ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 December 2022

Sacgasco Limited

ABN 83 114 061 433

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CHAIRMAN’S REPORT

Dear Shareholder,

2022 was another challenging year for Sacgasco and the international oil and gas industry with the continuing Covid fallout and the impact of the war in Ukraine, yet there are many real positives to draw.

With its strong production and cash flow performance, Sacgasco has served us very well during the most volatile and challenging period for the industry. Your Board of Directors continue to be very positive on Sacgasco’s investments and we are confident that it provides us with a stable platform to support future investment opportunities and return of capital to you.

As I look forward to next year, Sacgasco is poised to take advantage of the opportunities presented because of unrealistic aspirational expectations of the transition to non-hydrocarbon fuels. We expect oil and gas is going to be needed for decades into the future in similar quantities to those being consumed today. We have an exciting outlook with several attractive catalysts for shareholder value creation across our balanced portfolio.

Recently the Philippine Department of Energy released incentives to encourage increased oil and gas production in the Philippines. We are very encouraged that our planned drilling programmes and continued growth in all our assets will reward shareholders for their support and patience.

Yours faithfully,

Andrew Childs
Chairman

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Sacgasco Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

DIRECTORS

The names of the directors who held office during the whole of the financial year and up to the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Gary Jeffery	Managing Director	Appointed 24 October 2013
Andrew Childs	Non-executive Chairman	Appointed 25 November 2008
William Ashby	Non-executive Director	Appointed 6 April 2022
Joanne Kendrick	Non-executive Director	Appointed 1 June 2021, Resigned 6 April 2022

PRINCIPAL ACTIVITIES

During the financial year the principal activities of the Group were oil and gas exploration with associated natural gas flows as a by-product in California, oil and gas exploration, production and development activities in Canada, and oil and gas exploration, appraisal, and development in the Philippines.

OPERATING RESULTS

The loss from continuing operations for the financial year ended 31 December 2022 attributable to members of Sacgasco Limited after income tax was $3,814,475 (2021: $16,942,450 - restated).

The Group has a working capital deficit of $3,516,038 (2021: deficit of $3,756,986) and had net cash outflows of $904,597 (2021: net cash outflow of $493,262).

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 31 December 2022 (2021: Nil).

REVIEW OF OPERATIONS

OVERVIEW

This year together with the subsequent events referred to in this report represent a year in which Sacgasco has continued its' transformation into a significant Exploration & Production (E&P) company with forward cashflows expected to underpin production, development and exploration projects in Canada and California, and to help mature development and exploration projects in the Philippines.

The Company now holds a suite of assets with huge potential in three diverse locations with attractive business cases in a world becoming pointedly aware of the value of energy security, along with energy diversity.

Sacgasco's focus is on activity, exploration and development drilling and consequent development options to propel growth in value, hence providing attractive options for investors.

OPERATIONS HIGHLIGHTS

Philippines

- **Nido appointed Operator for SC 6B Cadlao Oilfield.**
- **Geophysical Site Survey completed over Cadlao Oil Field in SC 6B, two high graded drilling locations surveyed over the Nandino Prospect SC 54, and Survey areas covered drilling sites and locations for EWT oil offtake vessels.**
- **Planning for Extended Well Tests (EWT) to produce oil from drilling upon success.**
- **Cadlao EWT program approved.**
- **Actively negotiating Contracts for Philippines Drilling Program in 2023.**
- **Farmout discussions progressing.**
- **Keen interest by Philippines banks for reserves-based lending and project finance.**

North America

- **Total net production from Canadian assets (before royalty) of 156,695 BOE.**
- **SGC share of oil and gas flows in Canada was 420 BOEPD in December 2022.**
- **Gas flow optimisation in California resulted in 60 BOEPD after royalties in the year, with very high gas prices in the December 2022 quarter.**

Offshore Philippines - Exploration, Appraisal and New Ventures

EXPLORATION AND PRODUCTION ACTIVITIES

Nido, which has been active in the Philippines for over 22 years, was acquired by Sacgasco in mid-2020 and during this time the participant's interests in the various Service contracts have been consolidated and simplified by farmouts to facilitate a consolidated work program aimed at earliest production from the acquired assets.

Sacgasco through its wholly owned subsidiary Nido Petroleum Philippines Pty Ltd ("Nido"), as Operator of Service Contract SC 6B ("SC 6B") and Service Contract 54 ("SC 54"), has completed field survey work using the Cassandra VI survey vessel from Hurricane Geo Inspection Survey Sdn Bhd ("HGIS") including geophysical site surveys in preparation for drilling the Cadlao Oil Field in SC 6B and the Nandino Prospect in SC 54 both in the North West Palawan Basin, offshore Philippines.

Cassandra VI Geophysical Survey Vessel

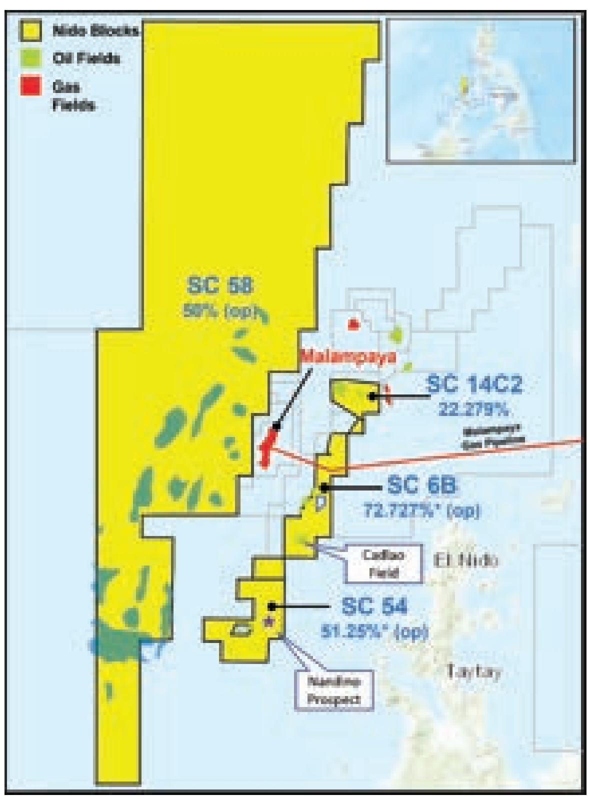
Details	Specifications
LOA	53.80 m
Beam	13.80 m
Total Berth	38 including crew compliment
Port of Registry	Kuching, Malaysia
Flag	Malaysia
Class	America Bureau of Shipping (ABS)

The Cassandra VI survey vessel from Hurricane Geo Inspection Survey Sdn Bhd ("HGIS")

The site survey operations have been completed at Cadlao and Nandino to Noble Denton Technical Policy Board requirements to assess the seafloor and near seabed conditions in preparation for drilling. This included a bathymetry survey, seabed survey analysis, sub-bottom profiling and other geophysical data acquisition and interpretation.

The site surveys provide the option for drilling of the wells using either the Deep Venture drillship or an alternative Jack Up rig. Nido is planning to begin drilling offshore in the Philippines in late 2023.

Successful drilling would allow early production of oil under Phase One of a development program using an Extended Well Test.



Sacgasco's Acreage in the Northwest Palawan Basin, Philippines

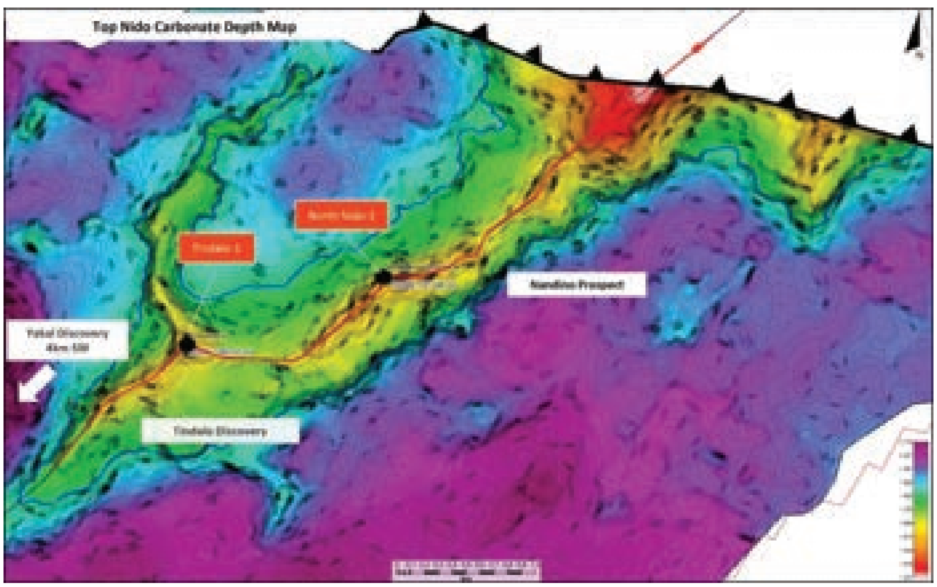
Philippines based banks have been engaged in discussion of reserves-based lending and project finance. These together with active farmouts and Sacgasco's cash flow from oil and gas flows in North America are core to the ongoing implementation of Nido's planned work in the Philippines and potentially the broader region.

The Geological and Geophysical Studies ("G&G") are being integrated into the results of the recent geophysical surveys. The studies are focused on Carbonate Facies Modelling to assist the decision to select the optimum location for drilling the Nandino Prospect and drilling other oil exploration and development wells.

SC54 (SGC (Nido) Operator)

Sacgasco's wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd. ("Nido"), is the Operator of Service Contract SC54. SC54 includes the Nandino Oil Prospect and Nido Limestone hosted oil discoveries at Tindalo, North Nido 1, Nido 1X and Yakal.

Currently the most attractive Prospect in SC54 is the Nandino Oil Prospect. Nandino lies updip and on-trend with 4 oil discoveries within SC54. A total of over 119 metres of oil column and strong oil shows are interpreted in two previous tests of the greater Nandino structure.



Nido Carbonate Depth Map over Nandino Prospect and surrounds

Prospective Resources in the Nandino Prospect have been endorsed by RISC Advisory (**RISC**). (Refer ASX announcement dated 3 March 2022)

Nandino Prospective Resources (100%)	**Oil in Place (100%)**	**Recoverable Oil (100%)**
P90 (million barrels)	24.2	6.6
P50 (million barrels)	75.3	21.9
P10 (million barrels)	175.0	54.2
Mean (million barrels)	91.0	27.3
Note 1: *The estimated quantities of hydrocarbons that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.*		

SC 6B Cadlao (SGC (Nido) Operator)

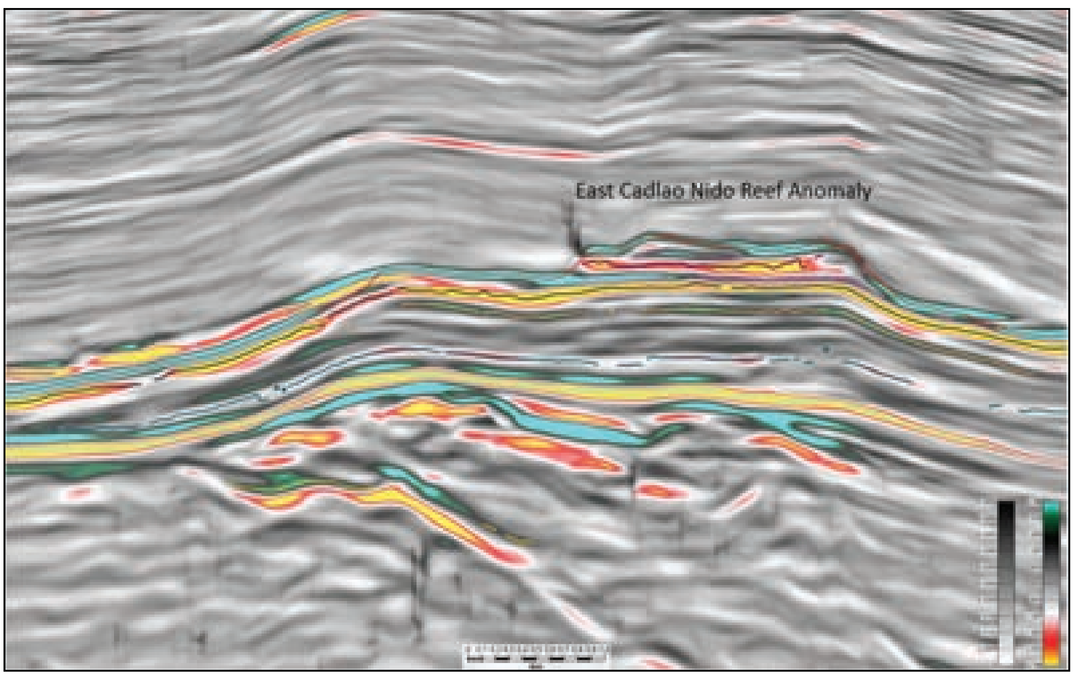
Nido previously entered a Farmin Agreement ("FIA") with the Service Contract 6B (SC 6B) Joint Venture to fund 100% and Operate the Extended Well Test (EWT) and subsequent redevelopment of the Cadlao Oil Field in return for an additional 63.637% Participating Interest, bringing Nido's total working interest in SC 6B to 72.727%. (Refer ASX release "Farmin to Cadlao Oil Development 4 March 2022).

Sacgasco, through its wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd ("Nido") has entered into an Investment Agreement with Blue Sky International Holding Inc ("Blue Sky") to fund 45.455% of initial drilling and EWT and subsequent Cadlao Oilfield Redevelopment on a Ground Floor basis.

The Cadlao Field previously produced 11.1 million barrels of oil between 1981 and 1991 and at the time production ceased the field was still producing 950 bopd (separated from 5,900 barrels of produced liquid per day) from 2 subsea wells. Initial production from the well, Cadlao-1A, was over 4,000 bopd.

A plan to drill a new well aimed to recover oil updip from the prolific Cadlao 1 well and to then conduct a First Production Phase based on Extended Well Test ("EWT") to maximize reservoir knowledge and reduce risks associated with redevelopment of the field, as well as provide early cashflow is advancing rapidly.

Given its proximity to Cadlao, there is also the opportunity to drill the East Cadlao Prospect, subject to further maturing of the prospect to drill ready status.



3D Seismic image through East Cadlao Prospect

The results of an independent Contingent Resources estimate for the Cadlao Oilfield were released (ASX release: "Cadlao Contingent Resources Certified" 13 April 2022).

The Contingent Resources estimate, undertaken by RISC Advisory ("RISC") are summarized in the table below. The Contingent Resources are for the Cadlao Field Redevelopment only and do not include any additional Contingent and Prospective Resources identified in SC 6B, e.g., Cadlao East Prospect and other nearby leads identified on 3D seismic.

