



**SAGGASCO LIMITED**

**ABN 83 114 061 433**

**ANNUAL REPORT**

**For the year ended 31 December 2019**

**SACGASCO LIMITED**  
**CONTENTS**

---

**CONTENTS**

	Page
Chairman's Report .....	1
Review of Operations .....	2
Directors' Report .....	8
Remuneration Report - Audited .....	13
Auditor's Independence Declaration .....	21
Consolidated Statement of Profit or Loss .....	22
Consolidated Statement of Other Comprehensive Income .....	23
Consolidated Statement of Financial Position .....	24
Consolidated Statement of Changes in Equity .....	25
Consolidated Statement of Cash Flows .....	27
Notes to the Consolidated Financial Statements .....	28
Directors' Declaration .....	59
Independent Auditor's Report .....	60
Corporate Governance Statement .....	63
Stock Exchange Information .....	72
Corporate Directory .....	75

---

## **CHAIRMAN'S REPORT**

Dear Shareholder,

Sacgasco continues to pursue its growth strategy by using existing facilities to realise value from its exploration of the underexplored and overlooked older sediments in the Sacramento Basin. Sacgasco looks to 2020 to unlock the value of its asset base, with a planned appraisal well at Borba 1-7, and to build on its success in conventional Natural Gas flow, exploration and appraisal activities.

The Borba 1-7 well is a very exciting opportunity for the Company. Receipt of the drilling permit has allowed the Company to construct a road to access the well site and planning is in place for the next stage in the development of the Borba properties. Based on a return to more normal worldwide business conditions, this is expected later in 2020.

---

*“Natural Gas is the enabler of renewable Energy, not its Enemy.*

*Natural Gas supply alternatives and operational flexibility allows it to fit easily into government energy policies that are ultimately driven by the public expectation that the lights will stay on and living conditions will be comfortable!*

*Natural gas is a fundamental mineral for the modern world and will be required in our future energy matrix as much as any other energy source or energy storage mineral. Natural Gas also has important roles in fabrication of modern clothing and accessories, and building products, formulation of medicines, and for transportation.*

*Natural Gas is the hydrocarbon of choice for realistic public and private energy policies.”*

---

Our strategy to transition to become a significant producer in the short-term remains unchanged and unlike many other companies, this is all the much easier for Sacgasco as we have immediate access to critical JV-owned infrastructure that cannot be easily replicated. As well, we have the ability to supply directly into a high-demand and premium-priced local market.

### **Positive Outlook for Natural Gas Markets**

We believe there is a positive market outlook for natural gas, due to its diverse role in energy supply and we expect that global energy demand, particularly natural gas, will grow significantly over the next two decades. Natural Gas prices have remained firm in the face of recent falls in global oil prices.

Natural gas is an important component of California's energy system, supplying about one-third of the state's primary energy demand. Even as California seeks to move away from fossil fuels to meet its climate goals, natural gas-fired electricity will play an important role in integrating increasing amounts of renewables into the electricity grid.

California receives about 90 percent of its natural gas from supply basins outside the state, through the integrated North American natural gas market. A local source of natural gas has many benefits, and this construct underpins Sacgasco's strategy in California.

California natural gas prices are almost always higher than US benchmark Henry Hub prices. Gas prices in California remain at a premium of some 40% to the US benchmark and combined with Sacgasco's low operating costs, the potential for enhanced returns from increasing gas flows is attractive.

Yours faithfully,

**Andrew Childs**  
**Chairman**

---

## **REVIEW OF OPERATIONS**

### **OVERVIEW**

Sacgasco Limited is listed on the Australian Securities Exchange (ASX: SGC).

Sacgasco's strategy is to find and drill, oil and gas flow opportunities in recently overlooked, but prospective sedimentary basins close to under supplied oil and gas markets.

As an explorer Sacgasco uses its assets to facilitate exploration activities to grow the company.

Sacgasco's focus is on activity that provides attractive options for investors.

### **OPERATIONS HIGHLIGHTS**

- County approval and drilling permit received for the Borba 1-7 Natural Gas Prospect;
- Acquired additional interests in and simplified the JV structure in Sacgasco Operated Projects in Sacramento Basin;
- Sacgasco portfolio of wells and gas infrastructure, particularly natural gas pipelines and Gas Sales Meter Stations provides platform to scale up production in near term;
- Leases over mapped high potential prospects continue to be held for drilling, gas flow rework, appraisal and exploration;
- Opportunities that are consistent with the Company's strategy are reviewed for drilling opportunities; and
- Natural gas prices continue to be at a premium to the USA Henry Hub benchmark.

SGC has established a portfolio of large conventional natural gas prospects in the Sacramento Basin, close to under-filled Natural Gas trunklines connecting to the attractive Californian gas market.

#### **Conventional Natural Gas Growth Outlook for Sacgasco in 2020:**

##### **Clearly recognised new Natural Gas Play Fundamentals:**

- ✓ **3D seismic based model for Conventional Sandstone reservoirs in robust hydrocarbon traps**
- ✓ **Source of Pipeline Quality Gas Proved**
- ✓ **High Reservoir Energy to support High Gas Flows**
- ✓ **Operated assets with low overheads**
- ✓ **Access to existing JV-owned critical pipeline infrastructure**
- ✓ **California Natural Gas prices at a premium**

SGC's growth strategy, based on funding drilling through a combination of capital raising and farmout processes, represents an opportunity to achieve increased near-term gas supply to a domestic market with a major energy supply deficit. California's average gas demand is approximately 7 billion cubic feet per day or 2.5 trillion cubic feet of gas per year, with Californian sourced gas production only amounting to less than 10% and declining.

SGC's management team is committed to progressing corporate and operational objectives in order to expand the Company's business in California and elsewhere as opportunities present.

**SACRAMENTO BASIN - Onshore Northern California**

**Exploration, appraisal and new ventures**

Opportunities have been identified in the Sacgasco portfolio of wells for multiples of current production levels.

Sacgasco has identified workover and equipment relocation and refurbishment activities in its portfolio that provide opportunities for increases in production in the near future. While scaling up production from the Company's portfolio of 31 wells is a business fundamental, Sacgasco recognises that shareholder rewards are driven by bringing larger potential projects into production across its gas fields and exploration acreage

Production facilities provide ready access points for future exploration success from Sacgasco's appraisal and exploration activities.

**Borba 1-7 Field (SGC 50% WI)**

During the year Sacgasco received approval from the Glenn County Planning and Community Development Services Agency and subsequently received the Drilling Permit from California Division of Oil, Gas and Geothermal Resources for the Borba 1-7 well. The Company interprets the Borba prospect to be an optimal location to test multiple stacked amplitude anomalies and potential channel fill sand reservoirs, in a vertical well.

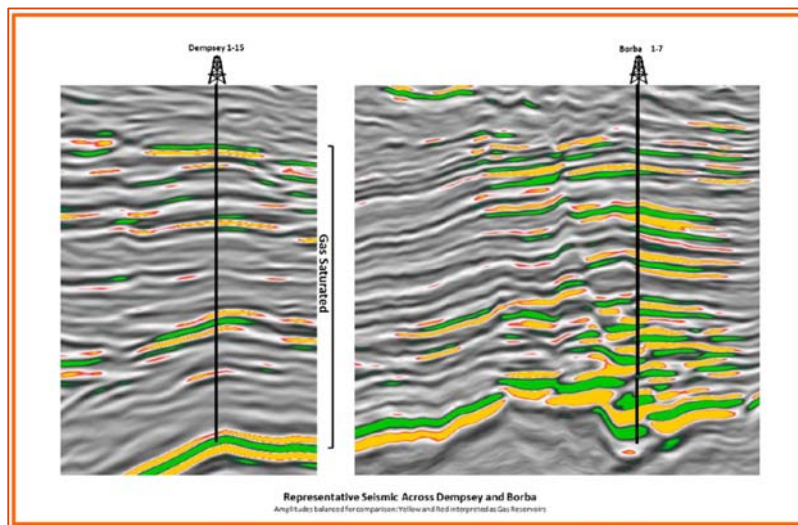
Notably, in granting the drilling permit Glenn County staff provided the following commentary in the approval document:

**2.4 PUBLIC BENEFIT**

There is a growing public demand for natural gas energy. The development of this natural resource is desirable because it will contribute to the County's tax revenues and provide a necessary resource to the community. The proposed gas well is in an agricultural area.

The Borba well is located within a 3D seismic data volume. The first undrilled amplitude anomaly occurs at around 700 metres drilling depth. Multiple seismic anomalies below this depth are interpreted to represent individual gas traps.

The interception of good reservoirs at this location will calibrate more extensive seismic anomalies and multi-TCF natural gas resource potential in a new play fairway in this area.

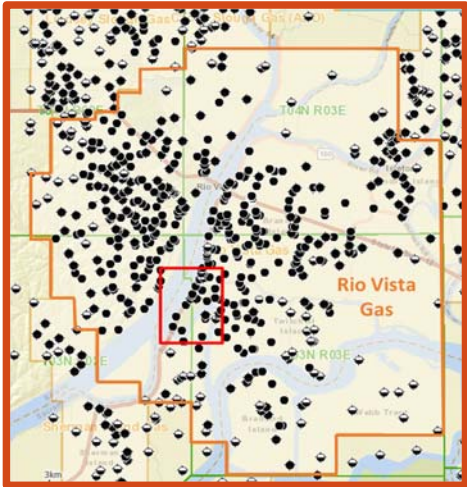


**SACGASCO LIMITED  
REVIEW OF OPERATIONS**

**Rio Vista Gas Fields (SGC 100% WI)**

As announced in December 2018, Sactasco acquired 100% of a strategic portfolio of natural gas assets in the Rio Vista Gas Field in the Sacramento Basin, California. The Rio Vista field has produced over 3.8 Tcf of natural gas and is the largest natural gas field in the Sacramento Basin.

The acquired wells are located within a 467-acre oil and gas lease, with flowing gas from depths between 5,000 and 7,000 feet. The property includes two gas flowing wells. The property, including an oil and gas lease, wells and associated gas flow facilities was acquired for no initial cost.



**Location of Sactasco Rio Vista Field Wells (Inset Red Box)**

**GAS FLOW UPDATE**

Sactasco’s well portfolio of Operated wells, provides opportunities to bring additional wells back into gas flowing conditions.

The Company has working interests in 8 gas fields in the Northern Sacramento Basin and is the operator of wells in 7 of these fields. The fields are Rancho-Capay, Rice Creek East, Malton, Dutch Slough, Denverton Creek, Los Medanos, Rio Vista and Willows.

