



# **ANNUAL FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED  
31 December 2023**

**Sacgasco Limited  
ABN 83 114 061 433**

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## CHAIRMAN'S REPORT

Dear Shareholder,

2023 was a year of transition in which we divested our Alberta Plains Asset in Canada and our Filipino assets. These divestments occurred contemporaneously with the appointment of our Managing Director, Mr Kane Marshall. Mr Marshall is leading the Company into a new phase of Sacgasco's journey, by focusing on upstream acquisitions that lie within stable jurisdictions, have proximity to infrastructure to monetise new discoveries and have an established market to meet consumer's needs for energy as global economies transition into cleaner forms of energy and electrification.

Your Board of Directors continue to be very positive on Sacgasco's current and future investments and we are confident that it provides us with a stable platform to support future investment opportunities under new leadership.

As I look forward to the coming year ahead, Sacgasco is ideally positioned to take advantage of the many opportunities it is presented with, not only due to ever increasing demand for oil and gas globally but the lack of competitors actively exploring as many companies have elected instead to invest in renewable energy projects that have resulted in underwhelming returns to investors.

Global demand for oil and gas is now at record levels despite the drive to transition to a cleaner energy economy, which is not only driven by consumer demand but by a supply issue driven by inadequate levels of global oil and gas exploration and development. Historically, success from oil and gas explorers on the ASX stems from the people behind them, the geological ideas they generate and subsequently the exploration wells the team gets funded. With these favourable economic tailwinds, I am confident we are treading down the road to success and look forward to sharing this journey with you.

Yours faithfully,



**Andrew Childs**  
Chairman

## REVIEW OF OPERATIONS

### OVERVIEW

This year Sagasco has undertaken a review of its assets under new management and divested those assets it considers to be peripheral to the business' future growth opportunities in the face of improved conditions in energy markets both domestically and globally. The Company continues to hold a working interest in its revenue producing asset from its Red Earth properties whilst identifying incremental value accretive opportunities in California both within its portfolio of leases and in proximity of those it operates.

California remains the Company's main undertaking and key management personnel have been assessing high impact exploration drilling opportunities in neighbouring leases as it intends to build out this business in a jurisdiction where energy demand is increasing, and oil and gas exploration and development activity is low. Energy hungry jurisdictions with a network of pipeline infrastructure and established markets remain a key thematic in the Company's ambitions to build out new positions outside of California.

Sagasco'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

- **Cadlao Oil Field Redevelopment and Plan of Development was lodged with DOE and progressed to target a resource of 6.2 million barrels of (2C);**
- **Cadlao Drilling and Extended Well Test ("EWT") planning for 2023/24 drilling was undertaken through the financial year;**
- **Completed interpretation of Geophysical Site surveys over the Cadlao Oil Field in SC 6B, and the Nandino Prospect drilling locations in SC 54 in readiness for drilling;**
- **PNOC Exploration Corporation Letter of Intent to Farmin to SC6B (Cadlao Field) executed followed by PNOC Formal Farmin Agreement executed resulting in a \$3.34m USD cash payment to Nido;**
- **Saba Drilling's Deep Venture drillship was prepared in Vietnam for the Cadlao Redevelopment, with a Drilling Services Agreement executed late in 2023 for the use of the Deep Sea Venture drillship for a three (3) well program; and**
- **Filipino subsidiaries Nido Petroleum Pty Ltd and its subsidiary, Nido Petroleum Philippines Pty Ltd, and Yilgarn Petroleum Pty Ltd divested for overriding royalties, cash payments totalling US\$1.25m (balance of US\$900,000 due by 30 April 2024), an option to participate in future drilling on the highly prospective SC 58 Service Contract and other contingent payments.**

#### North America

- **Total net production from Canadian assets (before royalty) of 86,473 BBL.**
- **SGC share of oil production in Canada was 260 BOEPD in December 2023.**
- **Gas flow optimisation in California resulted in 60 BOEPD after royalties in the year**