Cadlao Contingent Resources Summary (oil, MMstb)			
	1C	**2C**	**3C**
Gross Contingent Resources	4.5	6.2	8.2
SGC Net Contingent Resources (72.727%)	3.3	4.5	6.0

Note 1: *These are unrisked contingent resources that have not been risked for the chance of development, and that there is no certainty that at the time of project approval it will be economically viable to produce any portion of the contingent resources.*

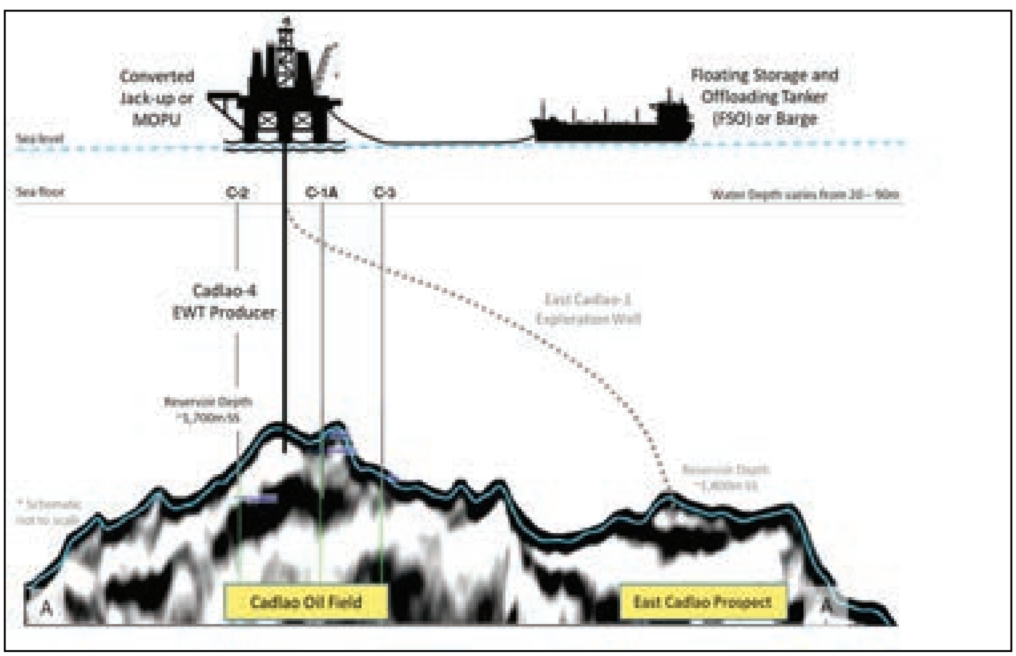
Note 2: *Nido's net entitlement to future production proceeds is dependent on approval of the FIA which includes preferential cost recovery and an approved EWT agreement by the DOE*

Note 3: *The contingent resource estimate assumes an economic cutoff of 750 barrels of oil per day*

The Cadlao Field resources are classified as Contingent Resources rather than reserves. Phase-1 of the development (EWT) will be progressed. Resources associated with the EWT can be transferred to undeveloped reserves once this project is approved. RISC has reviewed and in general support the field re-development plans for Cadlao.

Cadlao drilling and EWT is planned for 2023 in a 2-well drilling program with the Nandino Prospect in Service Contract 54 (ASX Announcement "Philippines Drilling Update" 30 May 2022); subject to relevant approvals.

In the event of a successful EWT at Cadlao and depending upon the field data obtained, a full field development may include extra wells with a dedicated oil production facility.



A Cadlao Field development Scenario

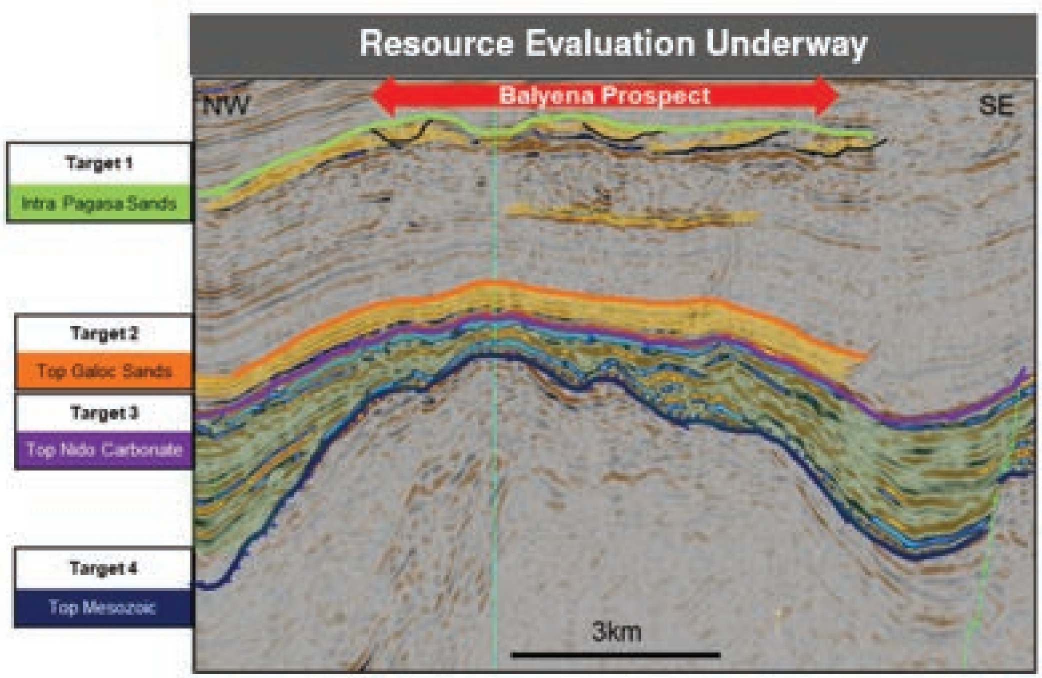
SC 58 (SGC 50%, Operator)

Nido has secured an extension of Service Contract 58 ("SC 58") from the Department of Energy of the Philippines primarily for reasons related to COVID-19.

Service Contract 58 is Nido operated with a 50% participating interest. Nido is paying 100% of all Sub-Phase 3 costs under the Service Contract. SC 58 covers 13,440 square kilometres and Nido has mapped more than 10 prospects on 3D and 2D seismic.

Balyena Prospect is a highly prospective example with multiple stacked targets accessible in a single exploration well located outboard of the 3.2 Tcf Malampaya Gas Field which is connected by an underutilised pipeline to energy hungry Manila.

Nido continues its development concept and screening studies to assess the potential economic value of a notional gas discovery in SC 58, including the opportunity to access the Philippine energy market.



Balyena Prospect 4 Stacked Targets

SC 14C2 West Linapacan (SGC 22.28%, Non-Operator)

The West Linapacan Field previously produced 8.5 mmstb and was shut in in 1996 due to facility constraints and a corresponding low oil price environment. Sacgasco is considering development and funding options for the redevelopment of the West Linapacan Field.

New Ventures (SGC 100%)

Nido has identified New Venture Opportunities in the Philippines and is actively pursuing them. These include Natural Gas opportunities including Hydrogen and Helium.

SACGASCO PHILIPPINES TENEMENT TABLE (31 December 2022)

Service Contract	Fields / Discoveries	% Working Interest	Operator
SC 54	Tindalo, Yakal, Nido 1X1, Nandino Prospect	87.5% (reducing to 51.25% when Farmout terms are satisfied, and relevant approvals received)	NIDO (SGC)
SC 14C2	West Linapacan A Field; West Linapacan B	22.28%	Philodrill
SC 58	Palawan Basin big hit Exploration	50% (after farm-in)	NIDO (SGC)
SC 6B	Cadlao, near field Exploration	9.09% (Increasing to 72.727% when Farmin terms are satisfied)	NIDO (SGC) Operator

ONSHORE CANADA - Province of Alberta

Sacgasco has Working Interests ("WI") in two groups of Non-Operated Onshore Assets in Alberta, Canada - Red Earth and Alberta Plains.

In November 2022 the Chairman of Sacgasco, Andrew Childs travelled to Canada for joint venture meetings and to review field operations. The Blue Sky Resources (**BSR**) field operations were noted to be very professionally managed with facilities in good condition, and meetings with the Operator identified a number of new opportunities in existing fields. Sacgasco is continuing to work with BSR on these opportunities with further updates to be released as they are achieved.

Sacgasco's Canadian Producing Properties

SACGASCO CANADA TENEMENT TABLE (as at 31 December 2022)

Project Names	Leases, Related Gas Field (HBP Leases); of key well	Project Type	Working Interest (WI)*
Red Earth Assets (Canada)	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	30%
Alberta Plains Assets (Canada)	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	20%

The working interest is relative to the Operator Blue Sky's working interest (WI) – the actual WI may vary from well to well.

Canada Oil and Gas Production

Canada Oil and Gas Production (BOE) [1]	Year ending 31 December 2022	Year ending 31 December 2021
SGC Production	156,695	108,928
SGC Production after Royalty	131,498	95,179
Note 1: Gas converted to BOE using 6:1 ratio		

Blue Sky Resources is undertaking a significant reactivation program at Red Earth, the results of which should begin to show early 2023.

Hydrogen and Helium Potential

A multi-spectral satellite imagery study over Sacgasco's Canadian assets in 2021 identified several significantly above-background hydrocarbon, hydrogen, and helium anomalies. The results of the study are being integrated with the extensive subsurface well control and other geophysical data including seismic to define potential exploration targets within the areas of operations. There is considerable interest and activity in Hydrogen and Helium production in Alberta and adjoining provinces.

Canadian Assets Reserve Reports

Independent Reserves Reports were undertaken by Sproule Associates Limited on Sacgasco's Canadian Oil and Gas Properties at Red Earth and Alberta Plains properties. The Reserve Reports were based on 31 December 2022 data.

The tables below identify regional Reserves net to Sacgasco in Alberta, Canada, Before and After Royalty adjustments. The totals may not add exactly due to rounding effects.

The prior year reserves values presented below as of 31 December 2021 are from Sacgasco's 2021 Annual Report and are not based on Sproule estimates or reports.

Sacgasco Canada Net Reserves on 31 Dec 2022:

Canada - TOTAL Reserves Table 31 Dec 2022	SGC Reserves Canada Before Royalty 31 Dec 2022	SGC Reserves Canada After Royalty 31 Dec 2022	SGC Reserves Canada After Royalty 31 Dec 2021
Barrels of Oil Equivalent (BOE)			
Proved Developed Producing (PDP)	988,000	893,500	905,956
Proved Developed Not Producing (PDNP)	584,000	519,300	602,778
Proved Undeveloped (PUD)	89,600	77,700	97,311
Total Proved (1P) Reserve	**1,661,600**	**1,490,400**	**1,606,000**
Probable Reserves (Prob.)	518,100	460,600	776,089
Total Proved plus Probable (2P) Reserves	**2,179,700**	**1,951,000**	**2,381,200**

Note – Conversion Factor: 6 mcf gas equals 1 BOE.

Refer to additional Information below.

Approximately 94% of the Proved plus Probable reserves are oil and 6% are Natural Gas and Natural Gas Liquids.

The Differences between Reserves on the reporting dates in the table above are:

Proved Producing (PDP) Reserves on 31 December 2021 were reduced by Production in 2022 (approximately 131,500 BOE – After Royalty), together with adjustments based on well performances and price changes used for 31 December 2022 reserves estimation along with increased actual and expected changes to costs associated with operating the assets.

Proved (PDNP, PUD) and Probable Reserves are adjusted to reflect updated inputs including current and offsetting well performance, technical inputs, and future pricing strip, along with increased actual and expected changes to costs associated with operating the assets.

Reserves Table Notes

Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Reserve Table:

1. The Reserves were estimated by qualified Independent Reserve Auditor Sproule Associates Limited ("Sproule") of Calgary, Alberta, Canada; and have been classified in accordance with SPE-PRMS. They have been reviewed by SGC's Competent Person, Mr Gary Jeffery. Mr Jeffery has more than 50 years technical, commercial and management experience in exploration appraisal and development of oil and gas. Mr Jeffery is a member of the American Association of Petroleum Geologists. Mr Jeffery has reviewed the information and supporting documentation referred to in this announcement and considers the reserve estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and Mr Jeffery is qualified in accordance with ASX listing rule 5.41. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.

   The Reserves Estimates are compiled from data and information supplied by the Operator of the Red Earth and Alberta Plains Properties, Blue Sky Resources Limited.

2. Qualified Petroleum Reserves and Resource Evaluator Requirements:

   Red Earth and Alberta Plains Properties:

   The reserves and resources information in this Australian Stock Exchange ("ASX") document relating to oil fields in the Red Earth and Alberta Plains Properties are based on, and fairly represent information prepared under the supervision of Doug Ashton (VP, Reservoir Services) of Sproule Associates Limited ("Sproule")

   Doug Ashton is an employee of Sproule. He holds a Bachelor of Science Degree in Chemical Engineering from the University of Calgary and is a registered Professional Engineer (APEGA). Doug has over 30 years of experience as a reservoir engineer, including eight years working for E&P companies, five years in investment banking, and over 17 years as an Independent Qualified Reserves Evaluator / Auditor, which includes over 12 years as a project manager and team leader and is qualified in accordance with ASX listing rule 5.41.

   Sproule and its named employees have consented to be named in this manner in this release.

3. Production trends and operating cost trends are well established, enabling the reliable prediction of future production by decline curve analysis, the estimation of future revenue from oil and gas sales as well as the forecasting of future costs. Economic life of reserves recognises oil and gas revenues based on prevailing commodity pricing as well estimated operating costs, capital costs, royalties, and mineral taxes.

4. The reserves are estimated at 31 December 2022 using Deterministic Methods based on estimates of future oil production using technical and economic data. The Reserves have been summed arithmetically and have not been adjusted for risk. Remaining oil production, based on analysis of well logs, geologic maps, seismic data, well test data, production data and property ownership information is multiplied by oil prices determined from a '3 Consultants Average' Price Deck (based on extensive market information and professional experience and expertise) at December 31, 2022, (Pricing Strip Tables included below for reference). These prices are adjusted for individual field related imposts to estimate future revenues. Operator supplied field Operating Costs based on actual and projected costs are deducted from revenues on a yearly basis to determine the economic limit of the wells and summed by individual field. Royalty payments are treated as Operating Cost deductions. Estimated individual field lives based on the above methods and 2P reserves ranged from 5 to 25 years. These will vary over times due to oil prices, operating costs, and other related imposts.

5. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgement.

6. The Canadian Properties are non-operated.

7. Conversion factor for Natural gas: 6 mcf equals 1 Barrel of Oil Equivalent (BOE).

8. The Producing Reservoirs are predominantly conventional sandstone and limestone reservoirs.

9. Leases are Crown (Government awarded) Leases. Many leases are Held By Production (HBP); annual rentals are paid on leases that are not HBP.

10. Royalty paid to the Government based upon a formula where lower producing wells attract lower royalty. Based upon the current reserve report, the production royalty averages around 9%.

11. Reserves are mostly based on normal oilfield primary recovery methods using predominantly bottom hole rod insert pumps with conventional pumpjacks; 3 wells use electric submersible pumps (ESP). Some areas of the Red Earth and Alberta Plains fields are under secondary recovery using waterflood and similar techniques.