Gas Flows	Full Year 2019	Full Year 2018
Gross mcf * (100%)	231,489	316,663
SGC WI mcf	130,451	115,818
*mcf – Thousand Cubic feet gas		

**NEW VENTURES AND ACQUISITIONS**

Sactasco reviews opportunities that fit with the strategy to find and explore oil and gas opportunities in recently overlooked, but prospective sedimentary basins close to under supplied oil and gas markets. A number of these opportunities are under review.

**SACGASCO LIMITED  
REVIEW OF OPERATIONS**

**SAGASCO WELLS – WORKING INTEREST AND STATUS**

<b>Field and Well Name</b>	<b>Working Interest (WI)* (Approx.)</b>	<b>Well Status</b>
<b>Rancho Capay Gas Field: (Operated)</b>		
Rancho Unit 1	41%	Active
Rancho Unit 2	57%	Active
Rio Grande	60%	Active
Big Jake	60%	Idle
Stoney Creek 3	60%	Active
Stoney Creek 2	60%	Idle
Dempsey 1-15	60%	Intermittent
<b>Rice Creek East Gas Field: (Operated)</b>		
OPI Bettencourt Unit	60%	Idle
Bettencourt Unit B	60%	Idle
Nareco Slade #1B	60%	Idle
<b>Malton Gas Field: (Operated)</b>		
Canfield 2	61%	Idle
MU #1	44%	Idle
Santa Clara #1	41%	Idle
Unit #7	35%	Idle
VBC #1	47%	Active
VBC #2	47%	Active
VBC #3	47%	Active
<b>Dutch Slough Gas Field: (Operated)</b>		
SCOPESI #3	69%	Idle
Reedy #1	69%	Idle
Reedy #2	69%	Idle
Reedy #3	69%	Idle
Reedy #4	69%	Idle
<b>Denverton Creek Gas Field: (Operated)</b>		
Lambie Felenco 3-4	70%	Intermittent
<b>Los Medanos Gas Field: (Operated)</b>		
Neely 1	90%	Idle
Neely 2	90%	Active
<b>Willows Gas Field: (Non-Operated)</b>		
MJ Line	10%	Active
<b>Rio Vista Gas Field (Operated)</b>		
Rec Board #5	100%	Idle
Rec Board #7	100%	Active
Rec Board #8	100%	Active
<b>Example Key Plugged Wells (available for re-entry)</b>		
Alvares	49%	Plugged
Reedy #5	69%	Plugged

Note: WI\* – Approximate numbers represent post farmout working interests

**SACGASCO LIMITED  
REVIEW OF OPERATIONS**

**PROJECT SUMMARY**

SGC's current focus is unlocking the underlying value from its natural gas prospects in the Sacramento Basin.

<b>PROJECT NAMES</b> All located in the Sacramento Basin Onshore northern California	<b>LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL</b>	<b>PROJECT TYPE</b>	<b>TOTAL WELLS</b>	<b>WORKING INTEREST (WI)*</b>
<b>Dempsey Project</b>	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	10	41-60%
<b>Alvares Project</b>	Oil and Gas Mineral Leases; Alvares 1 well (P&A Re-entry)	Exploration & Appraisal	1	49%
<b>Dempsey Trend Projects incl Borba</b>	Oil and Gas Mineral Leases	Exploration	-	46 - 50%
<b>Los Medanos Project</b>	Los Medanos Gas Field HBP Leases	Appraisal & Rework	2	90%
<b>Malton Project</b>	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	7	35-61%
<b>Dutch Slough Gas Project</b>	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal & Rework	6	69%
<b>Denverton Creek Gas Project</b>	Denverton Creek Gas Field HBP Leases	Gas flow & Rework	1	70%
<b>Rio Vista Gas Project</b>	Rio Vista Field Wells HBP Leases	Gas flow, appraisal & Rework	3	100%
<b>Willows Gas Field (Non-operated)</b>	Willows Gas Fields HBP Leases	Gas flow & Rework	1	10%

Note: WI\* – Approximate numbers represent post farmout working interests

**Changes in Tenement / Project List Reporting Period:**

Significant Working Interest changes have been reported above.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect local and industry conditions:

Working interest may vary across individual projects and leases and WI above reflects the WI in the relevant well bores or majority of leased lands.



## **SACGASCO LIMITED REVIEW OF OPERATIONS**

---

### **Leases**

US exploration is conducted on leases grant by Mineral Right owners, in SGC's case primarily private individuals or groups. Leases can vary in size from very small parcels (part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. There are no firm work commitments associated with the leases. Some leases are 'Held By Production' and royalties are paid to mineral right owners in lieu of rentals. SGC has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional natural gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to SGC shareholders.

### **Competent Persons Statement**

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 47 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

### **The Financial Year**

#### Rights Issue

In August 2019 the Company completed a Non-Renounceable Rights Issue. The offer was based on 1 new option for every 2 shares held at the record date, with the offer price of 0.3 cents per option. The options are exercisable at 4 cents each on or before 31 December 2021. The rights issue was completed, with 133,429,948 new listed options issued to shareholders raising \$400,290.

#### Corporate Activity

#### Public Presentations:

SGC Non-Executive Director Greg Channon presented to shareholders and investors at the annual Good Oil Conference held in Perth, Western Australia (Refer ASX release dated 11 September 2019).

**SACGASCO LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2019**

---

**DIRECTORS' REPORT**

Your Directors present their report together with the financial statements of the Group consisting of Sacgasco Limited and the entities it controlled for the financial year ended 31 December 2019 and the auditor's report thereon.

**DIRECTORS**

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Andrew Childs  Non-Executive Chairman</p> <p>Appointed: 25 November 2008</p>	<p>Mr Childs graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, Mr Childs moved to petroleum geology and geophysics with Perth-based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director.</p>
<p><u>Interests:</u>  Shares: 6,798,094  Options: 9,224,769</p>	<p>Mr Childs is also Principal of Resource Recruitment and Non-Executive Director of ADX Energy.</p> <p>Andrew is Chair of the Remuneration and Nomination Committee and is a member of the Audit and Risk Management Committee.</p>
<p>Past directorships</p>	<p>None</p>
<p>Gary Jeffery  Managing Director</p> <p>Appointed: 24 October 2013</p>	<p>Mr Jeffery has over 47 years of project development, operations and exploration experience in the oil, gas and mining and energy utilities industries, having worked for both large and small organisations in over thirty countries worldwide.</p> <p>He is an experienced director of public companies in Australia, Uganda and Canada, and has broad international experience in resources, and provides consulting services on energy and resource related matters.</p>
<p><u>Interests:</u>  Shares: 17,389,757  Options: 17,823,485</p>	<p>Mr Jeffery graduated with a BSc in Geology and Geophysics from the University of New England. He is a WA Energy Research Alliance (WAERA) Industry Advisory Group participant.</p>
<p>Past directorships:</p>	<p>None</p>

---

**SACGASCO LIMITED**  
**DIRECTORS' REPORT**

For the year ended 31 December 2019

**DIRECTORS (continued)**

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p><b>Greg Channon</b>                      Non-Executive Director                      Appointed: 3 December 2018</p> <p><u>Interests:</u>                      Shares: 2,051,977                      Options: 3,977,239</p>	<p>Mr Channon is a geologist with over 35 years of international experience in the oil and gas industry. He commenced his career in 1984 as a Wellsite and Operations Geologist at Delhi Petroleum before joining Santos as an Explorationist in 1987.</p> <p>Mr Channon was a co-founder of RL Energy and has held numerous management positions on oil and gas exploration entities. He has sat on the Board of Directors of several companies listed on the ASX, TSX and HKSE in previous years. He is currently a Non-Executive Director of Samson Oil and Gas Ltd (ASX: SSN).</p> <p>Greg is Chair of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee.</p>
Past directorships	None

**COMPANY SECRETARIES**

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 24 October 2013. Mr D. McArthur has over 30 years' experience in the corporate management of publicly listed companies and has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint Company Secretary on 28 February 2020. Mr J. McArthur has nine years corporate and financial experience in Australia and the United Kingdom.

**DIRECTORS' MEETINGS**

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 31 December 2019, and the number of meetings attended by each director were:

	Full meetings of Directors		Meetings of Audit and Risk Management Committee		Meetings of Remuneration and Nomination Committee	
	Number of meetings attended	Number of meetings held whilst a Director	Number of meetings attended	Number of meetings held whilst a Director	Number of meetings attended	Number of meetings held whilst a Director
Andrew Childs	4	4	2	2	-	-
Gary Jeffery	4	4	2	2	n/a	n/a
Greg Channon	4	4	2	2	-	-

**SACGASCO LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2019**

---

**DIRECTORS' MEETINGS (continued)**

The small size of the Board means that Members of the Board meet informally on a regular basis to discuss company operations, risks and strategies, and as required, formalise key actions through circular resolutions.

The audit and risk management, finance and environmental functions are handled by the full board of the Company.

**PRINCIPAL ACTIVITIES**

The principal activity of the Group during the financial year was oil and gas exploration with associated natural gas flows as a by-product.

**OPERATING RESULTS**

The loss for the financial year ended 31 December 2019 attributable to members of Sacgasco Limited after income tax was \$1,316,441 (2018: \$1,974,367).

The Group has a working capital deficit of \$237,633 (2018: surplus of \$458,256) and had net cash outflows of \$665,947 (2018: net cash outflows of \$929,479).

The Company remains acutely aware of the current economic climate and continues to implement cost reduction measures across the business.

**OPERATIONS REVIEW**

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

**Significant changes in the state of affairs**

In the opinion of the Directors there were no matters that significantly affected the affairs of the Group during the financial year, other than those matters referred to in the overview above.

**DIVIDENDS**

The Directors recommend that no dividend be provided for the year ended 31 December 2019 (2018: Nil).

**LIKELY DEVELOPMENTS**

The Group will continue to pursue its strategy to further develop its exploration portfolio and to increase gas flows associated with its wells in California.

**SACGASCO LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2019**

---

**ENVIRONMENTAL REGULATION**

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS**

The Company has agreed to indemnify all Directors and Company Secretary against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is \$52,410 (2018: \$50,634) to insure the Directors and Company Secretaries of the Company.

**NON-AUDIT SERVICES**

No non-audit services were provided during the year from the auditor of the Company, HLB Mann Judd.

**EVENTS SUBSEQUENT TO REPORTING DATE**

Other than as disclosed in note 6.8 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

**PROCEEDINGS ON BEHALF OF THE GROUP**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

**SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF THE EXERCISE OF OPTIONS**

During the financial year, no ordinary shares (2018: 500,000 ordinary shares) were issued by the Company as a result of the exercise of options.

There are no unpaid amounts on the shares issued.

**SACGASCO LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2019**

---

**UNISSUED SHARES UNDER OPTION**

At the date of this report unissued ordinary shares of the Group under option are:

<b>Grant date</b>	<b>Number of shares under option</b>	<b>Exercise price of option cents</b>	<b>Expiry date of option</b>
31-May-2019	19,000,000	4	31-Dec-2021
15-Oct-2019	133,429,948	4	31-Dec-2021
	<hr/> <hr/>		
	152,429,948		

All unissued shares are ordinary shares of the Company.