### OFFSHORE PHILIPPINES

During the financial reporting period, Sagasco, through its wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd ("Nido"), accepted a Letter of Intent ("LOI") from PNOC Exploration Corporation ("PNOC EC") for its farmin to Service Contract 6B (**SC 6B**), including the drilling of the Cadlao 4 well as the first stage of redevelopment of the Cadlao Oil Field. Subsequent to the LOI, Sagasco announced its divestment of Nido and its other Filipino subsidiary, Yilgarn Petroleum Pty Ltd to Blue Sky Resources Limited. That consideration included:

- Sale consideration of US\$1.25 million cash to be paid in two tranches, on or before 30 April 2024;
- Cash payment of US\$1.5 million to be paid within 6 months of production activities commencing at Cadlao;
- A further cash payment of US\$1 million after 12 months of oil production from the Cadlao Oilfield at a production rate exceeding 3,000 BOPD; and
- A sliding scale royalty on the Cadlao Field of:
  - Overriding royalty of 3% on production up to 3,000 BOPD net to Nido Participating Interest after PNOC EC Farmin, overriding royalty of 4% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin and overriding royalty of 5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin; and
  - A sliding scale royalty on all other Nido Service Contracts, except Cadlao as contemplated above including an overriding royalty of 1.5% on production up to 3,000 BOPD net to Nido Participating Interest after PNOC EC Farmin, overriding royalty of 2% on production between 3,000 and 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin and overriding royalty of 2.5% on production up greater than 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin.

That consideration was conditional upon formalisation of the PNOC EC Farmin which was executed in late 2023 as follows:

- PNOC EC to acquire from Nido an undivided twenty percent (20%) participating interest in SC 6B for the drilling and EWT of the Cadlao 4 well; and
- PNOC EC shall pay to Nido prior to and during drilling and EWT operations:
  - US\$3.34 million cash to be paid to Nido; and
  - Up to an additional US\$10.01 million to be paid upon cash calls as operations commence. The final amount is dependent upon actual approved costs by the regulator the Department of Energy (“DOE”).

