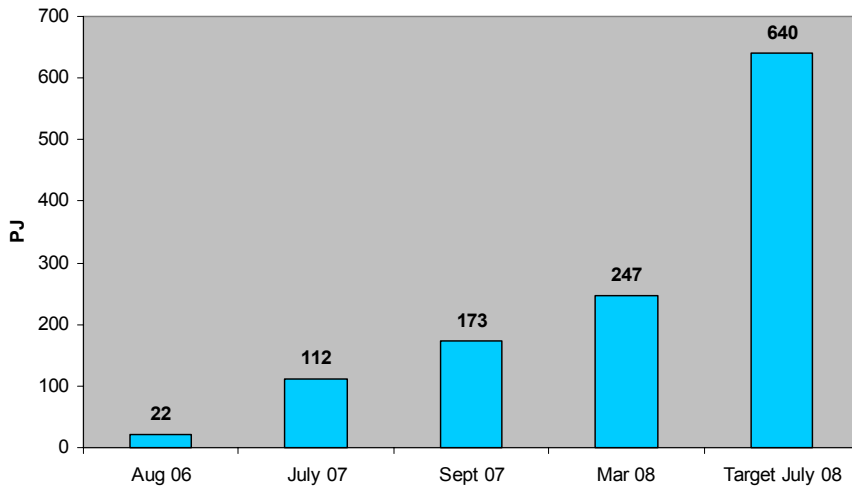
Growth in Coal Seam Gas Reserves

The Company is pleased with the results of the Reserve Expansion drilling program with independently certified 2P gas reserve position of 247 Petajoules ("PJ") established to date in PEL 16. These reserves have been certified by MHA Petroleum Consultants (Denver) in accordance with SPE guidelines.

The Company has previously advised that it has a goal of establishing 2P reserves of 640 PJ by July 2008 in PEL 16. The work program required to achieve this objective involves both drilling and testing activity and while drilling activities have been completed, the testing program is ongoing. To date, gas reserves have been independently certified over less than 50% of the area targeted under the Reserve Expansion drilling program.

Further gas reserve upgrades are expected to be achieved over the coming months as the testing program is progressed and data provided to reserve certifiers. The following table outlines the Company's achievements in growing its gas reserves.

Gas Reserve Growth (2P)



Since commencing the Reserve Expansion drilling program in January 2007, the Company has drilled seventeen core wells in PEL 16. Ten of these core wells were completed on behalf of the Stratheden Joint Venture with CS Energy and seven core wells have been completed in areas held 100% by Metgasco.

Core drilling is a fundamental activity required for the establishment of gas reserves in a coal seam gas project. Core drilling allows for coal samples to be taken from each coal seam in the tenement area. These samples provide data on coal seam depth and thickness, coal volumes, gas content and composition and gas saturation.

In addition, Metgasco conducts a detailed testing program at each core hole to assess coal permeability by way of injection fall off testing and to evaluate directional stress orientation. All of this data is required for reserve certification. The core drilling program was completed during the reporting period with the testing program at a number of core wells remaining to be completed.

Results from the core drilling program indicate that the Walloon Coal Measures extend over a wide area of PEL 16. The Company continues to observe high gas contents and gas saturation throughout the permit area and data continues to confirm the quality of the coal seam gas resource play in the Clarence Moreton basin.

The Company has focussed its commercialisation strategy to date on the production strategy of surface to in-seam drilling into certain coal seams. A key discovery from the core drilling program has been the identification of the I/J coal sequence below coal seams which had previously been targeted. This sequence has been assessed as prospective for development under a program of vertical well with fracing completion. The Company intends to conduct a pilot well testing program on this sequence at some date in the future.

Coal Seam Gas - Pilot Production Program

The Company commenced the pilot production drilling program in December 2007. This drilling program has now been completed.