12. Based on local reservoir experience further fracture stimulation and waterflooding may significantly increase reserves over time. The economic benefit and use of these techniques will be determined by economic analysis in the future.

13. No specialised processing of the oil is required.

14. Undeveloped Reserves are based on assumptions using the local cost of development wells to access the reserves, offset and analogue producing well performance and operating costs.

15. The production is transported by tankers and owned gathering pipelines to third party access pipelines to various markets in Canada, primarily local refineries. Oil prices received are local free market prices.

PRMS Reserves Classifications used in this Release:

1P *Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.*

2P *Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.*

Proved Reserves *are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.*

Probable Reserves *are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.*

Developed Reserves *are quantities expected to be recovered from existing wells and facilities.*

Developed Producing Reserves *are expected to be recovered from completion intervals that are open and producing at the time of the estimate.*

Developed Non-Producing Reserves *include shut-in and behind-pipe reserves with minor costs to access.*

Undeveloped Reserves *are quantities expected to be recovered through future significant investments.*

Pricing Strip Tables used in Reserves Reporting

Table S-2
Summary of Selected Canadian Price Forecasts[1]
Industry Average
(Effective January 1, 2023)

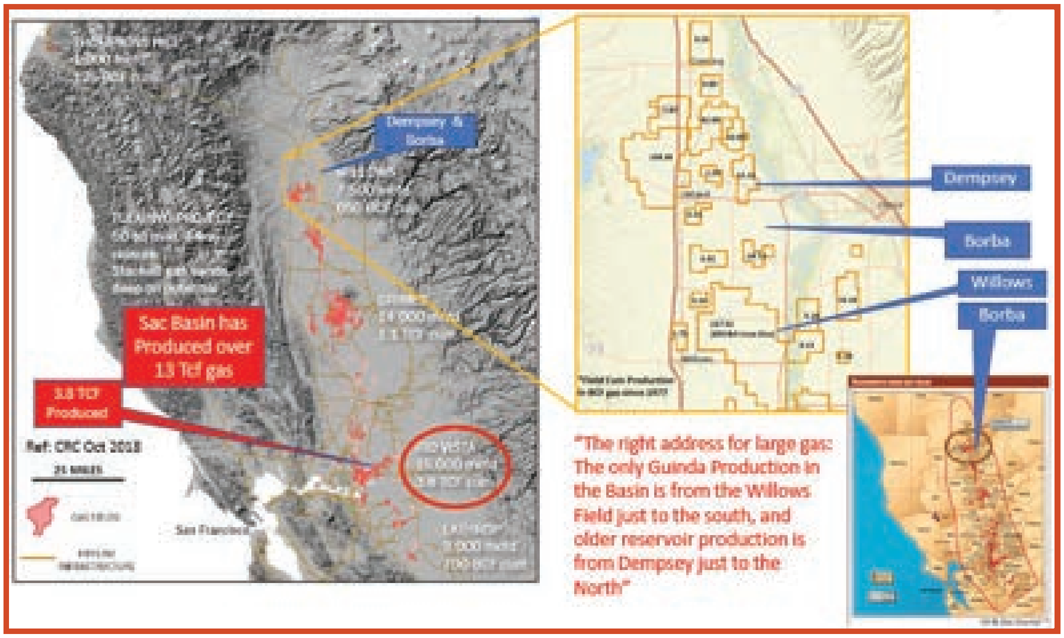
Year	Canadian Light Sweet Crude 40° API ($Cdn/bbl)	Western Canada Select 20.5 API ($Cdn/bbl)	Alberta AECO-C Spot ($Cdn/MMBtu)	Edmonton Pentanes Plus ($Cdn/bbl)	Edmonton Butane ($Cdn/bbl)	Edmonton Propane ($Cdn/bbl)
Historical[2]						
2018	68.49	52.34	1.53	79.31	33.65	27.00
2019	68.87	58.77	1.80	71.39	23.71	17.16
2020	45.39	35.59	2.24	49.65	21.87	16.31
2021	80.31	68.73	3.64	85.88	51.64	43.39
2022	119.73	101.64	5.43	121.29	61.68	50.11
Forecast						
2023	103.76	76.54	4.23	106.22	53.88	39.60
2024	97.74	77.75	4.40	101.35	52.67	39.14
2025	95.27	77.55	4.21	98.94	51.42	39.74
2026	95.58	80.07	4.27	100.19	51.61	39.86
2027	97.07	81.89	4.34	101.74	52.39	40.47
2028	99.01	84.02	4.43	103.78	53.44	41.28
2029	100.99	85.73	4.51	105.85	54.51	42.11
2030	103.01	87.44	4.60	107.97	55.60	42.95
2031	105.07	89.20	4.69	110.13	56.71	43.81
2032	106.69	91.11	4.79	112.33	57.58	44.47
2033	108.83	92.93	4.88	114.58	58.71	45.35
Escalation rate of 2.0% thereafter						

(1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. See Appendix B for more details.
(2) Historical prices are Sproule Only.

Notes:
Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

ONSHORE CALIFORNIA

The Company continued to maintain leases in the Sacramento Basin during 2022. Sacgasco has a working interest (WI) of between 10% and 100% in oil and gas leases which cover natural gas prospects ranging in size from 5-20 Bcf with up to a Tcf recoverable prospective resources of Natural Gas.



California Assets

Borba Gas

Gas Usage review for Borba Gas

Evaluations to monetise the previously reported Borba gas discovery continued with discussions on alternative developments. These include electricity production for an onsite data centre, hydrolysis of natural gas for Hydrogen generation for the local transport market or other means of transporting the gas molecules to local markets. Permitting of onsite facilities is being pursued.

Following on from reviews of pipeline operating incidents, the local pipeline network owner imposed severe volume restrictions on the previously identified pipeline route for Borba natural gas. This restriction would have resulted in the Borba production being curtailed indefinitely to below its interpreted flow potential.

As a result, Sacgasco's team assessed other viable alternatives to monetise Borba's gas and surrounding prospects.

Local generation of hydrogen to supply the growing Californian market provides several advantages over the alternatives, including:

- Excellent technology acceptance by community and support for the development of California's hydrogen economy by local legislators.
- Established and fast-growing market demand.
- Route to market by road, no need for pipelines construction or access.
- Limited land use and associated regulatory approvals with hydrogen facilities potentially co-located at well-site.
- Diversify traditional O&G activities into well-supported renewable energy markets.

The Sacgasco JV is developing partnerships with equipment and technology providers to support a natural gas consuming project at Borba.

Gas Flows in Sacramento Basin

California Gas Flows (mcf)[1]	2022	2021
Gross Production	181,738	144,886
SGC Production after Mineral Royalty	98,531	80,330
Note 1: mcf = Thousand Cubic feet gas		

Gas flow optimization and sales opportunities are being continually pursued. Gas prices in California averaged over US$30 per mcf in December 2022 and over US$14 per mcf in January 2023.

SACGASCO CALIFORNIA TENEMENT TABLE (as at 31 December, 2022)

PROJECT NAMES	LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL	PROJECT TYPE	WORKING INTEREST (WI)*
Dempsey Area Project	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal and Rework	40-60%
Borba Project	Oil and Gas Mineral Leases	Exploration	66.67%
Los Medanos Project	Los Medanos Gas Field HBP Leases	Appraisal and Rework	90%
Malton Project	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal and Rework	45-70%
Dutch Slough Gas Project	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal and Rework	70%
Rio Vista Gas Project	Rio Vista Field Wells HBP Leases	Gas flow, development, and Rework	100%
Willows Gas Field (Non-operated)	Willows Gas Fields HBP Leases	Gas flow and Rework	10%
Alvares Project	Alvares 1 well (P&A Re-entry)	Exploration and Appraisal	50%

* Approximate WI across the referenced Project

Sacgasco is the Operator of all but one of its WI wells and related tenements in California, located in the Sacramento Basin, onshore northern California.

Changes in Tenement / Project List in Reporting Period:

There have been no significant working interest or tenement changes outside the new tenements in Canada and the Philippines which were acquired during the current reporting period.

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.

Leases

USA and Canadian exploration are conducted on leases grant by Mineral Right owners, in SGC's case primarily governments, 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 oil and natural gas plays. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to SGC shareholders.

Philippines leases are issued by the Government of Philippines as Service Contracts with defined conditions that may be varied from time to time.

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 50 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. He is a member of The American Association of Petroleum Geologists. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

The timing of future events is subject to the normal industry vagrancies of operational matters and equipment availability which are outside the control of Sacgasco and its suppliers. Facilities depicted in images on the Sacgasco website are not necessarily assets of Sacgasco. Some of the images used represent aspects of the oil and gas industry in which Sacgasco is involved or images of equipment owned by companies providing services to Sacgasco.

Before investing it is recommended that investors conduct their own due diligence and consult financial and technical advisors and form their own opinions on future events and implications.

CORPORATE

The Financial Year

Shares and Options

On 31 May 2022, 27,250,000 unlisted options exercisable at 4.5 cents per share were issued to directors and consultants of the Group.

On 31 December 2022, 18,000,000 unlisted options exercisable at 6 cents per share, expired.

At the date of this report, the capital structure of the Group is as follows:

SACGASCO LIMITED – Capital Structure	
Shares	613,452,402
Unlisted Options	
UNLISTED OPTIONS @ $0.045 EXP 31/01/2024	27,250,000

OTCQB Market listing in North America

In February 2022 Sacgasco's application to join the OTCQB Market in the United States was accepted, and the Company's shares could be listed for trading under the code **SGCSF**.

In December 2022 Sacgasco decided that listing on the OTCQB market in North America provided no significant advantages for shareholders and has requested delisting.

Corporate Activity

Sacgasco Limited (ASX: SGC) ("SGC", "Sacgasco" or "the Company"), successfully placed 116,700,000 Common Shares to Sophisticated Investors to raise approximately $2.917 million before broker costs of approximately 5%.

The funds raised are to be used primarily to accelerate the drilling preparations for 2023 in the Philippines by allowing Sacgasco, through its wholly owned Subsidiary Nido Petroleum Philippines, to acquire long lead items of drilling and production equipment for the two well drilling campaign it has planned at Cadlao and Nandino.

Blue Sky International Holding Inc. (Blue Sky), which is funding via a subsidiary company the farmin to drill the Nandino Prospect participated in the capital raise as a cornerstone investor.

Philippines Department of Trade and Industry released news of Sacgasco's developments in the region on their trade, industry, and investment newsreel, 21st September 2022.

Annual General Meeting

On 1 April 2022, the Company provided its 2021 Annual Report to Shareholders.

The Annual General Meeting was held on the 31 May 2022 and all Resolutions presented were passed by a poll.

Board and Management Changes

Joanne Kendrick resigned as Non-Executive Director on 7th April 2022 and Mr William (Bill) Ashby joined the Board as a Non-Executive Director.

Bill has thirty-nine (39) years of experience in upstream oil and gas covering the disciplines of geoscience, sub surface engineering, drilling, development, and production. Over that time Mr Ashby has spent 16 years within SE Asia, including five years working within the Philippines.

He has a track record of finding and developing significant discoveries, most recently in PNG, Caldita/Barossa in Australia, Gulf Coast USA (Eagleford Shale) and Madura Strait Indonesia. Mr Ashby is focussed on business outcomes that lead to upstream development and production of resources. He has small to mid-cap Australian listed company experience, complemented by major company experience (ConocoPhillips and Mobil) internationally.

Public Presentations

A webinar on 4 May provided the opportunity for Managing Director Gary Jeffery to present an update on the Philippines to shareholders.

Gary Jeffery also presented to the Australia Philippines Business Council in Perth on July 26.

Managing Director Gary Jeffery also presented to shareholders and investors at the Annual Good Oil Conference held in Perth, Western Australia (refer ASX Release dated 6-7 September 2022).

Sacgasco Directors visited Manila, Philippines to meet with Energy officials, Service Contract participants and service providers in September and Gary Jeffery and a Blue Sky drilling representative presented to an enthusiastic meeting of the Manila chapter of SEAPEX.

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 Review of Operations above.

LIKELY DEVELOPMENTS

The Group is focussed on oil and gas production and exploration within its current portfolio as disclosed in the Review of Operations and will also continue to assess other oil and gas related opportunities which may offer value enhancing opportunities for shareholders.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in relation to its activities in the various regions in which it is involved. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation.

The Group is not aware of any significant breaches of these laws and regulations during the period covered by this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 34 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.

INFORMATION ON DIRECTORS

Information on Directors	Experience, qualifications, and other directorships
Name: Title: Qualifications:	Andrew Childs Non-Executive Chairman BSc.
Experience and expertise:	Andrew 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 Range Oil Australia (later named Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Mr Childs is also Principal of Resource Recruitment.
Other current directorships:	Non-executive Director of ADX Energy Limited since 11 November 2009
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Interests in shares: Interests in options:	11,372,840 6,000,000
Name: Title: Qualifications:	Gary Jeffery Managing Director BSc.
Experience and expertise:	Gary has nearly 50 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. He is an experience 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. Gary 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.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	None
Interests in shares: Interests in options:	28,263,482 10,000,000

INFORMATION ON DIRECTORS (continued)

Name	Experience, qualifications, and other directorships
Name:	William (Bill) Ashby
Title:	Non-Executive Director
Qualifications:	BAS Geophysics GradDipAS (Honours) – Petroleum Geophysics
Experience and expertise:	Bill has 39 years of experience in upstream oil and gas covering the disciplines of geoscience, subsurface engineering, drilling, development, and production. Over that time, he has spent 16 years within SE Asia, including five years working within the Philippines. He has a track record of finding and developing significant discoveries, most recently in PNG, Caldita/Barossa in Australia, Gulf Coast USA (Eagleford Shale) and Madura Strait Indonesia. Bill is focussed on business outcomes that lead to upstream development and production of resources. He has small to mid-cap Australian listed company experience, complemented by major company experience (ConocoPhillips and Mobil) internationally.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Interests in shares:	663,773
Interests in options:	4,000,000

'Other current directorships' stated above are current directorships for listed entities only and exclude directorships of all other types of entities.

'Former directorships' stated above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities.

COMPANY SECRETARIES

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 24 October 2013. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

COMPANY SECRETARIES (continued)

Jordan McArthur is a Chartered Accountant and was appointed to the position of Joint Company Secretary on 28 February 2021. Mr McArthur has over ten years corporate and financial experience in Australia and the United Kingdom.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 31 December 2022, and the number of meetings attended by each director was:

	Full board		Audit and risk management committee	
	Attended	Held	Attended	Held
Andrew Childs	9	9	2	2
Gary Jeffery	9	9	2	2
William Ashby	6	8	1	1
Joanne Kendrick	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

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.

In addition to the meetings held above, several decisions of the Board were undertaken via twelve circular resolutions.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all Directors and Company Secretaries 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 or Company Secretary of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is $37,088 (2021: $33,794) to insure the Directors and Company Secretaries of the Company.

INDEMNITY AND INSURANCE OF AUDITOR

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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 UNDER OPTION

Unissued ordinary shares of Sacgasco Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price cents	Number under option
31-May-2022	31-Jan-2024	4.5	27,250,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Sacgasco Limited were issued during the year ended 31 December 2022, and up to the date of this report, on the exercise of options granted.