During the reporting period 43,000,000 options expired (2018: no options expired).

**REMUNERATION REPORT**

The Remuneration Report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of Sacgasco Limited for the financial year ended 31 December 2019 and is included on page 13.

**AUDITOR INDEPENDENCE**

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. The Independence Declaration is set out on page 21 and forms part of this Directors' report for the year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



**GARY JEFFERY**  
Managing Director

Dated at Perth, Western Australia this 30<sup>th</sup> day of March 2020.

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

---

**REMUNERATION REPORT - AUDITED**

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Directors of Saccasco Limited for the year ended 31 December 2019. There were no other key management personnel during the year. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

**Remuneration philosophy**

The performance of the Company depends upon the quality of the Key Management Personnel. The philosophy of the Company in determining remuneration levels is to:

- Set competitive remuneration packages to attract and retain high-calibre employees;
- Link executive rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

**Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the Key Management Personnel.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. The Remuneration and Nomination Committee met once during the year.

**Remuneration structure**

In accordance with best practice corporate governance, the structure of Executive Director and Non-executive directors' remuneration is separate and distinct.

***Executive Director remuneration***

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

***Fixed remuneration***

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

***Variable remuneration - Short-term incentive scheme***

Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

**Remuneration structure (continued)**

**Variable remuneration - Short-term incentive scheme (continued)**

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- satisfactory completion of development programs, on time and on budget;
- securing funding to support planned work programs;
- investor relations; and
- consideration of safety performance, corporate governance, external relations and general management.

At this stage, the Company does not award any STIs.

**Variable remuneration - Long-term incentive scheme**

The Group also makes long-term incentive payments such as share options and / or performance rights to reward Executive Directors and other key management in a manner that aligns this element of remuneration with the creation of shareholder wealth.

The Company has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Company eligible employees and consultants to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however, the Board determines appropriate vesting periods to provide rewards over time.

**Performance on shareholder wealth**

The remuneration of the Group's key management personnel, including any component of remuneration that consists of securities in the Company, is not formally linked to the prior performance of the Group. The rationale for this approach is that the Group is in the exploration phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

The table below sets out summary information about the Group's earnings and movements in shareholders' wealth for the five years to 31 December 2019:

	2019	2018	2017	2016	2015
Other income	782,243	1,250,989	404,632	183,646	365,605
Loss before income tax (\$)	(1,314,164)	(1,972,174)	(6,714,764)	(1,134,923)	(2,336,013)
Net loss attributable to equity holders (\$)	(1,316,441)	(1,974,367)	(6,720,095)	(1,137,120)	(2,337,230)
Share price at year end (cents)	4.50	2.50	7.80	6.50	3.90
Number of listed ordinary shares	268,513,742	261,780,949	243,989,884	130,110,984	107,095,783
Weighted average number of shares	266,085,375	204,386,845	204,386,845	115,477,089	100,008,631
Basic loss per share EPS (cents)	(0.49)	(0.78)	(3.29)	(0.98)	(2.34)
Listed options	133,429,948	-	-	-	-
Unlisted options	19,000,000	43,000,000	37,500,000	19,698,773	11,500,000
Market capitalisation (\$)	12,083,118	7,591,648	19,024,191	8,457,214	1,821,292
Net tangible assets / (liabilities) (NTA) (\$)	(133,437)	561,307	1,517,627	(,007,577)	(471,472)
NTA Backing (cents)	(0.05)	0.21	0.62	(0.77)	(0.44)

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to shareholders.



**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

**Employment contracts**

Remuneration and other terms of employment of the Managing Director is formalised in an employment contract. The major provisions of the agreement related to remuneration are set out below.

Name	Terms of agreement	Employee notice period	Employer notice period	Base salary **	Termination Benefit ***
Gary Jeffery *	Ongoing from 1 November 2013	Three months	Six months	\$200,000	Six months' base salary

\* On 6 November 2013, a Deed of Executive Services Agreement was entered into with Dungay Resources Pty Ltd, a company associated with Gary Jeffery (effective 1 November 2013);

\*\* Base salary is inclusive of the superannuation guarantee charge rate applicable at the time (currently 9.50%) and comprises \$100,000 cash and \$100,000 in shares for 50% of Mr Jeffery's time. Shares are issued on a calendar quarterly basis with shareholder approval. The issue price of the shares is the mathematical average of the VWAP for the first and the last five trading days in the calendar quarter;

\*\*\* Termination benefits are payable upon early termination by the Company, other than for gross misconduct. They are equal to base salary for the notice period.

At a general meeting on 31 May 2019, a share plan was approved by shareholders to satisfy 50% of the Executive Director fees payable to Mr Jeffery through the issue of shares on a quarterly basis. These shares were issued as follows:

Quarter ended	Contractual value of services rendered \$	Market value of shares on grant date \$	No. of Plan Shares issued	Date of issue	Share price on grant date cents
31-Dec-18	-	-	625,000	10-Jan-19	3.80
31-Mar-19	25,000	23,750	625,000	04-Apr-19	3.80
30-Jun-19	25,000	32,895	1,315,789	05-Jul-19	2.50
30-Sep-19	25,000	24,038	961,538	15-Oct-19	2.50
	75,000	80,683	3,527,327		
31-Dec-19	25,000	19,530	781,250	22-Jan-20	2.50
	100,000	100,213	3,683,577		

**Non-Executive Director remuneration**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was in 2005 and an aggregate remuneration of \$150,000 per annum was set. Any future changes would be approved by shareholders at an Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration and Nomination Committee considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of statutory superannuation and membership of sub-committees.

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

---

**Non-Executive Director remuneration (continued)**

The Non-Executive Director's base fee payable to Mr Channon is \$30,000 per annum, including superannuation.

The Non-Executive Chairman's base fee is \$40,000 per annum, including superannuation. Pursuant to the share-plan approved by shareholders at a general meeting on 31 May 2019, 50% of Mr Childs fee is paid through the issue of shares on a quarterly basis. These shares were issued as follows:

Quarter ended	Contractual value of services rendered \$	Market value of shares on grant date \$	No. of Plan Shares issued	Date of issue	Share price on grant date cents
31-Dec-18	-	-	125,000	11-Jan-19	3.80
31-Mar-19	5,000	4,750	125,000	04-Apr-19	3.80
30-Jun-19	5,000	6,579	263,158	05-Jul-19	2.50
30-Sep-19	5,000	4,808	192,308	15-Oct-19	2.50
	15,000	16,137	705,466		
31-Dec-19	5,000	3,906	156,250	22-Jan-20	2.50
	20,000	20,043	736,716		

In addition to their base fees, non-executive directors may also receive payment for consultancy services at the lesser of \$200 per hour or \$1,500 per day plus any reimbursable expenses.

**Use of remuneration consultants**

No remuneration consultants provided services during the year.

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
For the year ended 31 December 2019

**Remuneration of Directors**

Name		Short-term employee benefits		Share-based payments		Total \$
		Cash salary and fees \$	D&O Insurance Premiums \$	Shares \$	Options (A) \$	
<b>Executive Directors</b>						
Gary Jeffery	2019	100,000	17,470	100,213	58,000	275,683
	2018	100,000	16,877	92,083	-	208,960
<b>Non-Executive Directors</b>						
Andrew Childs	2019	20,000	17,470	20,043	34,800	92,313
	2018	20,000	16,878	18,417	-	55,295
Greg Channon	2019	30,000	17,470	-	17,400	64,870
	2018	2,500	1,295	-	-	3,795
Sub-total Non-Executive Directors' remuneration	2019	50,000	34,940	20,043	52,200	157,183
	2018	22,500	18,173	18,417	-	59,090
<b>Total Current Directors' remuneration</b>	<b>2019</b>	<b>150,000</b>	<b>52,410</b>	<b>120,256</b>	<b>110,20</b>	<b>432,866</b>
	<b>2018</b>	<b>122,500</b>	<b>35,050</b>	<b>110,500</b>	<b>-</b>	<b>268,050</b>

(A) The fair value of options granted was determined using the Black-Scholes option pricing model.

No proportion of Directors' remuneration was linked to performance for the year ended 31 December 2019 (2018: nil)

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
For the year ended 31 December 2019

**14. REMUNERATION REPORT - AUDITED (continued)**

**(f) Key management personnel remuneration**

Name		Short-term employee benefits		Post employment benefits	Share-based payments		Total
		Cash salary and fees	D&O Insurance Premiums	Superannuation	Shares	Options (A)	
		\$	\$	\$	\$	\$	\$
<b>Former Directors</b>							
Graeme Clatworthy <sup>(1)</sup>	2019	-	-	-	-	-	-
	2018	9,132	5,688	868	-	-	15,688
Philip Haydn-Slater <sup>(2)</sup>	2019	-	-	-	-	-	-
	2018	-	9,896	-	15,750	-	25,646
Sub-total former Directors' remuneration	2019	-	-	-	-	-	-
	2018	9,132	15,584	868	15,750	-	41,334
<b>Total Directors' remuneration</b>	<b>2019</b>	<b>150,000</b>	<b>52,410</b>	<b>-</b>	<b>120,256</b>	<b>110,200</b>	<b>432,866</b>
	<b>2018</b>	<b>131,632</b>	<b>50,634</b>	<b>868</b>	<b>126,250</b>	<b>-</b>	<b>309,384</b>

<sup>(1)</sup> Appointed 2 August 2018. Resigned 3 December 2018;

<sup>(2)</sup> Appointed 1 February 2017. Resigned 2 August 2018;

<sup>(A)</sup> The fair value of options granted was determined using the Black-Scholes option pricing model

No proportion of Directors' remuneration was linked to performance for the year ended 31 December 2019 (2018: nil)

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

**Options**

***Granted as compensation***

At the date of this report, share options granted to the Directors of the Company as part of their remuneration are:

	Number of options granted	Grant date	Value per option at grant date cents	Value of options at grant date \$	Vesting and first exercise date	Last Exercised date	Exercise price per option cents	Expiry date
Gary Jeffery	10,000,000	31-May-19	0.58	58,000	13-Jun-19	31-Dec-21	4	31-Dec-21
Andrew Childs	6,000,000	31-May-19	0.58	34,800	13-Jun-19	31-Dec-21	4	31-Dec-21
Greg Channon	3,000,000	31-May-19	0.58	17,400	13-Jun-19	31-Dec-21	4	31-Dec-21

The options tabled above were provided at no cost to the recipients.

No options granted as compensation in the current or prior years were exercised (2018: 500,000 options exercised). 16,000,000 options granted as compensation in a prior year were forfeited, lapsed or cancelled (2018: no options were forfeited, lapsed or cancelled).