Seven surface to in-seam ("SIS") wells have been drilled with six wells completed and placed on production test. During the reporting period, the Company entered into an agreement with Vectra CBM LLC ("Vectra") to provide technical services during the pilot drilling and production testing program. Vectra has successfully drilled over 250 SIS wells into similar coals in the Arkoma basin in the US. Vectra has continued to provide advice to the Company during the well completion and dewatering stage of the program.

Heavy flooding in the Northern Rivers area in January did not hamper the drilling program however it did result in access to certain sites being restricted. Operations on several wells were suspended during this time with the dewatering program recommencing subsequently. Pilot drilling was completed in mid- February with all wells now completed and placed on pump.

As at the date of this report, all completed wells are flowing gas and water at variable rates. It is anticipated that ongoing workovers will be undertaken on pilot production wells to reduce the presence of coal fines. The performance of these wells is being continually monitored and evaluated by the Company and its technical advisors. Vectra have advised Metgasco that the current performance of the pilot production wells is comparable to early production performance for similar wells that they operate in the Arkoma Basin in the US.

Updates on pilot well performance will be provided to shareholders once sufficient data has been collected.

Conventional Exploration

During the reporting period, the Company made progress in understanding the conventional potential of PEL 16 by re-entering and testing the volcanic zone previously drilled at Corella-E6 and by investigating the Koukandowie formation at Riflebird-E14.

At the time of drilling, the Corella-E6 well produced a pronounced gas kick at 670 metres depth which measured 600psi at the choke manifold. This zone was unable to be tested safely at the time due to constraints in equipment capability. The Company has subsequently tested this zone with appropriate equipment, but failed to generate gas flow. Subsequent reaming of the deeper I/J sequence showed significant gas measurements suggesting that this zone was the origin of the original gas kick observed at Corella-E6.

In addition, the Company has made progress in early evaluation of additional potential reservoirs in the basin by drilling Riflebird-E14 with the objectives of investigating the Heifer Creek sandstone member contained within the Koukandowie formation and to test the depth capability of the ADR 100 rig. Riflebird-E14 reached a total depth of 1,369 metres and intersected approximately 400 metres of the Koukandowie formation. A number of gas shows were encountered and this hole has been cased and cemented for testing at a later date.

The Clarence Moreton Basin is a prospective Cretaceous age basin that has a close corollary with the Surat Basin. A comparison with the Surat Basin showing lateral equivalents for CSM and conventional reservoirs is described on the following page.

Surat Basin	Lateral equivalent in the Clarence Moreton Basin	Potential
Injune Creek Group	Walloon Coal Measures	CSG Play
Hutton Sandstone	Koukandowie Formation	Reservoir
Evergreen Formation	Gatton Sandstone	Reservoir
Precipice Sandstone	Ripley Road Sandstone	Reservoir
Tarong Beds	Ipswich Coal Measures	CSG Play
Mimosa Group	Nymboida Coal Measures	CSG Play, Reservoir

The basin occupies an area of some 16,000 km² in New South Wales. However, to date only approximately 20 conventional holes have been drilled. Many of these were drilled with standard drilling techniques of the day, such as overbalanced muds, which the industry now recognizes as having the potential to cause damage to reservoir formations. In addition, many drilling locations were selected based upon data from earlier generation seismic techniques. Little exploration activity has been undertaken in the basin utilizing more sophisticated seismic and drilling techniques.

Metgasco has undertaken the most extensive reprocessing of existing data on the Clarence Moreton basin for the past 20 years. In the six months to December 31 2007, the Company and its Joint Venture partner have made substantial progress in evaluating the conventional potential of the basin. Some 497 km of seismic data has been reprocessed. This, together with petrophysical interpretation of pre-existing logs, has enabled a more insightful interpretation of existing leads and an improved understanding of regional geological trends. This analysis has formed the basis for a major 2D seismic campaign which is expected to commence in the second half of 2008.

The Company considers that it is at an early stage in evaluating the conventional oil and gas potential of the basin and continues to have a positive opinion of the potential for conventional oil and gas discoveries in the Clarence Moreton basin.