AUDIT AND NON-AUDIT SERVICES

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

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 33.

AUDITOR

HLB Mann Judd (WA) Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the Directors of Sacgasco Limited for the year ended 31 December 2022. 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* and its Regulations.

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 objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors. The performance of the Group depends on the quality of its key management personnel. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interest. The Board has considered that it should seek to enhance shareholders' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

<u>Non-Executive Directors' Remuneration</u>
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Remuneration structure (continued)

Non-Executive Directors' Remuneration (continued)
ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held in 2008, where the shareholders approved a maximum annual aggregate remuneration of $250,000.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of sub-committee memberships:

- Non-Executive Directors $36,000 p.a. inclusive of statutory superannuation
- Chairman $40,000 p.a. inclusive of statutory superannuation

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.

Executive Directors' Remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

There are three components to the executive remuneration and reward framework:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long-service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration
Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee. 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 Nomination and Remuneration Committee has access to external, independent advice where necessary.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentive scheme
The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of key management. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPIs") being achieved. At this stage, the Group does not award any STIs.

Long-term incentive scheme
The long-term incentives ("LTIs") include long-service leave and share-based payments. Share options are awarded to executives based on long-term incentive measures. These include increase in shareholder's value relative to the entire market and the increase compared to similar companies.

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.

Remuneration structure (continued)

Group performance and link to remuneration
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.

	2022	2021 Restated	2020	2019	2018
Production income ($)	17,849,415	7,888,355	-	-	-
Other income ($)	1,246,073	1,017,912	465,538	782,243	1,250,989
Loss before income tax ($)	(3,510,104)	(16,577,690)	(1,730,534)	(1,314,164)	(1,972,174)
Net loss attributable to equity holders ($)	(3,597,778)	(16,942,450)	(1,734,221)	(1,316,441)	(1,974,367)
Share price at year end (cents)	1.20	2.60	6.30	4.50	2.50
Number of listed ordinary shares	611,180,909	481,198,714	341,258,491	268,513,742	261,780,949
Weighted average number of shares	567,437,263	464,646,028	277,329,705	266,085,375	204,386,845
Basic loss per share EPS (cents)	(0.63)	(3.65)	(0.63)	(0.49)	(0.78)
Listed options	-	-	133,429,938	133,429,948	-
Unlisted options	27,250,000	18,000,000	19,000,000	19,000,000	43,000,000
Market capitalisation ($)	7,334,171	12,511,167	21,499,285	12,083,118	7,591,648
Net tangible assets / (liabilities) (NTA) ($)	(10,235,712)	(9,229,622)	844,695	(133,437)	561,307
NTA Backing (cents)	(1.67)	(1.92)	0.25	(0.05)	0.21

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

Use of remuneration consultants
No remuneration consultants provided services during the year.

Voting and comments made at the Company's 2021 Annual General Meeting ("AGM")
At the 2022 AGM, 100% of the votes received, supported the adoption of the remuneration report for the year ended 31 December 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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	Three 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 10.5%) 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.

Details of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits		Post employment benefits	Share-based payments		Total
2022	**Cash salary and fees $**	**Other benefits (A) $**	**Super-annuation $**	**Shares $**	**Equity-settled options $**	**$**
Non-executive Directors						
Andrew Childs	20,000	12,363	-	23,376	35,400	**91,139**
William Ashby	19,584	10,682	3,313	14,603	23,600	**71,782**
Executive Directors						
Gary Jeffery	100,000	12,363	-	116,882	59,000	**288,245**
Former Directors						
Joanne Kendrick (B & C)	4,800	3,251	-	3,270	-	**11,321**
	144,384	**38,659**	**3,313**	**158,131**	**118,000**	**462,487**
2021						
Non-executive Directors						
Andrew Childs	20,000	11,265	-	14,511	312,600	**358,376**
William Ashby	-	-	-	-	-	**-**
Executive Directors						
Gary Jeffery	100,000	11,265	-	72,554	521,000	**704,819**
Former Directors						
Joanne Kendrick	10,500	4,660	-	10,500	-	25,660
David McArthur	-	6,604	-	-	208,400	**215,004**
	130,500	**33,794**	**-**	**97,565**	**1,042,000**	**1,303,859**

(A) Other benefits include D&O insurance premiums to all directors ($37,088), and Philippines' accommodation for William Ashby ($1,571)

(B) Joanne Kendrick was appointed on 1 June 2021 and resigned on 6 April 2022, and

(C) Joanne Kendrick opted to receive her directors' fee on the same terms as Gary Jeffery and Andrew Childs, being 50% in cash and 50% in shares, approved by shareholders at the AGM on 31 May 2022.

Details of remuneration (continued)

The proportion of equity remuneration and the fixed proportion are as follows:

Name	Fixed remuneration 2022 %	Fixed remuneration 2021 %	At risk - LTI 2022 %	At risk - LTI 2021 %
Non-executive Directors				
Andrew Childs	36	9	64	91
William Ashby	47	-	53	-
Executive Directors				
Gary Jeffery	39	16	61	84
Former Directors				
Joanne Kendrick	71	59	29	41
David McArthur	-	3	-	97

No cash bonuses were granted during the year (2021: Nil).

Share-based compensation

Shares issued in lieu of deferred director fees

At a general meeting on 28 May 2021, a share plan was approved by shareholders to satisfy 50% of the Executive Director and Chairman fees, payable to Mr Jeffery and Mr Childs, through the issue of shares on a quarterly basis. These shares were issued as follows:

Quarter ended	Director name	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-21 (1)	Gary Jeffery	-	-	675,676	19-Jan-22	3.00
31-Dec-21 (1)	Andrew Childs	-	-	135,135	19-Jan-22	3.00
31-Dec-21 (2)	Joanne Kendrick	-	(1,695)	293,497	06-Jun-22	3.00
31-Mar-22	Gary Jeffery	25,000	25,862	862,069	20-Apr-22	3.00
31-Mar-22	Andrew Childs	5,000	5,173	172,414	20-Apr-22	3.00
06-Apr-22 (2)	Joanne Kendrick	4,800	4,965	165,517	06-Jun-22	3.00
30-Jun-22 (3)	Gary Jeffery	25,000	22,000	1,000,000	08-Jul-22	2.20
30-Jun-22 (3)	Andrew Childs	5,000	4,400	200,000	08-Jul-22	2.20
30-Jun-22 (3)	William Ashby	3,818	3,360	152,727	08-Jul-22	2.20
30-Sep-22	Gary Jeffery	25,000	32,353	1,470,588	19-Oct-22	2.20
30-Sep-22	Andrew Childs	5,000	6,470	294,118	19-Oct-22	2.20
30-Sep-22	William Ashby	4,072	5,270	239,553	19-Oct-22	2.20

Share-based compensation (continued)

Shares to be issued in lieu of deferred director fees (continued)

Quarter ended	Director name	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-22	Gary Jeffery	25,000	36,667	1,666,667	17-Jan-23	2.20
31-Dec-22	Andrew Childs	5,000	7,333	333,333	17-Jan-23	2.20
31-Dec-22	William Ashby	4,073	5,973	271,493	17-Jan-23	2.20
		136,763	158,131	7,932,787		

(1) No value is recorded for contractual value of services and market value of shares in the current financial year as these expenses ($24,324) were accrued as of 31 December 2021.

(2) At a general meeting on 31 May 2022, shareholders approved the issue of shares under the same terms approved at the 2021 AGM, to satisfy 50% of Ms Kendrick's non-executive directors' fee for the period 1 June 2021 to 6 April 2022. 100% of fees were accrued as of 31 December 2021 resulting in a fair-value adjustment.

(3) At a general meeting on 31 May 2022, a share plan was approved by shareholders to satisfy 50% of all director fees through the issue of shares on a quarterly basis for the period 1 April 2022 to 31 March 2023.

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	Exercise Price Per option cents	Expiry date
Gary Jeffery	10,000,000	31-May-22	0.59	59,000	31-May-22	4.5	31-Jan-24
Andrew Childs	6,000,000	31-May-22	0.59	35,400	31-May-22	4.5	31-Jan-24
William Ashby	4,000,000	31-May-22	0.59	23,600	31-May-22	4.5	31-Jan-24

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

The cost of these options form part of the 31 December 2022 remuneration report.

No options granted as compensation in the current or prior years were exercised (2021: 2,000,000 options).

16,000,000 options granted as compensation in prior years expired (2021: 16,000,000 options expired).

Additional disclosures relating to key management personnel

Shareholdings
The number of shares in the company held during the financial year by each director, including their personally related parties, is set out below:

	Held at 31 December 2021	Held on appointment / (resignation)	Purchases	In lieu of fees	Held at 31 December 2022
Andrew Childs	7,837,840	-	2,400,000	801,667	11,039,507
Gary Jeffery	22,588,482	-	-	4,008,333	26,596,815
William Ashby	-	-	-	392,280	392,280
Joanne Kendrick	-	-	-	-	-
	30,426,322	-	2,400,000	5,202,280	38,028,602

Option holdings
The number of options over ordinary shares in the company held during the financial year by each director, including their personally related parties, is set out below:

	Held at 31 December 2021 Number	Held on Appointment / (resignation) Number	Granted as compensation Number	Expired Number	Held at 31 December 2022 Number	Vested and exercisable at 31 December 2022 Number	Value of options expired during the year $
Andrew Childs	6,000,000	-	6,000,000	(6,000,000)	6,000,000	6,000,000	(312,600)
Gary Jeffery	10,000,000	-	10,000,000	(10,000,000)	10,000,000	10,000,000	(521,000)
William Ashby	-	-	4,000,000	-	4,000,000	4,000,000	-
Joanne Kendrick	-	-	-	-	-	-	-
	16,000,000	-	20,000,000	(16,000,000)	20,000,000	20,000,000	(833,600)

Additional disclosures relating to key management personnel

The value of options over ordinary shares issued to directors as part of compensation in prior years, which expired during the year ended 31 December 2022, is set out in the table above.

20,000,000 options were granted as compensation during the year. No options granted as compensation in prior years were exercised.

Share-based remuneration granted as compensation
Refer to note 25 for the terms and conditions of each grant of options over ordinary shares affecting remuneration of directors in this financial year or future reporting years.

Other transactions with key management personnel
Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 27.

END OF AUDITED REMUNERATION REPORT

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors.

GARY JEFFERY
Managing Director

31 March 2023
Perth, WA

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sacgasco Limited for the year ended 31 December 2022, 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	**D I Buckley**
31 March 2023	**Partner**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	2022 $	2021 Restated $
Production income	5	17,849,415	7,888,355
Other income	6	1,246,073	1,017,912
Finance income	7	7,206	401
Expenses			
Cost of sales		(14,276,572)	(6,344,778)
Other operating expenses		(1,109,139)	(895,918)
Exploration expenditure expensed through profit or loss	9	(3,361,851)	(10,642,412)
Marketing and business development costs		(38,045)	(64,693)
Personnel expenses	8	(447,471)	(1,560,682)
General and administration costs		(307,167)	(178,418)
Professional fees		(911,590)	(633,386)
Depreciation and amortisation – oil and gas properties		(2,239,244)	(994,313)
Depreciation and amortisation – other assets		(10,300)	(1,991)
Amortisation – right-of-use assets	19	(36,922)	-
Foreign exchange gains / (losses)		18,276	172,340
Impairment (loss) / gain on trade receivables	14	(336,247)	201,305
Loss on disposal of subsidiary		(969)	-
Finance expenses	7	(763,304)	(954,820)
Withholding tax	20	1,207,747	(3,586,592)
Loss before income tax		(3,510,104)	(16,577,690)
Income tax expense	12	(304,371)	(364,760)
Loss for the year from continuing operations		**(3,814,475)**	**(16,942,450)**
Gain on acquisition and disposal of subsidiaries	10	216,697	-
Profit from discontinued operations		**216,697**	**-**
Loss for the year		**(3,597,778)**	**(16,942,450)**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	2022 $	2021 Restated $
Loss for the year		(3,597,778)	(16,942,450)
Other comprehensive income			
Foreign currency translation difference of foreign operations		(634,841)	(207,211)
Total comprehensive loss for the year		**(4,232,619)**	**(17,149,661)**
Loss for the year is attributable to:			
Continuing operations		(3,814,475)	(16,942,450)
Discontinued operations		216,697	-
		(3,597,778)	(16,942,450)
Comprehensive loss for the year is attributable to:			
Continuing operations		(4,449,316)	(17,149,661)
Discontinued operations		216,697	-
		(4,232,619)	(17,149,661)
Loss per share (cents per share)			
Basic and diluted – continuing operations		(0.67)	(3.65)
Basic and diluted – discontinued operations		0.04	-
	11	(0.63)	(3.65)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2022

	Note	2022 $	2021 Restated $
Assets			
Cash and cash equivalents	13	435,870	1,286,051
Trade and other receivables	14	1,406,782	1,948,770
Inventory	15	124,782	48,771
Prepayments	16	2,177,077	100,324
Other financial assets	17	5,435	-
Current tax assets	12	72,447	-
Total current assets		4,222,393	3,383,916
Oil and gas properties	18	22,884,305	28,671,482
Property, plant, and equipment		12,357	3,079
Right of use assets	19	140,841	-
Intangible assets		634	34
Other financial assets	17	318,365	280,511
Total non-current assets		23,356,502	28,955,106
Total assets		**27,578,895**	**32,339,022**
Liabilities			
Trade and other payables	20	(5,652,013)	(4,782,003)
Borrowings	21	(917,041)	(839,534)
Lease liabilities	22	(89,272)	-
Employee benefits	8	(16,926)	(27,191)
Site restoration provision	23	(1,061,769)	(903,257)
Contract liabilities		(1,410)	(219,639)
Current tax liabilities		-	(369,277)
Total current liabilities		(7,738,431)	(7,140,901)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of 31 December 2022

	Note	2022 $	2021 Restated $
Site restoration provision	23	(30,030,547)	(34,427,709)
Lease liabilities	22	(44,994)	-
Total non-current liabilities		(30,075,541)	(34,427,709)
Total liabilities		(37,813,972)	(41,568,610)
Net liabilities		**(10,235,077)**	**(9,229,588)**
Equity			
Share capital	24	33,058,906	29,941,940
Reserves		(439,748)	1,022,729
Accumulated losses		(42,854,235)	(40,194,257)
Total deficit attributable to equity holders of the Company		**(10,235,077)**	**(9,229,588)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital $	Equity component of convertible note $	Translation reserve $	Options reserve $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance on 1 January 2021	**23,635,092**	**361,229**	**191,556**	**110,200**	**12,931**	**(23,466,207)**	**844,801**
Loss for the year - restated	-	-	-	-	-	(16,942,450)	(16,942,450)
Foreign exchange translation difference on foreign operations - restated	-	-	(207,211)	-	-	-	(207,211)
Total comprehensive loss for the year - restated	-	-	(207,211)	-	-	(16,942,450)	(17,149,661)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	5,877,051	-	-	-	-	-	5,877,051
Issue of convertible notes	429,797	(361,229)	-	-	-	-	68,568
Transfer to accumulated losses on exercise of options	-	-	-	(121,600)	-	121,600	-
Transfer to accumulated losses on expiry of options	-	-	-	(92,800)	-	92,800	-
Share-based payments	-	-	-	1,042,000	87,653	-	1,129,653
Balance on 31 December 2021 – restated	**29,941,940**	**-**	**(15,655)**	**937,800**	**100,584**	**(40,194,257)**	**(9,229,588)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022