**Other information**

***Options held by Directors***

	Held at 31 December 2018	Granted As Remuneration	Acquired	Exercised	Expired	Held at 31 December 2019	Vested and Exercisable At 31 December 2019
Gary Jeffery	8,000,000	10,000,000	7,823,485	-	(8,000,000)	17,823,485	<b>17,823,485</b>
Andrew Childs	8,000,000	6,000,000	3,224,769	-	(8,000,000)	9,224,769	<b>9,224,769</b>
Greg Channon	-	3,000,000	977,239	-	-	3,977,239	<b>3,977,239</b>

**SACGASCO LIMITED**  
**REMUNERATION REPORT**  
**For the year ended 31 December 2019**

---

**Other information (continued)**

**Ordinary shares held by Directors**

	<b>Held at 31 December 2018</b>	<b>Purchases</b>	<b>In lieu of fees</b>	<b>Held at 31 December 2019</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Gary Jeffery	13,081,180	-	3,527,327	<b>16,608,507</b>
Andrew Childs	5,936,378	-	705,466	<b>6,641,844</b>
Greg Channon	2,051,977	-	-	<b>2,051,977</b>

---

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

**Cash bonuses included in remuneration**

No cash bonuses were granted during 2019.

**Share-based remuneration granted as compensation**

For details of share-based payments granted during the year, refer note 6.1.

**Other transactions with Key Management Personnel**

Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 6.4.

**2019 Annual General Meeting**

The Company received 85.52% of “yes” votes on its remuneration report for the 31 December 2018 financial year.

**THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.**

---

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Saggasco Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
30 March 2020



**N G Neill**  
Partner

**h**l**b.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hbw.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
Other operating income		782,243	1,250,989
Other operating expenses		(949,468)	(1,253,564)
Net operating expenses	2.2	(167,225)	(2,575)
Gain on disposal of subsidiaries		3,722	26,873
Foreign exchange gain		6,210	38,055
Site restoration reduction		-	27,666
Exploration expenditure expensed through profit or loss		(156,392)	(1,161,373)
Marketing and business development		(7,002)	(6,309)
Personnel expenses	2.4	(505,003)	(360,549)
General and administration		(167,775)	(134,028)
Professional fees		(296,372)	(377,875)
Depreciation		(3,885)	(5,894)
Amortisation		(251)	-
Impairment of other receivables		-	(1,273)
<b>Results from operating activities</b>		<b>(1,293,973)</b>	<b>(1,957,282)</b>
Finance costs	2.3	(20,191)	(14,892)
<b>Loss before income tax</b>		<b>(1,314,164)</b>	<b>(1,972,174)</b>
Income tax expense	2.5	(2,277)	(2,193)
<b>Loss for the year</b>		<b>(1,316,441)</b>	<b>(1,974,367)</b>
<b>Loss per share (cents per share)</b>			
Basic and diluted	2.7	(0.49)	(0.78)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

---

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b> \$	<b>2018</b> \$
Loss for the year	(1,316,441)	(1,974,367)
<b>Other comprehensive income</b>		
<i>Items that may be classified subsequently to profit or loss</i>		
Foreign currency translation difference of foreign operations	(2,233)	106,689
Total items that may be classified subsequently to profit or loss	<b>(2,233)</b>	<b>106,689</b>
<b>Total comprehensive loss for the year</b>	<b>(1,318,674)</b>	<b>(1,867,678)</b>

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
<b>Assets</b>			
Cash and cash equivalents	4.1	282,454	956,365
Trade and other receivables	4.2	536,599	661,147
Prepayments		61,933	69,587
<b>Total current assets</b>		<b>880,986</b>	<b>1,687,099</b>
Other financial assets	4.3	290,138	283,478
Property, plant and equipment		7,952	12,338
Intangible assets		289	-
<b>Total non-current assets</b>		<b>298,379</b>	<b>295,816</b>
<b>Total assets</b>		<b>1,179,365</b>	<b>1,982,915</b>
<b>Liabilities</b>			
Trade and other payables	4.4	(888,000)	(943,649)
Employee entitlements	2.4	(17,350)	(7,344)
Loans and borrowings	5.2	(213,269)	(277,850)
<b>Total current liabilities</b>		<b>(1,118,619)</b>	<b>(1,228,843)</b>
Site restoration	3.1	(193,894)	(192,765)
<b>Total non-current liabilities</b>		<b>(193,894)</b>	<b>(192,765)</b>
<b>Total liabilities</b>		<b>(1,312,513)</b>	<b>(1,421,608)</b>
<b>Net (liabilities) / assets</b>		<b>(133,148)</b>	<b>561,307</b>
<b>Equity</b>			
Issued capital	5.1	21,304,674	20,785,593
Reserves		294,164	1,774,704
Accumulated losses		(21,731,986)	(21,998,990)
<b>Total (deficiency) / equity attributable to equity holders of the Company</b>		<b>(133,148)</b>	<b>561,307</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Translation reserve	Options reserve	Share-based Payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2019	20,785,593	162,759	1,583,445	28,500	(21,998,990)	561,307
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(1,316,441)	(1,316,441)
<b>Other comprehensive income for the year</b>						
Foreign exchange translation difference on foreign operations	-	(2,233)	-	-	-	(2,233)
Total other comprehensive expense for the year	-	(2,233)	-	-	-	(2,233)
<b>Total comprehensive loss for the year</b>	-	(2,233)	-	-	(1,316,441)	(1,318,674)
<b>Transactions with owners, recorded directly in equity:</b>						
<b>Contributions by and distributions to owners</b>						
Issue of ordinary shares	188,320	-	-	-	-	188,320
Issue of options	400,290	-	-	-	-	400,290
Transfer to accumulated losses on expiry of options	-	-	(1,583,445)	-	1,583,445	-
Share-based payment transactions	-	-	110,200	(5,062)	-	105,138
Capital raising costs	(69,529)	-	-	-	-	(69,529)
<b>Total contributions by and distributions to owners</b>	<b>519,081</b>	<b>-</b>	<b>(1,473,245)</b>	<b>(5,062)</b>	<b>1,583,445</b>	<b>624,219</b>
<b>Total transactions with owners</b>	<b>519,081</b>	<b>-</b>	<b>(1,473,245)</b>	<b>(5,062)</b>	<b>1,583,445</b>	<b>624,219</b>
<b>Balance at 31 December 2019</b>	<b>21,304,674</b>	<b>160,526</b>	<b>110,200</b>	<b>23,438</b>	<b>(21,731,986)</b>	<b>(133,148)</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Translation reserve	Options reserve	Share-based Payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2018	19,899,304	56,070	1,573,150	42,326	(20,053,223)	1,517,627
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(1,974,367)	(1,974,367)
<b>Other comprehensive income for the year</b>						
Foreign exchange translation difference on foreign operations	-	106,689	-	-	-	106,689
Total other comprehensive income for the year	-	106,689	-	-	-	106,689
<b>Total comprehensive loss for the year</b>	-	<b>106,689</b>	-	-	<b>(1,974,367)</b>	<b>(1,867,678)</b>
<b>Transactions with owners, recorded directly in equity:</b>						
<b>Contributions by and distributions to owners</b>						
Issue of ordinary shares	830,909	-	-	-	-	830,909
Issue of ordinary shares on conversion of options	75,000	-	(28,600)	-	28,600	75,000
Share-based payment transactions	-	-	38,895	(13,826)	-	25,069
Capital raising costs	(19,620)	-	-	-	-	(19,620)
<b>Total contributions by and distributions to owners</b>	<b>886,289</b>	-	<b>10,295</b>	<b>(13,826)</b>	<b>28,600</b>	<b>911,358</b>
<b>Total transactions with owners</b>	<b>886,289</b>	-	<b>10,295</b>	<b>(13,826)</b>	<b>28,600</b>	<b>911,358</b>
<b>Balance at 31 December 2018</b>	<b>20,785,593</b>	<b>162,759</b>	<b>1,583,445</b>	<b>28,500</b>	<b>(21,998,990)</b>	<b>561,307</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**SACGASCO LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(551,584)	(530,969)
Payments for exploration and evaluation		(309,675)	(1,207,128)
Interest paid		(26,290)	(6,398)
Income taxes paid		(2,277)	(2,193)
<b>Net cash used in operating activities</b>	4.1b	<b>(889,826)</b>	<b>(1,746,688)</b>
<b>Cash flows from investing activities</b>			
Proceeds from investment in oil and gas lease		-	136,383
Payments for property, plant and equipment		-	(7,945)
<b>Net cash from investing activities</b>		<b>-</b>	<b>128,438</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options	5.1	400,290	500,000
Proceeds from related party loans	5.2	50,000	220,000
Payment of capital raising costs		(69,529)	(19,620)
Payment of transaction costs related to loans		-	(165)
Repayment of related party loans		(100,000)	-
Repayment of premium funding facility		(56,882)	(11,444)
<b>Net cash from financing activities</b>		<b>223,879</b>	<b>688,771</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(665,947)</b>	<b>(929,479)</b>
Cash and cash equivalents at beginning of year		956,365	2,006,364
Effect of exchange rate fluctuations on cash held		(7,964)	(120,520)
<b>Cash and cash equivalents at 31 December</b>	4.1a	<b>282,454</b>	<b>956,365</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**SECTION 1 BASIS OF PREPARATION**

Sacgasco Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2019 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities supporting exploration and evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

**1.1 GENERAL INFORMATION**

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at First Floor, 31 Cliff Street, Fremantle, WA, 6160.

The Group is primarily involved in the evaluation, acquisition, exploration and development of natural gas and petroleum projects.

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on 30 March 2020. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency. The functional currency of three of its subsidiaries is United States dollars;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2019. Refer to note 6.9 for further details; and
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.10 for further details.

# SACGASCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### 1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability, to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### 1.3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Directors are satisfied the Company is a going concern, notwithstanding it incurred a total comprehensive loss of \$1,318,674 for the year ended 31 December 2019 and has a net liability position of \$133,148 at that date.

The Group is focused on securing further land leases in California and pursuing and assessing new venture opportunities which are complementary with its existing assets. The Group's cash flow forecast for the period to 31 March 2021, reflects the Group's ability to meet its working capital requirements and its committed and planned development expenditure relating to its exploration and evaluation assets. The directors are aware that the Group's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Group securing further working capital from one or more of the following alternatives:

- a) capital raising with existing shareholders or a placement to sophisticated investors;
- b) short-term borrowings from related or third parties; and / or
- c) farm-out of existing exploration areas with upfront consideration payable.