Joint Venture Activity

Stratheden Joint Venture – PEL 16 (Blocks 4, 5 and 1 – 27% land area)

Operator – Metgasco

Coal Seam Gas (Metgasco 85%, CS Energy 15%, CS Energy earning 50%)

Metgasco has entered into a farm-in agreement with CS Energy with a goal to establish sufficient coal seam gas reserves to supply 18 PJ of gas per year from the Stratheden Joint Venture area to the Swanbank power station at Ipswich near Brisbane.

During the reporting period, CS Energy completed its funding requirement to entitle it to earn a 15% interest in the Stratheden Joint Venture area. The Company has completed an initial field development plan for the joint venture and is in the process of developing a final field development plan for the joint ventures Development Commitment Decision expected to be considered in the second half of 2008.

Metgasco / Molopo Joint Venture – PEL 13 Clarence Moreton Basin
Operator – Metgasco
Coal Seam Gas (Metgasco earning 75%)
Conventional (Metgasco earning 50%)

During the reporting period, the Company earned its initial 51% interest in the CSG rights in this PEL and has exercised an option to increase Metgasco's interest in the CSG rights to 75%.

In August 2007, the Joint Venture approved the acquisition, processing and interpretation of 30km of new 2D seismic, the completion of which will entitle Metgasco to earn a 50% interest in the conventional rights of this PEL. The Company is currently engaged in the approvals process to complete this seismic acquisition.

The reprocessing of existing seismic data has identified a number of areas that are considered to warrant further exploration. This will be undertaken with a 2D seismic program expected to commence in the second half. Should the program identify suitable structures a follow up drilling program will be evaluated.

Metgasco / Molopo Joint Venture – PEL 426 Clarence Moreton Basin
Operator – Metgasco
Coal Seam Gas and Conventional (Metgasco earning 50%)

Reprocessing of existing seismic data has identified a number of areas that are considered to warrant further exploration. In August, the Joint Venture approved the acquisition, processing and interpretation of 85km of new 2D seismic. This is expected to commence in the second half of 2008. The Company is currently engaged in the approvals process to complete this seismic acquisition. As with PEL 13, should the program identify suitable structures, a follow up drilling program will be evaluated.

Review of Commercial Developments

There is a growing recognition among the community that Australia should act to stabilise and reduce its carbon dioxide emissions. With Australia having now signed the Kyoto Protocol, Australian energy markets are currently in transition to a carbon emission constrained economy.

Natural gas is the cleanest and least carbon emission intensive of the fossil fuels. It is an ideal transitional fuel for industry and power generation as renewable energy technologies are developed. This important structural change to the economy is significantly impacting the Company's commercial strategy and demand for the Company's gas.

Metgasco currently has gas sale MOUs or developments in place for the sale of in excess of 35 PJ per year to customers by 2010. This is a considerable achievement and once attained will see Metgasco becoming a major gas supplier to south-east Queensland energy markets.

BP MOU – Gas sale of 15 PJ / pa

In December 2007, the Company was pleased to advise that it had entered into a Memorandum of Understanding with BP Australia to conduct a feasibility study with respect to the supply of in excess of 15 PJ / pa of coal seam gas. As part of the agreement, Metgasco and BP announced their intention to co-operate in conducting a feasibility study for the extension of the planned Casino to Ipswich gas pipeline to BP's refinery facilities at the Port of Brisbane.

Since that announcement Metgasco and BP have been engaged in dialogue relating to the development of the pipeline and gas field development.

Gas sale to CS Energy

During the reporting period the Company has been engaged in detailed negotiations with CS Energy with respect to finalising a Gas Sale Agreement from the Stratheden Joint Venture. Good progress on this matter is being made.

Metgasco has completed an initial field development study for this project and is currently engaged in a detailed review of this study with a view to having a final field development plan prepared by the end of the financial year.

CS Energy has advised that the development decision date for this project is likely to be delayed until the second half of 2008 due to internal timing requirements.