	Share capital $	Equity component of convertible note $	Translation reserve $	Options reserve $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance on 1 January 2022 – restated	**29,941,940**	**-**	**(15,655)**	**937,800**	**100,584**	**(40,194,257)**	**(9,229,588)**
Loss for the period	-	-	-	-	-	(3,597,778)	(3,597,778)
Foreign exchange translation difference on foreign operations	-	-	(634,841)	-	-	-	(634,841)
Total comprehensive loss for the period	-	-	(634,841)	-	-	(3,597,778)	(4,232,619)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	3,116,966	-	-	-	-	-	3,116,966
Transfer to accumulated losses on exercise of options	-	-	-	(937,800)	-	937,800	-
Share-based payments	-	-	-	160,775	(50,611)	-	110,164
Balance on 31 December 2022	**33,058,906**	**-**	**(650,496)**	**160,775**	**49,973**	**(42,854,235)**	**(10,235,077)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		4,621,122	4,462,491
Cash paid to suppliers and employers		(1,261,519)	(6,096,239)
Payments for exploration and evaluation		(6,216,916)	(3,958,336)
Interest paid		(106,082)	(10,491)
Interest received		7,178	1,416
Income taxes paid		(757,463)	(3,163)
Net cash used in operating activities	13(b)	(3,713,680)	(5,604,322)
Cash flows from investing activities			
Cash held on acquisition of subsidiary		-	1,121,841
Payments for oil and gas properties		-	(1,579,286)
Payments for property, plant, and equipment		(18,951)	-
Payments for intangible assets		(928)	-
Net cash used in investing activities		(19,879)	(457,445)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,917,500	5,003,250
Proceeds from the exercise of options		-	301,879
Repayment of loan to joint venture partner		-	202,060
Loan to joint venture partner		-	(137,450)
Proceeds from related party loans		100,000	870,000
Repayment of loans from related parties		-	(340,000)
Repayment of right of use lease liability		(41,527)	-
Payment of capital raising costs		(147,011)	(331,234)
Net cash from financing activities		2,828,962	5,568,505
Net decrease in cash and cash equivalents		(904,597)	(493,262)
Cash and cash equivalents on 1 January		1,286,051	1,735,573
Effect of exchange rate fluctuations on cash held		54,416	43,740
Cash and cash equivalents on 31 December	13(a)	435,870	1,286,051

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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2022

GENERAL INFORMATION

The consolidated financial statements cover Sacgasco Limited as a Group consisting of Sacgasco Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Sacgasco Limited's functional and presentation currency.

Sacgasco Limited is a listed public company limited by shares, incorporated, and domiciled in Australia. Its registered and principal place of business is:

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issued, in accordance with a resolution of directors, on 31 March 2023. The directors have the power to amend and reissue the financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. No change to accounting policies was required.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

1.2 BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for, for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant, and equipment and derivative financial instruments.

1.2 BASIS OF PREPARATION (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

1.3 PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

1.4 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sacgasco Limited ("company" or "parent entity") as of 31 December 2022 and the results of all subsidiaries for the year then ended. Sacgasco Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired, is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position, and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

When the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

1.5 FOREIGN CURRENCY TRANSLATION

The financial statements are translated into Australian dollars, which is Sacgasco Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1.6 CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting date, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settle within 12 months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

1.7 GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business.

On 31 December 2022, the Group had net liabilities of $10,235,077, comprised of a $2,378,845 withholding tax liability (see below) and a $30,030,547 non-current site restoration provision. $21,622,979 relates to the Group's Canadian producing assets and $8,201,169 to the Philippines exploration assets, neither of which are likely to be payable in the near term. During the year ended 31 December 2022, the Group incurred an operating loss of $3,597,778 and had net cash outflows of $904,597.

1.7 GOING CONCERN (continued)

As disclosed in note 20, there is a liability of $2,378,845 for estimated withholding tax on intercompany loan interest which was payable prior to the acquisition of BCPE on 1 July 2021. Legal advice on the recovery of this amount under the warranties provided under the share purchase agreement continues, with such legal advice confirming the Company has strong grounds to recover these amounts.

During the financial year, the Group received cash inflows from oil and gas production operations in Canada. At year end, the Group is in a payable position predominantly due to development costs incurred by the operator in drilling and completion works at the Joint Venture's Alberta Plains assets.

Despite ongoing operations in Canada, present conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, may be unable to realise its assets at carrying value and discharge its liabilities in the normal course of business.

Further, the Board acknowledges the need to source further funding to meet planned and committed operating expenditures and discharge its current liabilities. Should the Canadian producing assets in which the Group has an interest be unsuccessful in providing sufficient positive cash flows, the Directors are confident of sourcing these funds from one or more of the following alternatives:

- Capital raising such as:
  - Private placement
  - Entitlement issue
  - Share purchase plan
- Borrowings from related or third parties
- Successful sale of rights to exploration or production assets

The Directors are confident that a combination of these strategies will sufficiently fund operations in the foreseeable future.

Whilst these factors give rise to a material uncertainty regarding the outcome of funding alternatives, and therefore may cast significant doubt as to whether or not the Group will be able to continue as a going concern and realise its assets at carrying values, given the Group's ability to raise cash when required, the directors are of the opinion the Group can carry on operations for the foreseeable future, and that it will be able to realise its debts and discharge its liabilities in the normal course of business. If necessary, the Group has the capacity to delay or cancel expenses that are discretionary in nature, including administrative costs and exploration expenditure that are not contractually binding. The timing of raising additional capital will depend on the investment markets, current and future planned exploration activities and positive cashflows from the Group's Canadian producing assets.

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.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to nature of exploration activities and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently resulting from the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 25.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered the point of delivery, of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit loss, as disclosed in note 14, is calculated based on the information available at the time of preparation. The actual credit loss in future years may be higher or lower.

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 26.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 12.

Restoration obligations

Where restoration obligations exist, the Group estimates the future removal costs of oil and gas platforms, production facilities, wells, and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding, but not limited to removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, and future removal technologies in determining the removal cost and liability, and specific discount rates that should be used to determine the present value of estimated cash flows. Refer to note 23.

Estimates of reserve quantities

The estimated quantities of proved plus probable hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to the assessment of possible impairment of assets. Estimated reserve quantities are based upon interpretation of geological and geophysical models and assessments of technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during production and operations. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserve estimation which conform to guidelines prepared by the Society of Petroleum Engineers and specified by Australian Securities Exchange regulations and guidelines.

2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Asset acquisition

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree. On acquisition of a business, the Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contract terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Business combinations are initially accounted for on a provision basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstance that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the ate of the acquisition, or (ii) when the acquirer receives all the information possible to determine fair value.

To be considered a business, an acquired set of activities and assets must include inputs and a substantive process that together significantly contribute to the ability to create outputs.

To be substantive, the inputs acquired include both an organised workforce that has skills, knowledge, or expertise to perform the process, and other inputs that an organised workforce could develop and convert into outputs.

If the assets acquired are not a business, the Group shall account for the transaction or other event as an asset acquisition.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment.

3 VOLUNTARY CHANGE OF ACCOUNTING POLICY

In 2016, the Group changed its accounting policy for exploration and evaluation expenditure to expense as incurred. However, this change did not specifically mention acquisition costs.

The new exploration and evaluation expenditure accounting policy adopted on 31 December 2016 was 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.

The previous accounting policy was that expenditure on exploration and evaluation activities in relation to areas of interest which had not reached a stage which permitted reasonable assessment of the existence or otherwise of economically recoverable reserves were capitalised as incurred.

When Sacgasco acquired BCPE on 1 July 2021, the cost of acquiring the Philippines operations was capitalised.

The Directors believe that expensing all exploration and evaluation expenditure as incurred, will provide more relevant information and no less reliable information to users of the consolidated financial statements. Both the previous and the new accounting policies are compliant with AASB 6 *Exploration for and Evaluation of Mineral Resources*, which permits a choice of accounting policy for an area of interest.

The impact of the change in accounting policy on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and reconciliation of cash flows from operating activities, is included in the following tables:

<u>Extract from consolidated statement of profit or loss and other comprehensive income</u>

	31 December 2021 $	Increase / (decrease) $	31 December 2021 Restated $
Exploration expenditure expensed through profit or loss	(4,381,605)	(6,260,808)	(10,642,413)
General and administrative expenses	(178,418)	1	(178,417)
Loss before income tax	**(10,316,883)**	**(6,260,807)**	**(16,577,690)**
Income tax expense	(364,760)	-	(364,760)
Loss for the year	**(10,681,643)**	**(6,260,807)**	**(16,942,450)**
Foreign currency translation difference of foreign operations	(405,104)	197,893	(207,211)
Total comprehensive loss for the year	**(11,086,747)**	**(6,062,914)**	**(17,149,661)**
Loss per share			
Basic and diluted (cents per share)	(2.30)	(1.35)	(3.65)

3 VOLUNTARY CHANGE OF ACCOUNTING POLICY (continued)

Extract from reconciliation of cash flows from operating activities

	31 December 2021 $	Increase / (decrease) $	31 December 2021 Restated $
Loss for the year	(10,681,643)	(6,260,807)	(16,942,450)
Adjustments for:			
Exploration expenditure expensed through profit or loss	-	11,980,830	11,980,830
Change in prepayments	39,283	(1)	39,282
Other provisions	(614,853)	(5,720,022)	(6,334,875)
Net cash from operating activities	**(5,604,322)**	**-**	**(5,604,322)**

Extract from consolidated statement of financial position

	31 December 2021 $	Increase / (decrease) $	31 December 2021 Restated $
Prepayments	100,323	1	100,324
Capitalised exploration acquisition costs	6,062,915	(6,062,915)	-
	6,163,238	**(6,062,914)**	**100,324**
Equity			
Issued capital	29,941,940	-	29,941,940
Reserves	824,836	197,893	1,022,729
Accumulated losses	(33,933,450)	(6,260,807)	(40,194,257)
Total deficiency	**(3,166,674)**	**(6,062,914)**	**(9,229,588)**

4 OPERATING SEGMENTS

Accounting Policy

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sacgasco Limited.

The Group is organised into two operating segments based on the operations each performs, being:

- oil and gas exploration and appraisal
- oil and gas production

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the CODM) in assessing performance and determining the allocation of resources. There is no aggregation of operation segments. Any amounts that fall outside of these segments are categorised as "Corporate".

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2021.

Segment profit or loss

	Revenue		Segment profit / (loss)	
	2022	2021	2022	2021 Restated
	$	$	$	$
Oil and gas production	16,700,519	7,888,355	(110,535)	573,761
Oil and gas exploration	1,148,896	-	(3,727,123)	(11,297,934)
	17,849,415	7,888,355	(3,837,658)	(10,724,173)
Eliminations	-	-	(1,869)	(1,412)
	17,849,415	7,888,355	(3,839,527)	(10,725,585)
Finance income			3,617	387
Finance costs			(80,986)	(69,170)
Government grants			-	-
Withholding tax			1,207,747	(3,586,592)
Central administrative expenses			(800,955)	(2,196,730)
Loss from continuing operations before tax			**(3,510,104)**	**(16,577,690)**

Segment profit or loss represents the loss before tax earned by each segment without allocation of central administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

4 OPERATING SEGMENTS (continued)

Segment assets and liabilities

	Assets		Liabilities	
	2022 $	2021 Restated $	2022 $	2021 Restated $
Oil and gas exploration	3,565,864	973,033	(10,276,992)	(8,790,805)
Oil and gas production [1]	23,009,086	29,958,425	(24,004,700)	(27,916,244)
Total segment assets and liabilities	**26,574,950**	**30,931,458**	**(34,281,692)**	**(36,707,049)**
Corporate and other segment assets/liabilities	1,003,945	1,407,564	(3,532,280)	(4,861,561)
Total	**27,578,895**	**32,339,022**	**(37,813,972)**	**(41,568,610)**

[1] includes oil and gas properties and inventories

For monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments, other than corporate office assets; and
- all liabilities are allocated to reportable segments, other than Group entity liabilities.

The CODM monitors cash, receivables, and payables position. This is the information that the CODM receives and reviews to make decisions.

Geographical information

The Group operates its business in Canada and the USA. During the period, the Group's production income was derived from Canada. The Group's production income and non-current assets by geographical location is as follows:

	Production income		Non-current assets	
	2022 $	2021 $	2022 $	2021 Restated $
Australia	-	-	7,029	6,183
Canada and USA	17,849,415	7,888,355	23,178,734	28,948,923
Philippines	-	-	170,739	-
Total	**17,849,415**	**7,888,355**	**23,356,502**	**28,955,106**

Non-current assets comprise oil and gas properties and bonds.

Information about major customers

Total revenue for the year from contracts with customers is derived from one single customer.

5 PRODUCTION INCOME

Accounting Policy

Revenue recognition
Revenue associated with the sale of crude oil and natural gas, which the Group has rights to, is recognised when the Operator satisfies its contractual performance obligations by transferring title of specified goods based on contracts entered with customers. Revenue is based upon volumes sold to customers under these contracts.

The transfer of control ordinarily occurs when the product is physically transferred at the delivery point agreed in the contract and legal title to the product passes to the customer (often via connected pipelines).

Revenue is measure at the fair value of the consideration received or receivable. Revenue from the sale of crude oil and natural gas is recognised when all the following conditions have been satisfied:

- The Operator has transferred control of the goods to the buyer and the revenue is recognised at that time,
- The Operator retains no continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold,
- The amount of revenue can be reliably measured,
- It is probable that the economic benefits associated with the transaction will flow to the Operator, and thereby a proportional interest to the Group, and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Revenue for the year ended 31 December 2022, relates to contracts executed for the sale of crude oil and natural gas. All performance obligations have been met within the period. There is no variable consideration requiring estimation for the period ended 31 December 2022.

The Group did not have contracts that were executed in the current or prior period, whereby the performance obligations were partially met at the beginning of the period.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2022 $	2021 $
Goods transferred at a point in time		
Crude oil	16,429,444	7,712,575
Natural gas	1,419,971	175,780
	17,849,415	**7,888,355**

6 OTHER INCOME

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	2022 $	2021 $
Other operating income – California	(i)	289,107	724,019
Other operating income – Canada	(ii)	277,763	265,237
		566,870	**989,256**
Other income		19,962	28,656
Debt forgiveness	(iii)	250,224	-
Prior period employee expense refunds	(iv)	409,017	-
Total other income		**1,246,073**	**1,017,912**

(i) The gas flow from the Californian wells sold to customers, is a natural by-product of exploration activities in the Capay and Los Medanos gas fields. Each working interest owner pays a share of the lease operating expenses (COPAS) for managing these wells.