Given the financial position of the Group and its demonstrated ability to raise funds, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. If necessary, the Group will delay discretionary expenditure including administration costs, exploration programs and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities. Directors have also declared that monies owing to them will only be repaid should the Group be in a financial position to repay the amounts owing and remain solvent for at least twelve months.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Should the Group be unsuccessful in raising sufficient funds, there is a material uncertainty that exists that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the Group does not continue as a going concern.

#### **1.4 FUNCTIONAL AND PRESENTATION CURRENCY**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss may arise. Any such differences are recognised in the statement of profit or loss. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

#### **1.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

##### **Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Refer note 2.5.

##### **Share-based payment transactions**

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 6.1.

##### **Fair value of financial instruments**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumption on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer note 6.2.



**1.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**Fair value of assets**

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 2 RESULTS FOR THE YEAR**

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

**2.1 OPERATING SEGMENTS**

**Accounting Policy**

Operating segments are reported in a manner consistent with the internal reporting provided by the Chief Operating Decision Maker.

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sacgasco Limited.

AASB 8 *Operating Segments* requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being oil and gas exploration and appraisal.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income and the assets and liabilities of the Group as a whole are set out in the consolidated statement of financial position.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2018.

**2.2 NET OPERATING EXPENSES**

**Accounting Policy**

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

	Note	2019	2018
Other operating income	(i)	782,243	1,250,989
Other operating expense		(949,468)	(1,253,564)
<b>Net operating expense</b>		<b>(167,225)</b>	<b>(2,575)</b>

- (i) The gas flow from wells sold to customers, is a natural by-product of exploration activities and until such time as well production becomes an economically viable direction for the Group, it is recognised as other operating income.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.3 FINANCE COSTS**

**Accounting Policy**

***Finance costs***

Finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the finance cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

	Note	2019 \$	2018 \$
<b>Interest expense on financial liabilities measured at amortised cost</b>			
Interest expense on loans received from related parties	5.2	18,041	10,384
Interest expense on premium funding		2,150	4,343
		20,191	14,727
Other finance charges		-	165
<b>Finance costs</b>		<b>20,191</b>	<b>14,892</b>

**2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS**

**Accounting Policy**

***Employee leave benefits***

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)**

The table below sets out personnel costs expensed during the year.

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
Directors' remuneration	6.4	432,866	309,384
Other wages and salaries		65,572	46,521
Contributions to defined contribution plans		6,230	4,379
Other associated personnel expenses		335	265
<b>Total Directors' remuneration</b>		<b>505,003</b>	<b>360,549</b>

The table below sets out employee benefits payable at the reporting date.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Salary accrual	17,146	5,475
Statutory superannuation contributions	204	1,869
	<b>17,350</b>	<b>7,344</b>

**2.5 INCOME TAX EXPENSE**

**Accounting Policy**

Income tax expense or benefit comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of profit or loss.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.5 INCOME TAX EXPENSE (continued)**

**Accounting Policy (continued)**

**Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(a) Amounts recognised in profit or loss**

	2019 \$	2018 \$
<b>Current tax expense / (benefit)</b>		
Adjustment for prior periods	2,277	2,193
<b>Total income tax expense</b>	<b>2,277</b>	<b>2,193</b>

**(b) Reconciliation of effective tax rate**

	2019 \$	2018 \$
Loss for the period	(1,316,441)	(1,974,367)
Total income tax expense	2,277	2,193
<b>Loss excluding income tax</b>	<b>(1,314,164)</b>	<b>(1,972,174)</b>
Income tax using the Group's domestic tax rate of 27.5% (2018: 27.5%)	(361,395)	(542,348)
Non-deductible expense	332,907	621,312
Non-assessable income	(59,188)	-
Adjustment for prior periods	2,277	2,193
Timing differences not brought to account	(11,282)	(18,971)
Tax losses foregone on dissolution of group entities	(1,759)	(445,959)
Tax losses not brought to account	100,717	385,966
<b>Income tax expense</b>	<b>2,277</b>	<b>2,193</b>

All unused tax losses were incurred by Australian entities.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2.5 INCOME TAX EXPENSE (continued)**

**(b) Reconciliation of effective tax rate (continued)**

Potential future income tax benefits of up to \$1,436,995 (2018: \$1,273,287) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for deductibility imposed by tax legalisation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business test.

**(c) Unrecognised deferred tax assets and liabilities**

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Deferred tax assets</b>		
Capital raising costs – s40-880	40,459	43,055
Trade and other payables	6,600	5,500
Property, plant and equipment	118	-
Employee benefits	56	514
Carry forward tax losses	1,404,560	1,224,218
	<b>1,451,793</b>	<b>1,273,287</b>
<b>Deferred tax liabilities</b>		
Prepaid expenditure	(14,798)	-
	<b>(14,798)</b>	<b>-</b>
<b>Net unrecognised deferred tax assets</b>	<b>1,436,995</b>	<b>1,273,287</b>

**2.6 EXPLORATION AND EVALUATION EXPENDITURE**

The exploration and evaluation accounting policy is to expense all exploration and evaluation expenditure as incurred. Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure prior to securing legal rights to explore an area, is expensed to profit or loss as incurred.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**2.7 LOSS PER SHARE**

**Accounting Policy**

Basic earnings per share is the amount of a company's profit or loss for a reporting period that is available to the shares of its common stock that are outstanding during the reporting period.

**(a) Basic and diluted loss per share**

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 31 December 2019 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

***Loss per share attributable to ordinary shareholders***

	<b>2019</b>	<b>2018</b>
Net loss attributable to ordinary shareholders - \$	(1,316,441)	(1,974,367)
Issued ordinary shares at 1 January - number	261,780,949	243,899,884
Effect of shares issued - number	4,307,426	9,887,875
Weighted average number of ordinary shares at 31 December	266,088,375	253,787,759
Basic and diluted loss per share (cents)	(0.49)	(0.78)

\* At 31 December 2019, 152,429,948 options (31 December 2018: 43,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

**SECTION 3 ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION**

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at the year end.

**Key estimates and assumptions in this section**

**Site restoration**

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during oil and gas exploration and development activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied.

**3.1 PROVISIONS**

**Accounting Policy**

**Provisions**

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

**Site restoration**

In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re-added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

The non-current site restoration provision of \$193,894 (2018: \$192,765) is in respect of the Group's on-going obligation for the environmental rehabilitation of the Sacramento Basin onshore California area of interest. The timing of rehabilitation expenditure is dependent on the life of the gas field which may vary in the future. The nature of restoration activities includes plugging gas wells, restoration, reclamation and revegetation of affected areas. The Company continues to work within the regulations of the Californian authorities with regards to the planning and timing of the rehabilitation, such rehabilitation subject to the Company's share of the DoGGR bond of US\$200,000 for up to fifty wells.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Site restoration provision	(193,894)	(192,765)
<b>Movement in carrying amounts</b>		
Opening balance	(192,765)	(200,238)
Adjustment to provision recognised as per DoGGR bond	-	27,666
Effects of foreign exchange	(1,129)	(20,193)
Closing balance	<b>(193,894)</b>	<b>(192,765)</b>



**SAGGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 4 WORKING CAPITAL DISCLOSURES**

This section focuses on the cash funding available to the Group and working capital position at year end.

**4.1 CASH AND CASH EQUIVALENTS**

**Accounting Policy**

Cash comprises cash at bank and in hand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(a) Reconciliation of cash recorded in the Statement of Financial Position to the Statement of Cash Flows**

	<b>2019</b>	<b>2018</b>
	\$	\$
Cash and cash equivalents in the statement of cash flows	282,454	956,365

**(b) Reconciliation of cash flows from operating activities**

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(1,316,441)	(1,974,367)
Adjustments for:		
Depreciation	3,885	5,894
Amortisation	251	-
Equity-settled share-based payment transactions	243,457	355,979
Finance expense	-	165
Net (gain) / loss on foreign exchange translation	9,898	357,125
Capitalised exploration expenditure impaired	-	1,515,404
Proceeds from investment in oil and gas lease	-	(136,383)
(Profit) / loss on disposal of subsidiaries	(2,296)	(25,242)
Change in other receivables	(131,931)	(2,253,970)
Change in prepayments	6,178	(20,487)
Change in other financial assets	(5,000)	-
Change in trade and other payables	249,865	552,656
Change in interest bearing liabilities	42,301	67,239
Change in employee benefits	10,007	(63,035)
Change in site restoration provision	-	(27,666)
Change in deferred income	-	(100,000)
<b>Net Cash used in operating activities</b>	<b>(889,826)</b>	<b>(1,746,688)</b>

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4.1 CASH AND CASH EQUIVALENTS (continued)**

**(c) Changes in liabilities arising from financing activities**

	Related party loans \$	Other loans \$	Total \$
Balance at 1 January 2018	2,055	-	2,055
Net cash from / (used in) financing activities	220,000	(11,444)	208,556
Interest on related party loans	8,329	-	8,329
Premium funding facility	-	58,910	58,910
<b>Balance at 31 December 2018</b>	<b>230,384</b>	<b>47,466</b>	<b>277,850</b>
Net cash from / (used in) financing activities	(50,000)	(56,882)	(106,882)
Interest on related party loans	(6,099)	-	(6,099)
Premium funding facility	-	48,400	48,400
<b>Balance at 31 December 2019</b>	<b>174,285</b>	<b>38,984</b>	<b>213,269</b>

**4.2 TRADE AND OTHER RECEIVABLES**

**Accounting Policy**

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within fourteen days.

Impairment of trade receivables is continually reviewed and those considered uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

**Expected credit losses**

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade and other receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4.2 TRADE AND OTHER RECEIVABLES (continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade debtors	373,096	445,896
Due from authorised government agencies	85,584	132,997
Other receivables	77,919	82,254
	<b>536,599</b>	<b>661,147</b>

Other receivables are non-interest bearing.

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

**4.3 OTHER FINANCIAL ASSETS**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current</b>		
Deposits and bonds (i)	290,138	283,478

(i) includes \$285,138 (US\$200,000) DoGGR bond required to work within the regulations of the Californian authorities with regards to the planning and timing of site rehabilitation.