Richmond Valley Power Station

The Company has continued its development activities with respect to the Richmond Valley power station. The Environmental Assessment has been lodged with the NSW Department of Planning for regulatory review and approval. The Company has received initial comments on the Environmental Assessment and is in the process of responding. The network connection application has been lodged with the regional electricity distribution company, Country Energy, and this is progressing.

Casino to Ipswich Pipeline

During the reporting period, Metgasco made considerable progress in furthering the development of the Casino to Ipswich gas transmission pipeline. This is a 145 kilometre high pressure gas pipeline which will connect the Company's coal seam gas project near Casino in Northern New South Wales to the South East Queensland energy market.

The Company has progressed applications for development in all relevant regulatory jurisdictions during the period. In New South Wales, the project has been declared a Major Project by the Department of Planning under the State Environmental Planning Policy (Major Projects) 2005 legislation. The Director General's requirements for the Environmental Assessment of this project have been received and this work is now underway.

In addition, the Company lodged an application to the Commonwealth Department of the Environment, Water, Heritage and the Arts for this project to be assessed under the Environmental Protection and Biodiversity Conservation Act. The Company has been advised that this pipeline project will be a "controlled action" for the purposes of the Act.

2. DIRECTORS' REPORT

The Directors of Metgasco Limited submit their report on the consolidated entity, consisting of Metgasco Limited and the entity it controlled during the half year ended 31 December 2007

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)
Nicholas Heath	Non Executive Director	B. Eng (Chemical)

Principal Activities

Metgasco is engaged in the exploration, development and commercialisation of hydrocarbon assets, principally coal seam methane and the development of associated energy infrastructure.

Review of Operations

Information related to the operational performance of the Company is provided on pages 3 to 8 of this Half Year Report.

Financial Results

The operating loss incurred by the Company in the period was \$1,218,285. Higher employment costs due to an increase in staff and an increase in share based payment expense of \$192,174 over the comparative period, were offset by higher interest income for the period. The Company has not expensed any carried forward exploration assets in the period.

Significant Events Subsequent to 31 December 2007

There have been no events subsequent to the period covered by this interim report which materially affect this interim financial report.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under Section 307C is included on page 11 to this Half Year Financial Report.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 14th day of March 2008.

A handwritten signature in black ink, appearing to read 'P Power', with a long horizontal flourish extending to the right.

Dr Peter Power
Chairman

3. AUDITOR'S INDEPENDENCE DECLARATION



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DECLARATION OF INDEPENDENCE BY IAN FERGUSSON TO THE DIRECTORS OF METGASCO LIMITED

As lead auditor for the review of Metgasco Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Metgasco Limited and the entity it controlled during the period.

I K Fergusson

Partner

BDO Kendalls

Sydney, 14 March 2008

4. CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity Half Year	
	31 December 2007	31 December 2006
	\$	\$
Income	521,731	49,381
Employment Expenses	(1,288,715)	(735,677)
Professional Fees	(262,471)	(351,246)
Borrowing Expenses	(8,091)	(2,846)
Administration Expenses	<u>(180,739)</u>	<u>(137,295)</u>
Loss before income tax expense	(1,218,285)	(1,177,683)
Income tax expense	-	-
Loss after income tax expense	<u>(1,218,285)</u>	<u>(1,177,683)</u>
	\$	\$
Basic loss per share	(0.01)	(0.01)
Diluted loss per share	(0.01)	(0.01)

The above Condensed Income Statement should be read in conjunction with the accompanying notes.