(ii) The Canadian production assets additionally generate minor revenues through provision of access to private roads.

(iii) Intercompany loan debt forgiveness following dissolution of Sacgasco SG Pte Ltd.

(iv) Includes $395,869 ATO refund following re-assessment of Nido Petroleum's historical PAYG paid.

7 NET FINANCE COSTS

Accounting Policy

Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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.

7 NET FINANCE COSTS (continued)

	Note	2022 $	2021 $
Interest income on deposits		3,661	32
Interest income from authorised government agencies		3,545	-
Interest income on loans to joint venture partner		-	369
Total finance income		**7,206**	**401**
Interest expense on financial liabilities measured at amortised cost			-
Interest expense on loans received from related parties	21	80,986	43,238
Interest on right of use lease liabilities	22	2,603	-
Interest expense on convertible notes		-	25,932
Interest expense		**83,589**	**69,170**
Unwinding of discounts on provisions		679,715	885,650
Total finance costs		**763,304**	**954,820**
Net finance costs		**756,098**	**954,419**

8 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual and long service leave, not expected to settle within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

8 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

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

	Note	2022 $	2021 $
Directors' remuneration	27	462,487	1,303,859
Other wages and salaries		200,250	98,589
Contributions to defined contribution plans		1,669	3,242
Other employee benefits		22,090	-
Share-based payments expense		1,180	-
Other personnel costs on termination of Philippines staff		-	135,534
Other associated personnel expenses		8,233	19,458
		695,909	1,560,682
Expensed in exploration and evaluation		248,438	-
Expensed in personnel expenses		447,471	1,560,682
		695,909	1,560,682

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

	2022 $	2021 $
Current		
Salary accrual	14,866	24,674
Statutory superannuation contributions	2,060	2,517
	16,926	**27,191**

9 EXPLORATION AND EVALUATION EXPENDITURE

Accounting Policy

Exploration and evaluation expenditure is assessed for each separate area of interest for which rights of tenure are current. As per AASB 6 *'Exploration for and Evaluation of Mineral Resources',* each area of interest may be expensed as incurred; or partially or fully capitalised and recognised as an exploration and evaluation asset if the requirements of paragraph AUS7.2 are satisfied.

An exploration and evaluation asset shall only be recognised where it is expected that the expenditure may be recovered through the successful development and exploitation of an area of interest, or by its sale, or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment
Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest authority.

The exploration and evaluation accounting policy expenses 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 as incurred to exploration expenditure expensed through profit or loss.

	2022 $	2021 Restated $
Exploration expenditure as incurred - California	76,639	3,751,594
Exploration expenditure as incurred - Philippines	3,285,212	6,890,819
	3,361,851	**10,642,413**

10 ASSET ACQUISITION AND DISPOSAL

Acquisition of TG World (BVI) Corporation

On 25 November 2021, the Company executed an agreement with TG World Energy Corp ("TEC") to acquire its wholly owned subsidiary TG World (BVI) Corporation ("TG World") for consideration of $1 and up to a maximum net royalty of US$530,000 paid after commercial production is achieved. The royalty will be paid at the rate of 12.5% of the contractor share of net proceeds from Service Contract SC 54 production until the maximum is reached. The acquisition was subject to regulatory approvals which were not completed until 1 March 2022.

To acquire a business under AASB 3 *Business* Combinations there must be a set of activities, and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. To be substantive, the inputs acquired include both an organised workforce that has skills to perform the process and other inputs that can convert to outputs.

As substantial exploration activities are required before a decision can be made on the commercial viability of these operations, AASB 3 does not apply to the acquisition of TG World. This would lead to an asset acquisition, but AASB 116 *Property, plant and equipment* notes that mineral rights must be accounted for under AASB 6 *Exploration for and Evaluation of Mineral Resources*. As this acquisition did not meet the definition of a business, they have been accounted for as asset acquisitions utilising the principles in AASB 2.

Details of the fair value of the assets and liabilities of TG World acquired on 1 March 2022 are as follows:

	$
Net liabilities acquired:	
Other financial assets	13,617
Trade and other payables	(145,307)
Current tax liabilities	(89,388)
Financial liabilities	(23,240,059)
Net liabilities acquired	**(23,461,137)**
Net effect of acquisition	**(23,461,137)**

Disposal of TG World (BVI) Corporation

On 16 December 2021, the Company executed an agreement to transfer a 12.5% working interest in SC 54 to Blue Sky International Holdings Inc. ("Blue Sky") through the sale of TG World. Consideration for the sale was $216,697 (C$200,000) and subject to the regulatory approvals disclosed above.

The Farmin Option was exercised by Blue Sky on 4 March 2022. Subject to regulatory approval and rig availability, Blue Sky will pay Sacgasco's 72.5% working interest share of the Nandino Prospect well cost up to and including wireline logging on a 2 for 1 basis to earn 36.25% participating interest when the farmin obligations are fulfilled.

The SC 54 Joint Venture is utilising carbonate facies modelling to identify reservoir sweet spots and confirm the proposed drilling location for the Nandino Prospect located updip from Tindalo, North Nido and Yakal oil discovery wells.

The sale of TG World was completed on 2 March 2022 with no change in net liabilities or its functional currency USD, resulting in a gain on disposal of $216,697 equivalent to the cash received.

11 LOSS PER SHARE

Accounting Policy

Basic earnings per share
Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of Sacgasco Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to accounts for the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2022 $	2021 Restated $
Basic and diluted loss per share from continuing operations		
Loss after income tax attributable to owners of Sacgasco Limited	(3,814,475)	(16,942,450)
	Cents	**Cents**
Basic and diluted loss per share	(0.67)	(3.65)

	2022 $	2021 Restated $
Basic and diluted earnings per share from discontinued operations		
Profit after income tax attributable to owners of Sacgasco Limited	216,697	-
	Cents	**Cents**
Basic and diluted earnings per share	0.04	-

11 LOSS PER SHARE (continued)

	2022 $	2021 Restated $
Basic and diluted loss per share		
Loss after income tax attributable to owners of Sacgasco Limited	(3,597,778)	(16,942,450)

	Cents	Cents
Basic and diluted loss per share	(0.63)	(3.65)

	Number	Number
Weighted average number of ordinary shares		
Issued ordinary shares on 1 January	481,198,714	341,258,491
Effect of shares issued	86,238,549	123,387,537
Weighted average number of ordinary shares on 31 December	**567,437,263**	**464,646,028**

In both years ending 31 December 2022 and 2021, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the year.

12 INCOME TAX EXPENSE

Accounting Policy

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in as transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits, or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probably that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Sacgasco Limited ("the head entity") and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses, and assets are recognised net of the amount of, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the tax authority, are presented as operating cash flows.

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

12 INCOME TAX EXPENSE (continued)

(a) Amounts recognised in profit or loss

	2022 $	2021 $
Current tax expense	304,371	364,760
Deferred tax expense	-	-
Income tax expense	**304,371**	**364,760**
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax	(3,293,407)	(16,577,690)
Tax at the Australian tax rate of 30% (2021: 30%)	(988,022)	(4,973,307)
Non-deductible expenses	165,731	1,863,196
Non-assessable income	(409,718)	(144,268)
Change in income tax rates from 27.5% to 30%	-	(176)
Tax rate differential on Australian income	7,737	(110,050)
Non-assessable non-exempt overseas subsidiaries expenses	842,305	1,432,159
Overseas minimum income tax	3,463	3,162
Adjustment for prior periods	(2,114)	(1,938)
Timing differences	337,573	2,167,695
Tax losses utilised not previously brought to account	347,416	128,287
Income tax expense	304,371	364,760
Tax losses		
Potential future income tax benefits attributed to tax losses, not brought to account	2,155,037	1,809,735
Current tax asset / (liability)	72,447	(369,277)

All unused tax losses were incurred by Australian entities.

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.

12 INCOME TAX EXPENSE (continued)

(b) Unrecognised deferred tax assets and liabilities

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

	2022 $	2021 $
Deferred tax liabilities		
Prepayments	(8,207)	(8,203)
Oil and gas properties	(4,307,512)	-
Trade and other receivables	-	(11,948)
	(4,315,719)	(20,151)
Deferred tax assets		
Capital raising costs – s40-880	5,224	21,257
Oil and gas properties	-	224,048
Property, plant, and equipment	50	66
Trade and other payables	18,438	12,600
Employee benefits	618	755
Provisions	4,815,682	99,369
Carry forward tax losses	2,155,037	1,809,735
	6,995,049	2,167,830
Net unrecognised deferred tax assets	**2,679,330**	**2,147,679**

13 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalent also includes, bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

13 CASH AND CASH EQUIVALENTS (continued)

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

	2022 $	2021 $
Cash and cash equivalents in the statement of cash flows	435,870	1,286,051

(b) Reconciliation of cash flows from operating activities

		2022 $	2021 $
Cash flows from operating activities			
Loss for the period		(3,597,778)	(16,942,450)
Adjustments for:			
Equity-settled share-based payment transactions	25	401,485	1,205,324
Depreciation and amortisation		2,286,466	996,304
Exploration expenditure expensed through profit or loss		-	11,980,830
Provision for expected credit losses		342,943	-
Debt forgiveness		(250,224)	-
Other income		(47,700)	-
Net loss / (profit) on foreign exchange translations		85,523	(60,298)
Net finance expense / (income)			25,932
Unwind of discount on provisions		679,715	885,650
Loss on disposal of subsidiary		511	
Change in other receivables		889,576	(1,028,183)
Change in inventory		(77,741)	(47,757)
Change in prepayments and deposits		(2,037,122)	39,282
Change in other operating assets		(1,156,669)	-
Change in other financial assets		(24,940)	244,042
Change in interest bearing assets		-	1,028
Change in trade and other payables		199,037	2,826,254
Change in interest bearing liabilities		(22,493)	32,747
Change in contract liabilities		(218,255)	219,639
Change in current tax liabilities		(451,043)	361,597
Change in employee benefits provision		(10,265)	(9,388)
Change in site restoration provision		(704,706)	(6,334,875)
Net cash used in operating activities		**(3,713,680)**	**(5,604,322)**

13 CASH AND CASH EQUIVALENTS (continued)

(c) Non-cash investing and financing activities

	2022 $	2021 $
Additions to the right-of-use assets	174,521	-

(d) Changes in liabilities arising from financing activities

	Related party loans $	Right-of-use assets $	Convertible notes $	Total $
Balance on 1 January 2021	276,787	-	42,636	319,423
Net cash from financing activities	530,000	-	-	530,000
Interest on convertible notes	-	-	(42,636)	(42,636)
Interest on related party loans	32,747	-	-	32,747
Balance on 31 December 2021	839,534	-	-	839,534
Net cash used in financing activities	100,000	(41,527)	-	58,473
Interest on related party loans - expensed	80,986	-	-	80,986
Interest on related party loans – paid	(103,479)	-	-	(103,479)
Right of use lease liabilities	-	174,521	-	174,521
Effects of foreign exchange	-	1,272	-	1,272
Balance on 31 December 2022	**917,041**	**134,266**	**-**	**1,051,307**

14 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

14 TRADE AND OTHER RECEIVABLES (continued)

		2022 $	2021 $
Current			
Trade debtors		272,828	311,140
Less: provision for expected credit losses	(i)	(25,691)	(30,525)
		247,137	**280,615**
Philippines joint venture partners cash calls		774,604	253,280
Less: provision for expected credit losses	(ii)	(342,942)	-
		431,662	**253,280**
Authorised government agencies		23,968	30,289
Other receivables – oil and gas assets		389,461	1,238,172
Other		314,554	146,414
		1,406,782	**1,948,770**

Movement in the allowance for expected credit losses			
Opening balance		30,525	244,884
Reversal of provisions recognised		(6,696)	(201,305)
Effects of foreign exchange		1,862	(13,054)
	(i)	25,691	30,525
Provision for expected credit losses on Philippines cash calls	(ii)	342,942	-
		368,333	30,525

(i) The Group has assessed the recoverability of the amounts due for the California well expenses on exploratory wells, accounting for factors such as oil and gas prices and historical recovery and determined that an ECL of $25,691 for the year ended 31 December 2022 is appropriate. Should the exploratory wells for which costs are due move from exploration to production in the future, the Group intends to recover the amounts owing prior to releasing net revenues to the working interest parties.

(ii) A provision of $342,942 has been recorded for cash calls issued to a joint venture partner of the Philippines exploration assets as there is an increased probability of payment delays or non-payment. The full provision is in relation to one debtor.

Other receivables are non-interest bearing. Note 26 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

15 INVENTORIES

	2022 $	2021 $
Oil in storage – at costs	124,782	48,771

16 PREPAYMENTS

		2022 $	2021 $
Current			
Exploration expenses	(1)	2,112,926	60,313
Insurance		2,314	2,882
Australian Securities Exchange		13,988	15,540
Other		47,849	21,589
		2,177,077	**100,324**

(1) Includes $2,053,870 (US$1,400,000) initial consideration for key drilling long lead items, refer note 28 (commitments).

17 OTHER FINANCIAL ASSETS

Accounting Policy

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part, or all, of a financial asset, the carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

17 OTHER FINANCIAL ASSETS (continued)

Accounting Policy (continued)

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increase significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, as 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired, or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measure on the probably weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

	2022 $	2021 $
Current	5,435	-
Non-current	318,365	280,511
	323,800	**280,511**
Deposits and bonds	318,365	280,511
Retainer	5,435	-
	323,800	**280,511**

17 OTHER FINANCIAL ASSETS (continued)

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	DoGGR Bond (1) $	ANZ Term Deposit $	Security Deposit (2) $	Director Retainer (3) $	Deposit $	Total $
Balance on 1 January 2021	259,489	5,020	-	-	142,952	407,461
Transfer to acquisition cost of Canadian oil and gas properties	-	-	-	-	(169,933)	(169,933)
Interest income re-invested	-	52	-	-	-	52
Effects of foreign exchange	15,950	-	-	-	26,981	42,931
Balance on 31 December 2021	275,439	5,072	-	-	-	280,511
Additions	-	-	19,505	5,435	-	24,940
Effects of foreign exchange	17,971	-	378	-	-	18,349
Balance on 31 December 2022	**293,410**	**5,072**	**19,883**	**5,435**	**-**	**323,800**

1. includes $293,410 (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.
2. security deposit held by Alakor Corporation for the Philippines office lease
3. retainer for the services of a Singapore resident director until completion of dissolution of Sacgasco SG Pte Ltd

Refer to note 26 for further information on fair value measurement.

18 OIL AND GAS PROPERTIES

Accounting Policy

Producing Assets
All costs directly associated with the development and production of oil and natural gas interests are capitalised on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Items of property, plant, and equipment, which include oil and natural gas production assets, are measured at cost less accumulated depreciation / amortisation and any accumulated impairment losses. Development costs include expenditure for areas where technical feasibility and commercial viability has been determined. The capitalised value of producing assets includes acquisition costs, reactivation and development costs and initial estimates of decommissioning liabilities associated with their operation.