**4.4 TRADE AND OTHER PAYABLES**

**Accounting Policy**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Current</b>			
Trade payables	(i)	(726,484)	(821,696)
Non-trade payables and accrued expenses		(161,516)	(121,953)
		<b>(888,000)</b>	<b>(943,649)</b>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. All amounts are short-term. The net carrying amount of trade payables is considered a reasonable approximation of fair value.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 6.2.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 5 EQUITY AND FUNDING**

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

**5.1 CAPITAL AND RESERVES**

**Accounting Policy**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**Share capital**

	Ordinary shares			
	Number of shares		Amount in \$	
	2019	2018	2019	2018
<b>On issue at 1 January</b>	<b>261,780,949</b>	<b>243,899,884</b>	<b>20,785,593</b>	<b>19,899,304</b>
<b>Shares issued and expensed during the period:</b>				
Issue of fully paid shares for cash	-	10,000,000	-	500,000
Issue of fully paid shares on conversion of options	-	500,000	-	75,000
Issue of shares in lieu of directors' fees	4,232,793	2,423,702	125,320	113,659
Issue of shares in satisfaction of service provider fees	500,000	2,957,363	13,000	161,250
Issue of shares pursuant to an option to acquire RL Energy Pty Ltd	-	2,000,000	-	56,000
Issue of shares to Raven Energy to acquire BNG's share of Sacramento Basin	2,000,000	-	50,000	-
Capital raising costs	-	-	(69,529)	(19,620)
<b>On issue at 31 December</b>	<b>268,513,742</b>	<b>261,780,949</b>	<b>20,904,384</b>	<b>20,785,593</b>

	Options			
	Number of options		Amount in \$	
	2019	2018	2019	2018
<b>Options issued for cash</b>				
On issue at 1 January	-	-	-	-
Issue of listed options exercisable at 4 cents each, expiring on 31-Dec-21	133,429,948	-	400,290	-
<b>On issue at 31 December</b>	<b>133,429,948</b>	<b>-</b>	<b>400,290</b>	<b>-</b>
<b>Total capital</b>			<b>21,304,674</b>	<b>20,785,593</b>

The holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at meetings of the Group. Option holders cannot participate in any new share issues by the Group without exercising their options.

# SACGASCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### 5.1 CAPITAL AND RESERVES (continued)

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders (if any) and creditors and are fully entitled to any proceeds on liquidation.

All issued shares and listed options are fully paid.

The Company also has share options on issue (see note 6.1).

#### **Nature and purpose of reserves**

##### ***Share-based payments reserve***

The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. Refer to note 6.1 for further details of these plans.

##### ***Options reserve***

The options reserve represents the fair value of options to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued or reversed through accumulated losses if the options expire or are cancelled.

##### ***Translation reserve***

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

### 5.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 6.2.

#### **Accounting Policy**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

##### ***Finance costs***

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5.2 LOANS AND BORROWINGS (continued)**

	Book value 2019 \$	Fair value 2019 \$	Book value 2018 \$	Fair value 2018 \$
<b>Current</b>				
Loans received from a director	(174,285)	(182,785)	(230,384)	(238,884)
Premium funding facility	(38,984)	(40,172)	(47,466)	(48,989)
<b>On issue at 31 December</b>	<b>(213,269)</b>	<b>(222,957)</b>	<b>(277,850)</b>	<b>(287,873)</b>

	Loans from a director <sup>(2)</sup>	Premium funding
Balance at 1 January 2018	(2,055)	-
Loans & borrowings received	(220,000)	-
Financing of premium funding facility	-	(58,910)
Interest charged	(10,384)	(4,343)
Less repaid <sup>(1)</sup>	2,055	15,787
<b>Balance at 31 December 2018</b>	<b>(230,384)</b>	<b>(47,466)</b>
Loans & borrowings received	(50,000)	-
Financing of premium funding facility	-	(48,400)
Interest charged	(18,041)	(2,150)
Less repaid <sup>(1)</sup>	124,140	59,032
<b>Balance at 31 December 2019</b>	<b>(174,285)</b>	<b>(38,984)</b>

<sup>(1)</sup> Amounts repaid include interest and loan establishment costs.

<sup>(2)</sup> Refer to note 6.4 for further details.

**SECTION 6 OTHER DISCLOSURES**

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

**6.1 SHARE-BASED PAYMENT PLANS**

**Accounting Policy**

The share option program allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Expensed in personnel expenses (director remuneration)</b>		
Options issued to directors	110,200	-
Shares issued to directors	96,818	97,750
Shares to be issued to directors	23,438	28,500
<b>Expensed in professional fees</b>		
Options issued to consultants of the company	-	38,895
Shares issued to consultants of the company	50,000	56,000

***Share-based payment programme***

The Company has adopted an Employee Share Options Scheme (ESOS) effective 25 July 2014. Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and is granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and are settled in cash.

Options may not be transferred other than to an associate of the holder.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.1 SHARE-BASED PAYMENT PLANS (continued)**

**Options**

At 31 December 2019, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26-Oct-15	26-Oct-15	30-Sep-19	10	10,000,000	-	-	(10,000,000)	-	-
11-Jan-17	27-Jan-17	31-Dec-19	15	17,500,000	-	-	(17,500,000)	-	-
19-Jan-17	27-Jan-17	31-Dec-19	15	4,000,000	-	-	(4,000,000)	-	-
07-Apr-17	13-Apr-17	31-Dec-19	15	500,000	-	-	(500,000)	-	-
31-May-17	14-Jun-17	31-Dec-19	15	5,000,000	-	-	(5,000,000)	-	-
21-Aug-18	21-Aug-18	30-Dec-19	5	6,000,000	-	-	(6,000,000)	-	-
31-May-19	13-Jun-19	31-Dec-21	4	-	19,000,000	-	-	19,000,000	19,000,000
<b>Total</b>				<b>43,000,000</b>	<b>19,000,000</b>	<b>-</b>	<b>(43,000,000)</b>	<b>19,000,000</b>	<b>19,000,000</b>
Weighted average exercise price (cents)				12.44	4.00	-	12.44	4.00	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2 years.

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	Exercise Price (cents)	Grant date	Expiry Date	Life of the Options (years)	Volatility	Risk free Rate	Fair value at grant date (cents)	Share price at grant date (cents)
Tranche 1	19,000,000	4	31-May-19	31-Dec-21	2.59	72.51%	1.23%	0.6	2.1



**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.1 SHARE-BASED PAYMENT PLANS (continued)**

**Options (continued)**

At 31 December 2018, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26-Oct-15	26-Oct-15	30-Sep-19	10	10,000,000	-	-	-	10,000,000	10,000,000
11-Jan-17	27-Jan-17	31-Dec-19	15	18,000,000	-	(500,000)	-	17,500,000	17,500,000
19-Jan-17	27-Jan-17	31-Dec-19	15	4,000,000	-	-	-	4,000,000	4,000,000
07-Apr-17	13-Apr-17	31-Dec-19	15	500,000	-	-	-	500,000	500,000
31-May-17	14-Jun-17	31-Dec-19	15	5,000,000	-	-	-	5,000,000	5,000,000
21-Aug-18	21-Aug-18	30-Dec-19	5	-	6,000,000	-	-	6,000,000	6,000,000
<b>Total</b>				<b>37,500,000</b>	<b>6,000,000</b>	<b>(500,000)</b>	<b>-</b>	<b>43,000,000</b>	<b>43,000,000</b>
Weighted average exercise price (cents)				13.67	5.00	15.00	-	12.44	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 0.94 years.

## **6.2 FINANCIAL INSTRUMENTS**

### **Accounting Policy**

#### ***Recognition and derecognition***

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### ***Classification and initial measurement of financial assets***

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

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

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

#### ***Subsequent remeasurement of financial assets***

##### ***Financial assets at amortised cost***

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

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

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

## **6.2 FINANCIAL INSTRUMENTS (continued)**

### **Accounting Policy (continued)**

#### ***Impairment of financial assets***

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category. The Group does not have any material expected credit losses.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### ***Classification and measurement of financial liabilities***

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### ***Derivative financial instruments***

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**6.2 FINANCIAL INSTRUMENTS (continued)**

**Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

**Financial risk management objectives**

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's Board of Directors who has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

**Foreign currency exchange rate risk management**

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency, cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group is predominantly exposed to US Dollars (USD).

As at 31 December 2019, the Group's net exposure to foreign exchange risk was as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US Dollar	933,848	1,547,609	(177,818)	(377,469)

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.2 FINANCIAL INSTRUMENTS (continued)**

**Market risk (continued)**

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD). The following table details the Group's sensitivity to a 1% (2018: 10%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% (2018: 10%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

		<b>Impact on profit or loss</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>If AUD strengthens by 1%</b>	<b>(2018: 10%)</b>		
USD		(7,485)	(106,376)
<b>If AUD weakens by 1%</b>	<b>(2018: 10%)</b>		
USD		7,637	130,016

Fluctuation in the US Dollar during the current financial year was minimal (1%) compared with the previous year which was 10%.

There would be no impact on other equity of the Group.

***Interest rate risk management***

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by \$105.

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.2 FINANCIAL INSTRUMENTS (continued)**

**Credit risk management**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Non-derivative financial liabilities**

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months \$	6 months to 1 year \$	1 – 5 years \$
<b>31 December 2019</b>				
Trade and other payables	n/a	251,166	-	636,834
Employee entitlements	n/a	17,350	-	-
Borrowings	10	33,523	9,746	170,000
		<u>302,039</u>	<u>9,746</u>	<u>806,834</u>
<b>31 December 2018</b>				
Trade and other payables	n/a	438,316	-	505,333
Employee entitlements	n/a	7,344	-	-
Borrowings	10	277,850	-	-
		<u>723,510</u>	<u>-</u>	<u>505,333</u>

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**6.2 FINANCIAL INSTRUMENTS (continued)**

**Fair value measurement**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amounts of current receivables, current payables, and current interest-bearing borrowings, approximate their fair values.

**6.3 COMMITMENTS AND CONTINGENCIES**

**Commitments**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Office rent *</b>		
Not less than one year	15,600	15,600
Between one and five years	-	-
	<b>15,600</b>	<b>15,600</b>

\* Office rents are short-term (less than 12 months) and continue to be recognised on a straight-line basis.

**Contingent liabilities**

Pursuant to the acquisition of Peregrine Limited, a cash bonus totalling in aggregate \$3,000,000 may be payable out of the net proceeds of sales of gas (after deducting operating costs) from any reservoir below the Forbes Zone and attributable to the 17.5% working interest in the Dempsey 1-15 well.

At the reporting date the Group has not achieved the conditions which will crystallise this payment requirement.

**6.4 RELATED PARTIES**

**Accounting Policy**

***Key management personnel compensation***

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

**(a) Key management personnel compensation**

Key management personnel compensation comprises the following:

	Note	2019 \$	2018 \$
Short term employee benefits		202,410	182,266
Post-employment benefits		-	868
Share-based payments – shares issued	6.1	96,818	97,750
Share-based payments – shares to be issued	6.1	23,438	28,500
Share-based payments – options	6.1	110,200	-
	2.4	<b>432,866</b>	<b>309,384</b>

**(b) Other key management personnel transactions**

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

**Andrew Childs**

Resource Recruitment Pty Ltd, a company for which Mr Childs is a Director, received \$31,200 (2018: \$31,200) in repayment for office rent and outgoings. The balance outstanding at 31 December 2019 was nil (2018: nil).