5. CONDENSED BALANCE SHEET FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity	
	31 December 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	12,647,435	17,203,633
Inventory	1,426,178	320,989
Trade and other receivables	1,755,436	1,796,279
Total Current Assets	<u>15,829,049</u>	<u>19,320,901</u>
NON-CURRENT ASSETS		
Exploration and evaluation expenditure	12,931,505	10,107,255
Plant and equipment	2,427,526	1,408,580
Total Non-Current Assets	<u>15,359,031</u>	<u>11,515,835</u>
TOTAL ASSETS	<u>31,188,080</u>	<u>30,836,736</u>
CURRENT LIABILITIES		
Trade and other payables	6,175,995	6,720,551
Provisions	375,274	38,330
Borrowings	26,005	4,202
Total Current Liabilities	<u>6,577,274</u>	<u>6,763,083</u>
NON CURRENT LIABILITIES		
Provisions	24,885	12,987
Borrowings	160,683	21,429
Total Non Current Liabilities	<u>185,568</u>	<u>34,416</u>
TOTAL LIABILITIES	<u>6,762,842</u>	<u>6,797,499</u>
NET ASSETS	<u>24,425,238</u>	<u>24,039,237</u>
EQUITY		
Contributed equity	27,586,054	27,007,018
Share option reserve	1,606,388	581,138
Accumulated losses	(4,767,204)	(3,548,919)
TOTAL EQUITY	<u>24,425,238</u>	<u>24,039,237</u>

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes.

6. CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity	
	Half Year	
	31 December	31 December
	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,105,971)	(680,529)
Receipt from farm-in partner	4,660,000	651,220
Interest received	500,131	48,949
Receipts from equipment hiring	599,280	-
Net cash inflow/(outflow) from operating activities	<u>3,653,440</u>	<u>(19,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on exploration and evaluation	(7,682,529)	(1,047,672)
Bonds paid	(225,000)	(80,000)
Government grants received	1,161,255	-
Purchase of plant and equipment	(930,774)	(413,709)
Inventory purchases	(1,105,189)	-
Net cash inflow/(outflow) from investing activities	<u>(8,782,237)</u>	<u>(1,541,381)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	581,765	6,366,077
Repayment of borrowings	(9,166)	-
Net cash inflow from financing activities	<u>572,599</u>	<u>6,366,077</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD	(4,556,198)	4,844,336
Net cash at 30 June 2007	17,203,633	1,127,009
NET CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2007	<u>12,647,435</u>	<u>5,971,345</u>

The above Condensed Cash Flow Statement should be read in conjunction with the accompanying notes.

7. CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Issued Capital	Retained Earnings	Share Option Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2006	8,946,941	(1,661,967)	313,588	7,598,562
Issue of share capital	6,619,002	-	-	6,619,002
Cost of share issues	(252,925)	-	-	(252,925)
Share based expense	-	-	260,935	260,935
Loss for the period	-	(1,177,683)	-	(1,177,683)
As at 31 December 2006	15,313,018	(2,839,650)	574,523	13,047,891
Issue of share capital	12,180,000	-	-	12,180,000
Loss for the period	-	(709,269)	-	(709,269)
Cost of share issue	(486,000)	-	-	(486,000)
Share based expense	-	-	6,615	6,615
At 30 June 2007	27,007,018	(3,548,919)	581,138	24,039,237
Issue of share capital	600,000	-	-	600,000
Cost of share issues	(20,964)	-	-	(20,964)
Share based expense	-	-	1,025,250	1,025,250
Loss for the period	-	(1,218,285)	-	(1,218,285)
At 31 December 2007	27,586,054	(4,767,204)	1,606,388	24,425,238

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

8. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 1. Summary of Significant Accounting Policies

This general purpose financial report for the interim half- year reporting period ended 31 December 2007 has been prepared in accordance with AASB Standard 134 "Interim Financial Reporting" and the Corporations Act 2001. The historical cost basis has been used.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Metgasco Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as those employed in the Consolidated Entity's June 30 2007 annual financial report.

Note 2. Segment Information

The Group operates in one business segment, being the hydrocarbon exploration and development industry. Activities involve the exploration, evaluation and development of principally coal seam gas and also conventional oil and gas. The Group operates solely in Northern New South Wales.

Note 3. Income

Income is comprised of interest received and fees receivable for the short term hire out of drilling equipment.

Note 4. Contingent Assets and Liabilities

An amount of \$601,629 is classed as contingent liabilities. This figure comprises secured charges over term deposits for the following items.