Depreciation and Amortisation
Depletion charges are calculated to amortise the capitalised value of carried forward production assets over the life of the estimated Proved plus Probable ("2P") reserves for a hydrocarbon reserve, together with future costs necessary to develop the respective hydrocarbon reserve. The value of oil and natural gas interests is depleted using the units of production method by reference to the ratio of production in the period to the related proved and probable reserves, considering estimated future development costs necessary to bring those reserves into production.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil and natural gas with geological, geophysical, and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proved component of proved and probable reserves are 90 percent and 10 percent, respectively.

Reserve estimates
Estimation of reported recoverable quantities of 2P reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to assess the size, shape, depth, and quality of reservoirs and t heir anticipated recoveries. These factors used to estimate the reserves may change from period to period.

Reserve estimates are used to calculate amortisation of producing assets.

18 OIL AND GAS PROPERTIES (continued)

	Subsurface assets $	Surface assets $	Total $
Balance on 1 January 2021	-	-	-
Acquisitions	1,869,815	152,231	2,022,046
Additions	17,676,292	6,072,828	23,749,120
Change in site restoration liabilities	2,496,523	801,836	3,298,359
Depreciation and depletion	(753,594)	(240,719)	(994,313)
Exchange differences	452,143	144,127	596,270
Balance on 31 December 2021	21,741,179	6,930,303	28,671,482
Additions	-	1,156,669	1,156,669
Change in site restoration liabilities	(3,598,688)	(1,201,068)	(4,799,756)
Depreciation and depletion	(1,708,433)	(530,811)	(2,239,244)
Exchange differences	90,414	4,740	95,154
Balance on 31 December 2022	**16,524,472**	**6,359,833**	**22,884,305**

19 RIGHT-OF-USE ASSETS

Accounting Policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except when included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

19 RIGHT-OF-USE ASSETS (continued)

	2022 $	2021 $
Land and buildings – right of use	177,905	-
Less: accumulated depreciation	(37,064)	-
	140,841	**-**
Reconciliation of movements:		
Opening balance	-	-
Additions	174,521	-
Depreciation	(36,922)	-
Effects of foreign exchange movement	3,242	-
Closing balance	**140,841**	**-**

The Group has a two-year lease for its office in the Philippines. On renewal, the terms of the lease will be renegotiated.

20 TRADE AND OTHER PAYABLES

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

		2022 $	2021 $
Current			
Trade payables		161,266	372,179
Other payables – oil and gas producing assets		1,392,399	-
Other payables – oil and gas exploration assets		1,302,501	-
Authorised government agencies	(i)	2,378,845	3,586,592
DOE training assistance for Philippine service contracts		376,657	541,912
Accrued expenses		40,345	281,320
		5,652,013	**4,782,003**

20 TRADE AND OTHER PAYABLES (continued)

(i) As part of its acquisition of BCPE International Pte. Ltd. on 1 July 2021, the Company also acquired an A$63,303,000 interest-bearing intercompany loan with accrued interest. Under Subdivision 12-F of Schedule 1 of the *Taxation Administration Act 1953*, the requirement to withhold interest withholding tax arises at the time the interest is paid or credited. Based on the interest withholding tax ("WHT") rate of 25% between Australia and Thailand, a prima facie interest WHT liability of $3,586,592 (US$2,604,271) is owed to the ATO based on a historical accrued interest balance of $13,515,601 (US$10,417,082). During the financial year, further evidence identified the prevailing interest rate should be 10% resulting in a reduction of $1,207,747 to $2,378,845. Notwithstanding this reduction, legal advice from the ongoing investigation, confirms the Company still has strong grounds to recover these amounts.

Refer to note 26 for further information on financial instruments.

21 BORROWINGS

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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

21 BORROWINGS (continued)

	Book value 2022 $	Fair value 2022 $	Book value 2021 $	Fair value 2021 $
Current				
Loans received from a related party	917,041	917,041	839,534	839,534

	Convertible Notes $	Loans from a director [(2)] $	Total $
Balance on 1 January 2021	42,636	276,787	319,423
Loans and borrowings received	-	870,000	870,000
Equity component of convertible notes transferred	361,229	-	361,229
Interest charged	25,932	43,238	69,170
Conversion to fully paid shares	(429,797)	-	(429,797)
Less repaid [(1)]	-	(350,491)	(350,491)
Balance on 31 December 2021	**-**	**839,534**	**839,534**
Loans and borrowings received	-	100,000	100,000
Interest charged	-	80,986	80,986
Less repaid [(1)]	-	(103,479)	(103,479)
Balance on 31 December 2022	**-**	**917,041**	**917,041**

(1) amounts repaid include interest and loan establishment costs

(2) refer to note 26 for further details.

22 LEASE LIABILITIES

Accounting Policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that to not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index, or a rate used
- residual guarantee
- lease term, or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

	2022 $	2021 $
Opening balance	-	-
Recognition of lease liabilities	174,521	-
Interest charged	2,603	-
Less repayments	(44,130)	-
Effects of foreign exchange	1,272	-
Lease liabilities included in the consolidated statement of financial position	**134,266**	**-**
Current	89,272	-
Non-current	44,994	-
	134,266	**-**

Refer to note 26 for further information on financial instruments

23 SITE RESTORATION PROVISION

Accounting Policy

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 applied.

At each reporting date, the site restoration provision is reassessed and adjusted to reflect the 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 either added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

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.

California, USA (Sacramento Basin)

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.

Alberta, Canada (Red Earth and Alberta Plains assets)

The activities of the joint operation in Alberta, Canada (comprising the Group's working interest in the Red Earth assets and the Alberta Plains assets) give rise to dismantling, decommissioning and site disturbance remediation activities until approximately 2045.

These provisions have been recognised upon region specific cost estimates provided by the Alberta Energy Regulator (AER). The assumptions are based on the current economic environment and are contained within Directive 011 as provided by AER. These estimates are reviewed regularly accounting for any material changes to the assumptions, however, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend upon when the fields cease to produce at an economically viable rate. This in turn, will depend upon future oil and gas prices, which are considered inherently uncertain.

The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 2.819 percent, an inflation rate of 2 percent, and the assumed timing of cash outflows from 2022 until 2045. The assumptions represent a change from the metrics utilised on 31 December 2021, due to changes in the risk-free rate and inflation since that date.

Philippines (Service Contract SC 14C2)

The Group has recognised a restoration liability for the complete abandonment of the historically abandoned wells, based on the estimated $42,908,293 (US$29,569,264) (gross) cost to abandon the field. The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 5.25 percent, an inflation rate of 3 percent, and the assumed timing of cash outflows until 2025. The Group's share (22.28%) as of 31 December 2022 is $8,201,169 (US$5,590,245).

23 SITE RESTORATION PROVISION (continued)

Site restoration provisions have been disaggregated based upon geography due to differing jurisdictional requirements as per the table below:

	2022 $	2021 $
Current		
Canada	1,061,769	903,257
Non-current		-
California	206,399	193,757
Canada	21,622,979	26,643,711
Philippines	8,201,169	7,590,241
	30,030,547	34,427,709
Balance	**31,092,316**	**35,330,966**

Reconciliation of movements in site restoration provision:

	California $	Canada $	Philippines Restated [1] $	Total Restated $
Balance on 1 January 2021	**182,537**	**-**	**-**	**182,537**
Amounts recognised on acquisition	-	23,344,495	12,543,107	35,887,602
Amounts utilised or extinguished	-	(30,610)	-	(30,610)
Accretion expense	-	361,840	523,757	885,597
Change in site restoration estimates	-	3,368,411	(5,230,969)	(1,862,558)
Effects of foreign exchange	11,220	502,832	(245,654)	268,398
Balance on 31 December 2021	**193,757**	**27,546,968**	**7,590,241**	**35,330,966**
Amounts utilised or extinguished	-	(636,670)	-	(636,670)
Accretion expense	-	566,206	113,509	679,715
Change in site restoration estimates	-	(3,855,632)	-	(3,855,632)
Effects of foreign exchange	12,642	(936,124)	497,419	(426,063)
Balance on 31 December 2022	**206,399**	**22,684,748**	**8,201,169**	**31,092,316**

(1) As of 31 December 2022, the site restoration provision of $12,543,107 was combined with the acquisition cost of acquiring NPP but was subsequently changed as disclosed in note 3.

24 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Issued capital

	Ordinary shares			
	Number of shares		Amount in $	
	2022	2021	2022	2021
Balance on 1 January	481,198,714	341,258,491	29,941,940	23,635,092
Issue of fully paid shares for cash	116,700,000	76,973,072	2,917,500	5,003,250
Issue of shares in lieu of directors' fees	5,661,294	2,672,690	142,983	75,671
Issue of shares in satisfaction of service provider fees	7,620,901	-	203,494	-
Issue of shares for working interest acquisitions	-	10,767,808	-	827,484
Issue of shares on conversion of convertible notes	-	40,049,984	-	400,500
Issue of shares to extinguish interest on convertible notes	-	2,929,700	-	29,297
Issue of shares on conversion of listed options	-	1,546,969	-	61,879
Issue of shares on conversion of unlisted options	-	5,000,000	-	240,000
Capital raising costs	-	-	(147,011)	(331,233)
Balance on 31 December	**611,180,909**	**481,198,714**	**33,058,906**	**29,941,940**

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

There is no current on-market share buy-back.

Reserves

Share-based payments reserve
The share-based payments reserve represents the fair value of shares to be issued to directors, consultants, and employees. This reserve will be transferred to capital once the shares are issued. Refer to note 25.

Options reserve
The options reserve represents the fair value of shares to be issued to directors, consultants, and employees. This reserve will be transferred to capital once the shares are issued or reversed through retained earnings if the options expire or are cancelled. Refer to note 25.

24 CAPITAL AND RESERVES (continued)

Reserves (continued)

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 classified to profit or loss on the disposal of the foreign operations.

25 SHARE-BASED PAYMENTS

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase inequity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vet and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met or not, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

25 SHARE-BASED PAYMENTS (continued)

Accounting Policy (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee, and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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

	2022 $	2021 $
Expensed in personnel expenses		
Shares issued to directors	108,158	62,741
Shares to be issued to directors	49,973	34,824
Options issued to directors	118,000	1,042,000
Options issued to employees	1,180	-
Expensed in professional fees		
Shares issued to consultants	82,578	-
Shares to be issued to consultants	-	65,759
Options issued to consultants of the Company	41,595	-

Share-based payment programme
The Company has adopted an Employee Share Option Scheme ("ESOS"). 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 measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are 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 five years from grant date and the exercise price is settled in cash.

Options will not be transferable and will not be listed on the ASX unless the offer provides otherwise or the Board in its absolute discretion approves.

25 SHARE-BASED PAYMENTS (continued)

Options

On 31 December 2022, 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
29-Jan-21	29-Jan-21	31-Dec-22	6.0	18,000,000	-	-	(18,000,000)	-	-
31-May-22	31-May-22	31-Jan-24	4.5	-	27,250,000	-	-	27,250,000	27,250,000
Total				**18,000,000**	**27,250,000**	**-**	**(18,000,000)**	**27,250,000**	**27,250,000**
Weighted average exercise price (cents)				6.0	4.5	-	6.0	4.5	

At the reporting date, the weighted average remaining contractual life of options outstanding at year end was 1.08 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	27,250,000	4.5	31-May-22	31-Jan-24	1.67	91.72%	2.60%	0.59	2.20

25 SHARE-BASED PAYMENTS (continued)

Options (continued)

On 31 December 2021, 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
31-May-19	13-Jun-19	31-Dec-21	4	19,000,000	-	(3,000,000)	(16,000,000)	-	-
29-Jan-21	29-Jan-21	31-Dec-22	6	-	20,000,000	(2,000,000)	-	18,000,000	18,000,000
Total				**19,000,000**	**20,000,000**	**(5,000,000)**	**(16,000,000)**	**18,000,000**	**18,000,000**
Weighted average exercise price (cents)				4.00	6.00	4.80	4.00	6.00	

At the reporting date, the weighted average remaining contractual life of options outstanding at year end was one year.

26 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 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
<u>Financial assets at amortised cost</u>
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.

26 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).

26 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 2021.

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'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 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 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), Canadian dollars (CAD) and Philippines Peso (PHP).

26 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

As of 31 December 2022, the Group's net exposure to foreign exchange risk was as follows:

	Assets		Liabilities	
	2022	2021	2022	2021
	$	$	$	$
Canadian Dollar	6,067	1,786,984	(1,392,399)	-
Philippine Peso	220,854	38,244	-	-
US Dollar	2,099,925	4,926,898	(2,482,260)	(4,650,612)

<u>Foreign currency sensitivity analysis</u>

The following table details the Group's sensitivity to a 5% (2021: 5%) 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 5% (2021: 5%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

	Impact on profit or loss	
	2022	2021
	$	$
If AUD strengthens by 5% (2021: 5%)		
CAD	(63,978)	(82,377)
PHP	(419,507)	(70,871)
USD	(113,031)	(11,338)
If AUD weakens by 5% (2021: 5%)		
CAD	63,978	82,377
PHP	419,507	70,871
USD	113,031	11,338

Fluctuations in foreign currencies during the current financial year compared with the prior year are as follows:

	2022	2021
	%	%
CAD	0.81	(4.11)
PHP	4.36	0.21
USD	3.54	(5.71)

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

26 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

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.

<u>Interest rate risk sensitivity analysis</u>

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

The Group's sensitivity to interest rates is immaterial.

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.

26 FINANCIAL INSTRUMENTS (continued)

Liquidity risk management (continued)

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
	%	$	$	$
31 December 2022				
Trade and other payables	n/a	2,674,556	-	3,771,244
Contract liabilities	n/a	1,410	-	-
Borrowings (including right of use lease liabilities)	9.36	65,028	40,458	945,821
		2,740,994	**40,458**	**4,717,065**
31 December 2021				
Trade and other payables	n/a	3,000,431	1,778,475	-
Contract liabilities	n/a	219,639	-	-
Borrowings (including right of use lease liabilities)	10	839,534	-	-
		4,059,604	**1,778,475**	**-**

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).

26 FINANCIAL INSTRUMENTS (continued)

Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 31 December 2022.

Not measured at fair value

The Group has various financial instruments which are not measured at fair value on a recurring basis in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

27 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:

	2022 $	2021 $
Short-term employee benefits	183,043	164,294
Post-employment benefits	3,313	-
Share-based payments – shares issued	108,158	62,741
Share-based payments – shares to be issued	49,973	34,824
Share-based payments – options	118,000	1,042,000
	462,487	1,303,859

27 RELATED PARTIES (continued)

(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 (2021: $31,200) in repayment for office rent and outgoings. The balance outstanding on 31 December 2022 was nil (2021: nil).

Joanne Kendrick

Ms Kendrick received $31,500 for consultancy services during the period. This debt was extinguished through the issue of 945,946 fully paid shares at 3.33 cents per share. No balance was outstanding on 31 December 2022.