**Greg Channon**

Ruby Lloyd Pty Ltd, a company for which Mr Channon is a Director, received \$13,000 (2018: nil) in repayment for consultancy services. The balance outstanding at 31 December 2019 was nil (2018: nil).

**(c) Loans from key management personnel**

The following is based on standard commercial terms and conditions.

**Gary Jeffery**

Dungay Resources Pty Ltd, a company for which Mr Jeffery is a Director and shareholder, provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months if, and when, the company was in a financial position to do so. Interest expense at 31 December 2019 was \$18,041 (2018: \$10,384) and the balance outstanding was \$174,285 (2018: \$230,384).



**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.5 SUBSIDIARIES**

The consolidated financial statements include the financial statements of Sacgasco Limited (the parent entity) and the subsidiaries listed in the following table:

Name of subsidiary	Place of incorporation	Equity Interest	
		2019 %	2018 %
Sacgasco CA Inc. <sup>(1)</sup>	United States of America	100	100
PEOCO LLC	United States of America	100	100
Peregrine Limited <sup>(2)</sup>	Belize	-	100
AOC Investments Pty Ltd <sup>(3)</sup>	Australia	-	100

(1) Formerly known as Parker Company Inc.

(2) Company deregistered on 1 July 2019.

(3) On 16 January 2019, AOC Investments Pty Ltd was dissolved.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

**6.6 PARENT COMPANY DISCLOSURES**

As at, and throughout the financial year ended 31 December 2019, the parent entity of the Group was Sacgasco Limited.

	2019 \$	2018 \$
<b>Result of the parent entity</b>		
Profit / (loss) for the year	(1,865,812)	39,752
Total comprehensive income / (loss) for the year	<b>(1,865,812)</b>	<b>39,752</b>
<b>Financial position of parent entity at year end</b>		
Current assets	633,053	995,435
Total assets	<b>641,790</b>	<b>1,002,489</b>
Current liabilities	(940,801)	(59,907)
Total liabilities	<b>(940,801)</b>	<b>(59,907)</b>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	21,304,674	20,785,593
Reserves	133,638	1,611,945
Accumulated losses	(21,737,323)	(21,454,956)
<b>Total (deficiency) / equity</b>	<b>(299,011)</b>	<b>942,582</b>

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6.7 AUDITORS' REMUNERATION**

	2019 \$	2018 \$
<b>HLB Mann Judd</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	40,580	32,500
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>40,580</b>	<b>32,500</b>

**6.8 SUBSEQUENT EVENTS**

On 20 January 2020, the Company issued 1,578,947 shares in lieu of directors' fees, as approved by shareholders on 31 May 2019.

After the reporting date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak and a rapid escalation in oil production by Saudi Arabia. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but may impact our cash flow and financial condition.

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

**6.9 ADOPTION OF NEW AND REVISED STANDARDS**

In the year ended 31 December 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

**AASB 16 Leases**

AASB 16 replaces AASB 117 *Leases*. AASB 16 eliminates the operating and finance lease classifications for lessees.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income.
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented in operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

## **6.9 ADOPTION OF NEW AND REVISED STANDARDS**

### **AASB 16 Leases (continued)**

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Company has signed a 12-month lease with Resource Recruitment for a share of its office space.

Per paragraph 5(a) of AASB 16, it is noted that:

*“A lessee may elect not to apply the requirements in paragraphs 22-49 to short-term leases.”*

Based on the above, it is considered that the Group is outside the scope of the new Standard and no material change is necessary to the Group accounting policies.

#### *Impact on finance leases*

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual guarantees provided by the lessee or lessor.

AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

On initial application, the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented with borrowing, will be presented in a separate line for lease liabilities.

The Company is ASX listed and classified as an oil and gas exploration entity and as such, has entered into leasing arrangements for various oil and gas fields to explore these areas in an effort to discover and assess economically viable gas deposits. The leasing agreements for the exploration sites are with families who have divided the ownership down through generations, meaning that one field could potentially have in excess of thirty to forty lessors.

Per paragraph 3(a) of AASB 16, it is noted that:

*“An entity shall apply this Standard to all leases, including lease of right-of-use assets in a sublease, except for leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.”*

Based on an analysis of the Group's finance leases as at 31 December 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

### **Interpretation 23 Uncertainty over Income Tax Treatments**

This interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in AASB 112 based on taxable profit (tax loss), unused tax losses, unused tax credits and tax rates determined applying this interpretation.

Interpretation 23 is effective from annual reporting periods beginning on or after 1 January 2019.

Other than the above, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

**SACGASCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised accounting standards and interpretations that have been issued but are not yet effective:

AASB 10 and AASB 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to AASB 3	<i>Definition of a business</i>
Amendments to AASB 101 and AASB 108	<i>Definition of material</i>
<i>Amendments to references to the Conceptual Framework in Accounting Standards</i>	

The directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements.

**SACGASCO LIMITED**  
**DIRECTORS' DECLARATION**

---

**DIRECTORS' DECLARATION**

1. In the opinion of the Directors of Sacgasco Limited (the "Company"):
  - (a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

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



**GARY JEFFERY**  
Managing Director

Dated this 30<sup>th</sup> day of March 2020.

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Sacgasco Limited.

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Sacgasco Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### *Material uncertainty related to going concern*

We draw attention to Note 1.3 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the *Material Uncertainty Related to Going Concern* paragraph above, we have not identified any other key audit matters to be communicated in our report.

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Sacgasco Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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



**HLB Mann Judd**  
Chartered Accountants

**Perth, Western Australia**  
30 March 2020



**N G Neill**  
Partner



## **CORPORATE GOVERNANCE STATEMENT**

The 2019 Corporate Governance Statement is dated as at 31 December 2019 and reflects the corporate governance practices in place throughout the 2019 financial year.

Sacgasco Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations. A copy of the Corporate Governance policies is contained on the Company's web site ([www.sacgasco.com](http://www.sacgasco.com)).

### **Board of Directors**

#### **Role of the Board**

The matters expressly reserved to the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals
- Monitoring the achievement of these goals
- Review of the management accounts and reports to monitor the progress of the Group
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance
- Review and approval of the annual and interim financial reports
- Nominating and monitoring the external auditor
- Approving all significant business transactions
- Appointing and monitoring senior management
- All remuneration, development and succession issues
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity

The Board delegates day to day operational matters to the Managing Director of the Company.

The Board evaluates this policy on an ongoing basis.

#### **Board Composition**

The Directors' Report contains details of the Directors' skills, experience and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. To maintain this, the Group's policy is that Executive Directors should serve at least three years. At the completion of the first three years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

## **SACGASCO LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

---

#### **Board Composition (continued)**

The specific skills that the Board collectively bring to the Company include:

- Industry experience/ technical qualification;
- Commercial experience;
- Public company experience;
- Analytical expertise;
- Financial expertise;
- Risk Management experience;
- Strategic planning experience;
- Strategic leadership experience;
- Corporate Governance expertise;
- Communications experience; and
- Interpersonal experience.

The Board comprises one Executive Director, one Non-Executive Director and a Non-Executive Chairman. A written agreement is entered with each Director and Senior Executive of the Company setting out the terms of their employment.

The chair of any sub-committees formed by the Board has specific skills in the area for which they are responsible.

The Board does not have a Director with legal experience, as any legal work is outsourced to external legal advisers.

Directors' details are set out in the Directors' Report.

The Board, through the Remuneration and Nomination Committee, is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent Director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether, or not, to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

#### **Retirement and re-election of Directors**

The Constitution of the Company requires one third of Directors (or the number nearest one third, rounded up), other than the Managing Director, to retire from office at each Annual General Meeting. No Director (other than the Managing Director) shall hold office for a period in excess of three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the Annual General Meeting following their appointment and are not considered in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

## **SACGASCO LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

---

#### **Independence of Directors**

The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that Mr Childs and Mr Channon can be deemed independent as they have no material business or contractual relationship with the Company.

In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

#### **Director education**

All new Directors complete an induction process. The Non-Executive Directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

#### **Independent professional advice**

With prior approval of the Board, each Director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings to fulfil their duties and responsibilities as Directors.

#### **Board performance review**

The performance of all Directors is assessed through review by the whole Board of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

The Directors conducted an internal performance evaluation of the Members of the Board during the reporting period. External advisers were not used.

#### **Director remuneration**

Details of the Group's remuneration policies are included in the "Remuneration Report" section of the Directors Report.

Non-Executive Directors will be remunerated by cash payments (including statutory superannuation) and may receive equity performance incentives, but they will not be provided with any benefits for ceasing to be a Director.

Executive Directors are remunerated by both fixed remuneration and equity performance-based remuneration, subject to obtaining all regulatory approvals from shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

#### **Managing Business Risk**

The Group maintains policies and practices designed to identify and manage significant risks including:

- Regular budgeting and financial reporting;
- Procedures and controls to manage financial exposures and operational risks;
- The Group's business plan;
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans;

## **SACGASCO LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

---

#### **Managing Business Risk (continued)**

- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk.
- insurance and risk management programs which are reviewed by the Board

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Board may consult with their Group's external auditors on external risk matters, or other appropriately qualified external consultants on risk generally, as required. The entity's risk management framework was reviewed by the Board during the financial year.

The Board's review of business risk is also based on reports from the Audit and Risk Management Committee.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk procedures adopted by the Company, it is not believed the Company has a material exposure to these risks.

Due to its size and activities, the Company does not have an internal audit function. The Board has determined that the established internal controls for the Company, combined with the work of the audit and risk management committee, at this stage satisfactorily address the function that would otherwise be dealt with by an internal audit function.

#### **Internal Controls**

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

#### **Board Committees**

##### **Audit and Risk Management Committee**

The role of the Audit and Risk Management Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit function of the Committee is to:

- Assist the Board in fulfilling its overview of the audit process
- Assist the Board in overseeing financial reporting
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established

## SACGASCO LIMITED

### CORPORATE GOVERNANCE STATEMENT

---

#### **Audit and Risk Management Committee (continued)**

- Monitor, review and recommend the adoption of the financial statements of the Company
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company
- Review the financial report and other financial information distributed externally
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management
- Review the nomination and performance of the auditor
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner
- Monitor the establishment of appropriate ethical standards
- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards, ASX Listing Rules and all other regulatory requirements
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions; and
- Improve the quality of the accounting function

The primary role of the risk function of the committee is to assist the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

Risk assessment and risk management are the responsibility of the Company's management. The Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Committee shall have the following authority and responsibilities:

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes in place for risk management
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks
- Discuss with the Company's executive team the Company's risk assessment and risk management guidelines, policies and processes, as the case may be. The Risk Committee meets separately at least twice a year with the executive team
- Review disclosure regarding risk contained in the Company's Annual Report
- Review and assess the nature and level of insurance coverage
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls
- Discharge any other duties or responsibilities delegated to the Committee by the Board
- Delegate any of its responsibilities to subcommittees as the Committee may deem appropriate
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees
- Report its actions and any recommendations to the Board
- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

## **SACGASCO LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

---

#### **Audit and Risk Management Committee (continued)**

The Committee consists of the following Non-Executive Directors:

- Mr Greg Channon (Committee Chair)
- Mr Andrew Childs (Committee member)

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee.