Exploration licence bonds	545,000
Corporate credit card	30,000
Rental bond	26,629

8. NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Note 5. Contributed Equity

Ordinary Shares	No of Shares		Value	
	Half Year Ended 31 Dec 2007	Year Ended 30 June 2007	Half Year Ended 31 Dec 2007	Year Ended 30 June 2007
Opening Balance	119,787,242	79,015,000	27,007,018	8,946,941
Cost of share issue (net of equity)	-	-	(20,964)	(738,925)
Public Issue	-	40,672,242	-	18,769,002
Exercise of options	2,000,000	100,000	600,000	30,000
Closing Balance	121,787,242	119,787,242	27,586,054	27,007,018

Options (not quoted on ASX)	No of Options Half Year Ended 31 Dec 2007	No of Options Year Ended 30 June 2007
Opening Balance	18,241,869	17,011,869
Issue to Employees	2,014,589	1,330,000
Exercised by Employees	(2,000,000)	(100,000)
Closing Balance	18,256,458	18,241,869

Note 6. Interest in Tenements and Joint Ventures

The Consolidated Entity continues to operate the Stratheden Joint Venture which comprises the coal seam gas rights in 3 of the 11 graticular blocks which comprise PEL 16. The Consolidated Entity's interest in this Joint Venture stands at 85% in the coal seam gas rights at the date of these accounts. The Consolidated Entity retains 100% rights to conventionally stored potential hydrocarbon resources in conventional reservoirs.

The Consolidated Entity announced in July 2007 that it had met its' farmin requirements and had earned a 51% interest in the coal bed methane reserves in PEL 13.

Interests in tenements is therefore summarised as follows.

PEL 16	96% (coal bed methane)
PEL 16	100% (conventional)
PEL 13	51% (coal bed methane)

Note 7. Events Subsequent to Balance Date

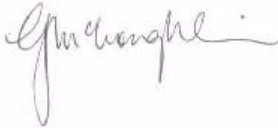
Pursuant to the Technical Services Agreement with Vectra CBM LLC, the granting of a total of 1,500,000 options to be issued over a 12 month period was approved at the Company's Annual General Meeting. The issue of the options is to be in 4 equal instalments. An amount of 375,000 options, being the first tranche, has been issued since the end of the reporting period covered by this interim financial report.

9. DIRECTORS' DECLARATION

The Directors of METGASCO LIMITED declare that:

1. The financial statements comprising the Income Statement, Balance Sheet and Cash Flow Statement, Statement of Changes in Equity and Accompanying Notes of the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001;
and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 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 and is signed for and on behalf of the Directors by:



.....
G.A. McLoughlin
Director

Sydney, 14 March 2008

10. INDEPENDENT REVIEW REPORT



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metgasco Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metgasco Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity it controlled at the half-year end or from time to time during the half-year in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with

Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metgasco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

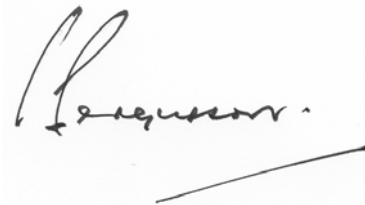
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



BDO Kendalls



I K Fergusson

Partner

Sydney, 14 March 2008

11. CORPORATE PARTICULARS

Directors:	Peter Power David Johnson Glenda McLoughlin Richard Wood Nicholas Heath	Non-Executive Chairman Managing Director Executive Director Executive Director Non Executive Director
Company Secretaries:	Glenda McLoughlin Nicholas Geddes	
ASX Symbol:	MEL	
Registered Office:	Level 3 32 Walker St North Sydney NSW 2060	
	Telephone:	(02) 9923 9100
	Facsimile:	(02) 9923 9199
	Website:	www.metgasco.com.au
	Email:	info@metgasco.com.au
Auditors:	BDO Kendalls Level 19, 2 Market Street Sydney NSW 2000	
Bankers:	National Australia Bank Level 17, 500 Oxford St Bondi Junction NSW 2022	
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	