(c) Loans from key management personnel

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 to 31 December 2022 was $80,986 (2021: $40,979) and the balance outstanding was $917,041 (2021: $839,534).

28 CAPITAL AND OTHER COMMITMENTS

	2022 $	2021 $
Exploration expenses		
Committed at the reporting date, not yet recognised as liabilities Payable (2)	2,200,575	-
Office rent		
Less than one year (1)	15,600	15,600

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

28 CAPITAL AND OTHER COMMITMENTS (continued)

(2) On 10 June 2022, Nido Petroleum Philippines, a subsidiary of Sacgasco, signed an agreement to acquire key drilling long lead items ("LLI") for US$2.9 million under an agreed payment structure:

- Initial consideration of US$1.4 million payable in three instalments:
  - US$400,000 – paid June 2022
  - US$500,000 – payable within 90 days of the agreement date
  - US$500,000 – payable within 120 days of the agreement date
- Balance of US$1,500,000 payable on the earlier of mobilisation of the equipment, or 12 months after the agreement date
- A revised payment schedule has been agreed that spreads the payment of the balance over three payments:
  - US$500,000 – payable on 31 May 2023
  - US$500,000 – payable on or before 31 July 2023
  - US$500,000 – payable on or before 9 September 2023

$2,112,926 (US$1,400,000) was paid as of 31 December 2022 and has been recognised as a prepayment.

29 CONTINGENT LIABILITIES

Dempsey 1-15

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 a 17.5% working interest in the Dempsey 1-15 well.

There is no completion in the Below Forbes Zone; in fact, there is a plug in the well above that zone; and hence there is no expectation of this liability being realised.

Service Contract 6B (SC 6B) (Technical Operator is Nido Petroleum Philippines Pty Ltd)

On 4 March 2022, the Company announced that it had signed a Farmin Agreement with the Service Contract 6B (SC 6B) participants to fund 100%, and to operate an extended well test and any subsequent development of the Cadlao Field, in return for an additional 63.637% working interest, bringing the Group's working interest to 72.727% after farmout. The Farm-in agreement is subject to approvals from The Philippines DOE. The approved budget for SC 6B is $726,000 (U$500,000) (2022).

Service Contract 14 C2 (SC 14 C2) (Non-Operated- Nido Petroleum Philippines Pty Ltd is Participant)

The Group has a 22.279% participating interest in SC 14C2 which includes the West Linapacan Oil Field. The approved commitment contingent budget is U$19,530,000 (2022). There is no plan for expenditure of this budget in 2023.

The budget was for the plugging and abandoning of the previously producing wells. These will be postponed until such time as a decision has been made on potential redevelopment of the West Linapacan Oilfield and a decision is made as to those wells' potential future utility in any redevelopment.

29 CONTINGENT LIABILITIES (continued)

Service Contract 54A (SC 54A) (Operated by Nido Petroleum Philippines Pty Ltd)

On 2 September 2021, the Company acquired Yilgarn Petroleum Pty Ltd for cash consideration of $1. In addition to the cash consideration, a contingent net royalty of up to $2.18 million (US$1.5 million) would be payable to IMC Investments Capital Pte Ltd after commercial production is achieved under SC 54. There are no wells currently capable of producing oil or gas in SC 54.

On 20 November 2021, the Company executed an agreement to acquire TG World for cash consideration of $1 and a contingent net royalty of up to $907,000 (US$625,000) payable to TG World Energy Corp after any commercial production is achieved in SC 54. There are no wells currently capable of producing oil or gas in SC 54.

Service Contract 54A (SC 54A) (Operated by Nido Petroleum Philippines Pty Ltd) (continued)

On 16 December 2021, the company executed an agreement to sell TG World for cash consideration of Canadian $200,000. This agreement is silent on the contingent net royalty of up to $907,000 (US$625,000) payable to TG World Energy Corp after any commercial production is achieved in SC 54A referred to above and hence the contingent net royalty remains a contingent liability for the Company. There are no wells currently capable of producing oil or gas in SC 54A.

The participants in SC 54A advised The Philippines DOE effective 5 August 2022 of their willingness to enter Sub Phase 7 of the SC 54A. This 12-month period requires a commitment well to be drilled in SC 54 prior to 5 August 2023, unless SC 54A is extended or relinquished. The contingent commitment is $8.71 million (US$6 million).

SC 54A participant TG World has agreed to fund 85% of the drilling of a well in SC 54A to retain and earn a total after farmin interest of 48.75%. This well is expected to be drilled on the Nandino Prospect. If the Nandino well is drilled the Company will be required to fund 15% of the well.

Service Contract 58 (SC 58) (Operated by Nido Petroleum Philippines Pty Ltd)

Nido Petroleum Pty Ltd has provided a letter of undertaking dated 14 November 2006 to the Department of Energy in the Philippines to provide technical and financial support to Nido Petroleum Philippines Pty Ltd in relation to work obligations in the SC 58 Farm-In Agreement executed between PNOC Exploration Corporation and Nido Petroleum Philippines Pty Ltd on 17 July 2006.

SC 58 is under Force Majeure Suspension until 15 October 2022, and Nido Petroleum is not required to perform any activity except for desktop exercises with a commitment budget of US$70,000 (2022). Furthermore, the Company has applied for a further indefinite Force Majeure Suspension of the SC and suspension of all work programme and budget activities “until such time as the issues surrounding the West Philippine Sea is resolved”.

There is a commitment to drilling a well when / if Force Majeure is lifted.

30 INTERESTS IN JOINT OPERATIONS

Accounting Policy

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of the arrangement which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises:

- Assets, including its share of any assets held jointly.
- Liabilities, including its share of any liabilities incurred jointly.
- Revenue from the sale of its share of the output arising from the joint operation.
- Share of the revenue from the sale of the output by the joint operation.
- Expenses, including its share of any expenses incurred jointly.

Permit	Country	Interest
SC 6B	Philippines	9.09%
SC 14-C2	Philippines	22.28%
SC 54A	Philippines	72.50%
SC 58	Philippines	50.00%

The Group's participating interest in SC 58 is dependent upon the completion of its farm-in obligation under its Farmin Agreement with PNOC-EC dated 17 July 2006. Activity within SC 58 is under Force Majeure.

The Group has classified all joint arrangement interests in its projects as joint operations given that the arrangements are such that each party contributes assets and has proportional rights to the return of assets and payment of obligations based on its percentage contributed. These proportions are as noted above under average interest. In this respect, the Company records its proportion of income, expenses, assets, and liabilities pertaining to the projects.

31 AUDITOR'S REMUNERATION

	2022 $	2021 $
HLB Mann Judd		
Audit and other assurance services		
Audit and review of financial reports	96,029	60,794
Taxation services	-	-
Total Auditor's Remuneration	**96,029**	**60,794**

32 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiary in accordance with the accounting policy described in note 1.4:

Name of subsidiary	Place of incorporation	Equity Interests 2022 %	2021 %
Sacgasco CA Inc.	United States of America	100	100
PEOCO LLC	United States of America	100	100
Sacgasco AB Ltd	Canada	100	100
Nido Petroleum Pty Ltd	Australia	100	100
Nido Petroleum Philippines Pty Ltd	Australia	100	100
Yilgarn Petroleum Pty Ltd	Australia	100	100
Sacgasco SG Pte Ltd [1]	Singapore	-	100

(1) Sacgasco SG Pte Ltd was deregistered on 9 December 2022.

Balances and transactions between the Company and its subsidiary, which is a related party of the Company, have been eliminated on consolidation.

33 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which has been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

As at, and throughout the financial year ended 31 December 2022, the parent entity of the Group was Sacgasco Limited.

	2022 $	2021 $
Result of the parent entity		
Loss for the year	(5,259,002)	(7,623,911)
Total comprehensive loss for the year	**(5,259,002)**	**(7,623,911)**
Financial position of parent entity at year end		
Current assets	266,733	340,341
Total assets	**273,762**	**1,687,917**
Current liabilities	(1,885,716)	(1,267,999)
Total liabilities	**(1,885,716)**	**(1,267,999)**
Total equity of the parent entity comprising of:		
Share capital	33,058,906	29,941,940
Share-based payments reserve	49,973	100,584
Options reserve	160,775	937,800
Accumulated losses	(34,881,608)	(30,560,406)
Total (deficiency) / equity	**(1,611,954)**	**419,918**

34 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 17 January 2023, the Company issued 2,271,493 shares in lieu of directors' fees, as approved by shareholders on 31 May 2022.

Other than as disclosed above, no 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sacgasco Limited, we state that:

In the directors' opinion:

1. The financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in *note 1.2.*
3. The financial statements and notes give a true and fair view of the Group's financial position as of 31 December 2022 and of its performance for the financial year ended on that date; and
4. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration 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 year ended 31 December 2022.

On behalf of the Board

Gary Jeffery
Managing Director

31 March 2023
Perth

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2022, 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 2022 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 1.7 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* we have determined the matters described below to be the key audit matters to be communicated in our report.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of oil and gas properties Refer to Note 18	
At 31 December 2022 the Group had oil and gas properties of $22,884,305. Assessing the recoverability and carrying value of this balance was considered to be a key audit matter due to the judgements and estimations involved. These estimations and judgements surround two areas being impairment indicators and the amortisation associated with this asset. Impairment indicators involve judgement around the likely recoverability of the asset. Amortisation and depreciation involves using estimated reserves and resources (used as the denominator in a "units-of-production"" calculation) of the wells.	Our audit procedures included but were not limited to the following: – Testing impairment indicators to ensure that no such indicators exist at year end. – Enquiry regarding future plans for the oil and gas properties and ensuring that such plans support the recoverability. – Assessing the current carrying value of the oil and gas properties and ensuring items capitalised during the year were appropriate to capitalise. – Assessing the application of reserves and resources in the amortisation models by comparing them to the latest published statement and underlying records. – Testing the mathematical accuracy of the amortisation models. – Assessing the adequacy of the Group's disclosures relating to amortisation and depreciation.
Revenue recognition Refer to Note 5	
The Group generates revenue predominantly from its Alberta Plains assets which produce oil and gas. The Group recognised sales revenue of $17,849,415 for the year (2021: $7,888,355). Revenue recognition is considered to be a key audit matter given the significance of revenue to the Group's results as well as the fraud risk around cut-off including: • An overstatement of revenues through premature revenue recognition or recording of fictious revenues. • Revenue not being recognised when control is transferred to the customer, resulting in it not being recognised in the correct accounting period. Revenue is recognised when control is transferred to the buyer and the amount of revenue can be reliably determined.	Our audit procedures included but were not limited to the following: – Understanding the Group's process for revenue and controls in place around revenue. – Testing a sample of sales transactions made during the year to supporting documentation. – Assessing the Group's policies for recognition of revenue against the requirements of the accounting standards and checked these were adequately disclosed in the financial statements. – Confirming the revenue recognised with the operator of the wells. – Assessing the adequacy of disclosures in the financial report.

Site restoration provision Refer to Note 23	
As at 31 December 2022, the carrying value of the Group's site restoration provision was $31,092,316. The Group's provision for rehabilitation is material to our audit, and requires significant estimates of future costs. The determination of the provision requires management's judgement in relation to estimating the costs of performing the work required, including volume and unit rates, the timing of cash flows and the appropriate discount rate.	Our audit procedures included but were not limited to the following: – We assessed the competence and objectivity of the expert used by management in the preparation of the cost models. – We evaluated management's cost model for each well site and critically challenged the key estimates and assumptions made in the models. – We assessed the expected timing of the rehabilitation to the respective life of each well. – We assessed the reasonableness of the discount and inflation rates applied to the expected cash flows. – Our testing included comparison of a sample of unit rates included in the cost models to supporting documentation.

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 2022, 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 2022.

In our opinion, the Remuneration Report of Sacgasco Limited for the year ended 31 December 2022 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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
31 March 2023

D Buckley

D I Buckley
Partner

SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable on 16 March 2023:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	102	10,959	-
1,001 – 5,000	71	301,907	0.05
5,001 – 10,000	231	1,850,470	0.30
10,001 – 100,000	874	37,126,076	6.05
100,001 and over	543	574,162,990	93.60
Total	**1,821**	**613,452,402**	**100.00**

There were 940 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

The substantial shareholders are set out below:

	Number of shares
Blue Sky Resources Ltd	38,455,000
Steven David Dahl & Louisa Yvette Dahl	32,148,338

3. 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.

4. Corporate Governance Statement

In accordance with Listing Rule 4.10.3, the Company's Corporate Governance Statement can be found on the Company's website.

Refer to: http://www.sacgasco.com/wp-content/uploads/2022/04/01.04.2022-ASX-Corporate-Governance-Statement.pdf

5. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
31-May-22	27,250,000	11	31-Jan-24	4.5

6. Twenty largest shareholders on 16 March 2023

	Ordinary shares	
Shareholders	Number held	% of issued shares
Blue Sky Resources Ltd	38,455,000	6.27
Steven David Dahl & Louisa Yvette Dahl	32,148,338	5.24
Bond Street Custodians Limited <PACORK – D000089 A/C>	24,263,482	3.96
Talex Investments Pty Ltd	15,000,000	2.45
BNP Paribas Nominees Pty Ltd <IB AU NOMS Retail Client DRP>	12,430,133	2.03
BNP Paribas Noms Pty Ltd <DRP>	10,857,048	1.77
Justine Davina Michel <Lambrecht Investment A/C>	10,369,198	1.69
Citicorp Nominees Pty Limited	9,897,633	1.61
Mandalari Pty Ltd <APAFI SF A/C>	7,654,266	1.25
Andrew Duncan Murdoch	7,500,000	1.22
Magaurite Pty Ltd <Peter Nelson Super Fund A/C>	7,000,000	1.14
Brazell Pty Ltd <A&M Super Fund A/C>	6,829,056	1.11
David Waterston & Natalie Ana Kovacev <Waterston & Kovacev S/F A/C>	6,499,705	1.06
Lay Hoon Ng	6,499,500	1.06
Great Eastern Holdings Pty Ltd <Nambung Unit A/C>	6,071,16	0.99
Still Capital Pty Ltd	6,017,016	0.98
Geoffrey Kenneth Farnell & Janet Lesley Farnell <Farnell Super Fund A/C>	6,000,000	0.98
Alan George Brooks & Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	5,169,837	0.84
Marshall John Hood	5,141,443	0.84
Allan Neville Brosnan	5,009,240	0.82

CORPORATE DIRECTORY

Directors

Mr Andrew Childs
Mr Gary Jeffery
Mr William Ashby

Joint Secretaries

Mr David McArthur
Mr Jordan McArthur

Registered Office

Level 1, 31 Cliff Street
Fremantle WA 6160

Telephone: +61 8 9435 3200

Principal Office

Level 2, 210 Bagot Road
Subiaco WA 6008

Telephone: +61 8 9388 2654

Postal Address

PO Box 584
Fremantle WA 6959

Auditors

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

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Automic Group
Level 5, 191 St Georges Terrace
Perth WA 6000

Telephone: +61 1300,288,664

ASX Code

Telephone: +61 8 9388 2654

Website and Email

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