The Audit and Risk Management Committee met twice during the year.

#### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors
- Determine remuneration and incentive policies of Key Executives
- Determine the Group recruitment, retention and termination policies and procedures for senior management
- Determine and review incentive schemes
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment.
- Evaluate senior executive performance on an annual basis; this occurred during the 2019 financial year
- Determine and review superannuation arrangements of the Group
- Determine and review professional indemnity and liability insurance for Directors and senior management
- Review the Board composition to ensure the Board has the correct balance of skills and expertise
- Appointment of the Managing Director and the Company Secretary
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director
- Performance appraise the Board members and the Managing Director
- Succession planning for Board members and the Managing Director
- Approve the recommended succession planning for key management personnel presented to the Committee by the Managing Director
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary.

The Remuneration and Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to Sacgasco's remuneration assessment. External advice was not obtained during the 2019 financial year.

Specific policies and procedures regarding remuneration determination is contained within the Directors Report.

The Committee consists of the following Non-Executive Directors:

- Mr Andrew Childs (Committee Chair)
- Mr Greg Channon (Committee member)

The Committee did not have a specific need to meet during the year.

# SACGASCO LIMITED

## CORPORATE GOVERNANCE STATEMENT

---

### **Ethical Standards**

#### **Code of Conduct**

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. The code stipulates that any unethical behaviour is to be reported to the Group's Managing Director as soon as possible.

The Code of Conduct is based on respect for the law and the rights of individuals, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

#### **Trading in the Company's Securities by Directors and Employees**

The Board has adopted a policy in relation to dealings in the securities of the Group which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Group's securities and Directors and employees are prohibited from dealing in the Group's securities whilst in the possession of price sensitive information. The Company's Managing Director must be notified of any proposed transactions in the Company's shares.

Any Director or employee receiving shares pursuant to the Company's equity-based remuneration scheme (refer to the remuneration report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

#### **Continuous Disclosure**

The Group has in place a continuous disclosure policy, a copy of which is provided to all Group officers and employees who may from time to time be in possession of undisclosed information that may be material to the price or value of the Group's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure officers and employees of the Group understand these obligations.

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once every 12 months' period, the Board will review the company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

#### **Communication with Shareholders**

The Board aims to ensure that Shareholders are kept fully informed of all major developments affecting the Group. Information is communicated to Shareholders as follows:

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the affairs and details of future developments

## SACGASCO LIMITED

### CORPORATE GOVERNANCE STATEMENT

---

#### Communication with Shareholders (continued)

- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website
- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report
- The Board seek feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders

The Board reviews this policy and compliance with it on an ongoing basis.

#### Diversity Policy

The Group is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high-quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance;
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Appreciate and respect the unique aspects that an individual brings to the workplace;
- Where possible and practicable, increase participation and employment opportunities for indigenous people;
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;
- Take action to prevent discrimination, harassment, vilification or victimisation;
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has an objective of providing a balanced representation of employees from a diversity stance across the Group. The Board has also implemented strategies to support the framework and objectives of the Diversity Policy and is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanism. For the 2019 financial year, the Boards' objectives were met by the Group. The Board assesses annually the progress and achievement of the objectives.



## SACGASCO LIMITED

### CORPORATE GOVERNANCE STATEMENT

---

#### Diversity Policy (continued)

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and Men employed within the Group	25%	75%
Women and Men at senior management level	-	100%
Women and Men employed at Board level	-	100%
Women and Men employed by corporate services provider	60%	40%

#### ASX Corporate Governance principals and recommendations not followed - "if not, why not" approach

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

#### Recommendations 2.1 / 8.1

*The Remuneration and Nomination committee should be structured so that it:*

- *consists of a majority of Independent Directors*
- *is chaired by an Independent Chair*
- *has at least three members*

#### Recommendation 2.5

*The chair of the board of a listed entity should be an Independent Director.*

#### Recommendations 4.1 / 7.1

*The Audit and Risk Management committee should be structured so that it:*

- *consists only of Non-Executive Directors*
- *consists of a majority of Independent Directors*
- *is chaired by an Independent Chair, who is not chair of the Board*
- *has at least three members*

While the ASX Principles recommend an ideal structure for the Audit and Risk Management and Remuneration and Nomination committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Two of the three directors are considered independent. In view of the size of the Company and the nature of its activities, the Board considers that the current Board structure is a cost effective and practical means of directing and managing the Company.

Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with these ASX Principles to be materially detrimental to the Company. This statement is current as at 31 December 2019 and has been approved by the Board.

**STOCK EXCHANGE INFORMATION**

The shareholder information set out below was applicable as at 29 February 2020:

**1. Distribution of ordinary shares**

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	82	8,329	-
1,001 - 5,000	60	243,947	0.09
5,001 - 10,000	130	1,116,054	0.42
10,001 - 100,000	440	19,919,940	7.39
100,001 and over	278	248,162,982	92.10
<b>Total</b>	<b>990</b>	<b>269,451,252</b>	<b>100.00</b>

There were 348 holders of less than a marketable parcel of ordinary shares.

**2. Distribution of listed options**

Range	Total holders	Listed options over ordinary shares	% of issued capital
1 - 1,000	19	2,039	-
1,001 - 5,000	27	86,416	0.07
5,001 - 10,000	14	121,460	0.09
10,001 - 100,000	81	3,800,082	2.85
100,001 and over	124	129,419,941	96.99
<b>Total</b>	<b>265</b>	<b>133,429,938</b>	<b>100.00</b>

**3. Substantial shareholders**

The substantial shareholders are set out below:

Shareholders	Number of Shares
BNP Parabis Nominees Pty Limited	23,029,304
Mr Gary J Jeffery	17,389,757

**SACGASCO LIMITED**  
**STOCK EXCHANGE INFORMATION**

**4. Voting rights**

**Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

**Options and rights**

No voting rights.

**5. Unlisted options**

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
31-May-19	19,000,000	3	31-Dec-21	4

**6. Twenty largest shareholders as at 29 February 2020**

Shareholders	Ordinary shares	
	Number held	% of issued shares
BNP Parabis Nominees Pty Ltd	23,029,304	8.55
Mr Gary J Jeffery	17,389,757	6.45
Citicorp Nominees Pty Ltd	12,410,977	4.61
Mr Benjamin William Jarvis	10,117,690	3.75
Talex Investments Pty Ltd	8,650,000	3.21
Mr Andrew R Childs	6,798,094	2.52
Rebo Nominees Pty Ltd	5,217,428	1.94
Mr Alan George Brooks & Mrs Philippa Clair Brooks <AG & PC Brooks S/Fund A/C>	5,469,837	2.03
JP Morgan Nominees Australia Limited	4,768,025	1.77
Mr Brian Laurence Eibisch	4,436,559	1.65
Jetan Pty Ltd	4,165,813	1.55
Magaurite Pty Ltd <Peter Nelson Super Fund A/C>	4,150,000	1.54
Francis Holdings (WA) Pty Ltd	3,637,895	1.35
Mr Kim Steven Wilhelm	3,075,000	1.14
HSBC Custody Nominees (Australia) Limited	3,041,649	1.13
Mr Russell Ian Thorley	3,000,000	1.11
Great Eastern Holdings Pty Ltd <Nambung Unit A/C>	2,888,139	1.07
M&E Earthmoving Pty Ltd	2,754,611	1.02
Mr David Waterston & Ms Natalie Ana Kovacev <Waterston & Kovacev S/F A/C>	2,751,784	1.02
Kinabalu Australia Pty Ltd <The Kinabalu Australia A/C>	2,550,000	0.95

**SACGASCO LIMITED**  
**STOCK EXCHANGE INFORMATION**

---

**7. Twenty largest option holders as at 29 February 2020**

Shareholders	Listed Options	
	Number held	% of listed options
Mr Benjamin William Jarvis	13,201,719	9.89
Talex Investments Pty Ltd	11,740,000	8.80
M & E Earthmoving Pty Ltd	8,779,850	6.58
Mr Gary J Jeffery	7,823,485	5.86
Mr Alan George Brooks & Mrs Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	4,869,838	3.65
Mr Brian Laurence Eibisch	4,628,280	3.47
Apnea Holdings Pty Ltd <Kelly Family A/C>	3,849,618	2.89
Mr Bruce Neville Victor Tomich	3,236,600	2.43
Mr Andrew R Childs	3,224,769	2.42
Mr Richard Simpson	3,000,000	2.25
Great Eastern Holdings Pty Ltd <Nambung Unit A/C>	2,888,140	2.16
Rebo Nominees Pty Ltd	2,608,714	1.96
Dr Andrew Ian Stuart Boyd <The Boyd Trading A/C>	2,500,000	1.87
Yaqum Pty Ltd	2,250,000	1.69
Mr Russell Ian Thorley	2,000,000	1.50
Francis Holdings (WA) Pty Ltd	1,851,667	1.39
Ms Heather Ann Timms	1,700,000	1.27
Chaley Holdings Pty Ltd <Rubben Family A/C>	1,598,230	1.20
Mr Kim Steven Wilhelm	1,537,500	1.15
Mr Kyle Andrew Timms & Mrs Heather Ann Timms <KA & HA Timms S/F A/C>	1,500,000	1.12

---

## **CORPORATE DIRECTORY**

### **Directors**

Mr Andrew Childs  
Mr Gary Jeffery  
Mr Greg Channon

### **Secretaries**

Mr David McArthur  
Mr Jordan McArthur

### **Registered Office**

Level 1, 31 Cliff Street  
Fremantle WA 6160

Telephone: +61 8 9435 3200  
Facsimile: +61 8 6444 7408

### **Postal Address**

PO Box 584  
Fremantle WA 6959

### **Principal Office**

Level 2, 210 Bagot Road  
Subiaco WA 6008

Telephone: +61 8 9388 2654

### **Auditor**

HLB Mann Judd (WA Partnership)  
Level 4, 130 Stirling Street  
Perth WA 6000

### **Share Registry**

Advanced Share Registry Services Limited  
110 Stirling Highway  
Nedlands WA 6009

### **Stock Exchange Listing**

Shares: ASX Code SGC  
Options: ASX Code SGCOA (expiring 31 December 2021)

### **Website and Email**

Website: [www.sacgasco.com](http://www.sacgasco.com)  
Email: [info@sacgasco.com](mailto:info@sacgasco.com)  
Twitter: @SacGasCo