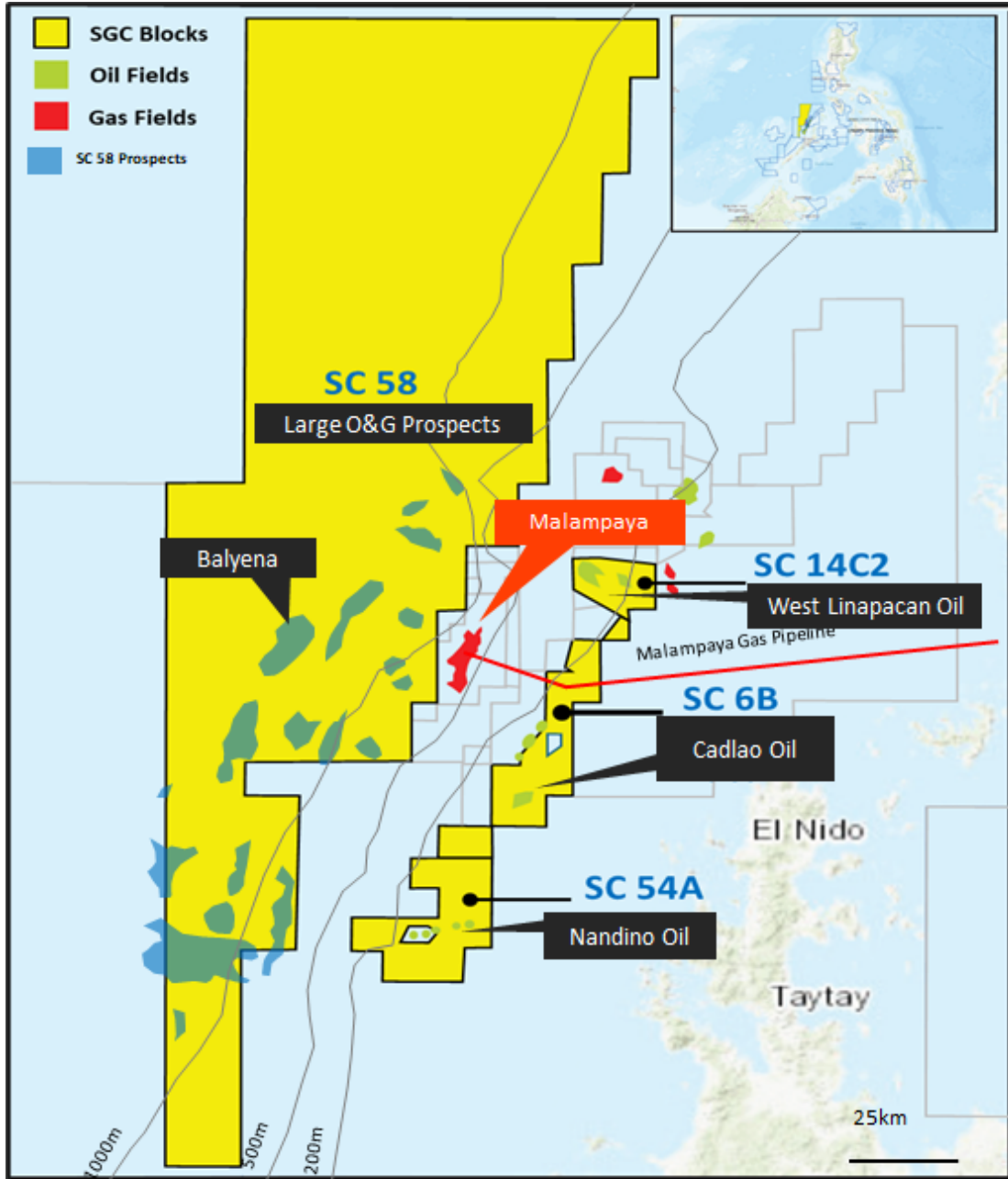
The PNOC EC farmin agreement to SC 6B shall be subject to DOE, and stakeholder approvals. The relevant interest changes that occurred in the Cadlao SC 6B were as follows:

Joint Venture Party	Current Participating Interest (%)	Nido Farmin Participating Interest (%)	PNOC Farmin Participating Interest Post (%)
Nido Petroleum Phils Pty. Ltd. (Operator)*	9.090%	72.727%	52.727%
The Philodril Corporation	58.182%	17.455%	17.455%
Oriental Petroleum and Mineral Corporation	16.364%	4.909%	4.909%
Forum Energy Phils. Corp.	8.182%	2.455%	2.455%
Alcorn Petroleum and Minerals Corp.	8.182%	2.455%	2.455%
PNOC Exploration Corporation	0.000%	0.000%	20.000%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>

Notes to the above table:

- Nido and PNOC will have preferential cost recovery rights for costs incurred before commencement of Commercial Production; and
- Nido pursued a contract which was executed late in 2023 with the Saba Drilling Services owned Deep Venture Drillship for a three (3) well program which underwent preparations and modifications in Vietnam.
- The timing of availability of the Deep Venture for drilling in the Philippines is Q1/Q2 2024;
- The Cadlao Oil Field is anticipated as being the site for initial drilling activity. Successful drilling results would allow early production of oil under Phase One of a development program using an Extended Well Test; and
- Environment impact studies and contingency planning were well underway along with community consultation. Permits for all drilling activities are currently being undertaken by the new owner of the Nido entities.

The Cadlao-4 drilling and EWT program includes provisions for the drilling of the Nandino Prospect in Service Contract 54, and in the event of a successful EWT at Cadlao, and depending upon the field data obtained, a full field development may include an extra well with a dedicated oil production facility for Cadlao development.



*Nido's Acreage in the North West Palawan Basin in which Sacgasco has Overriding Royalty interests following the divestment of Nido during 2023.*

**SC54 (SGC (Nido) Operator)**

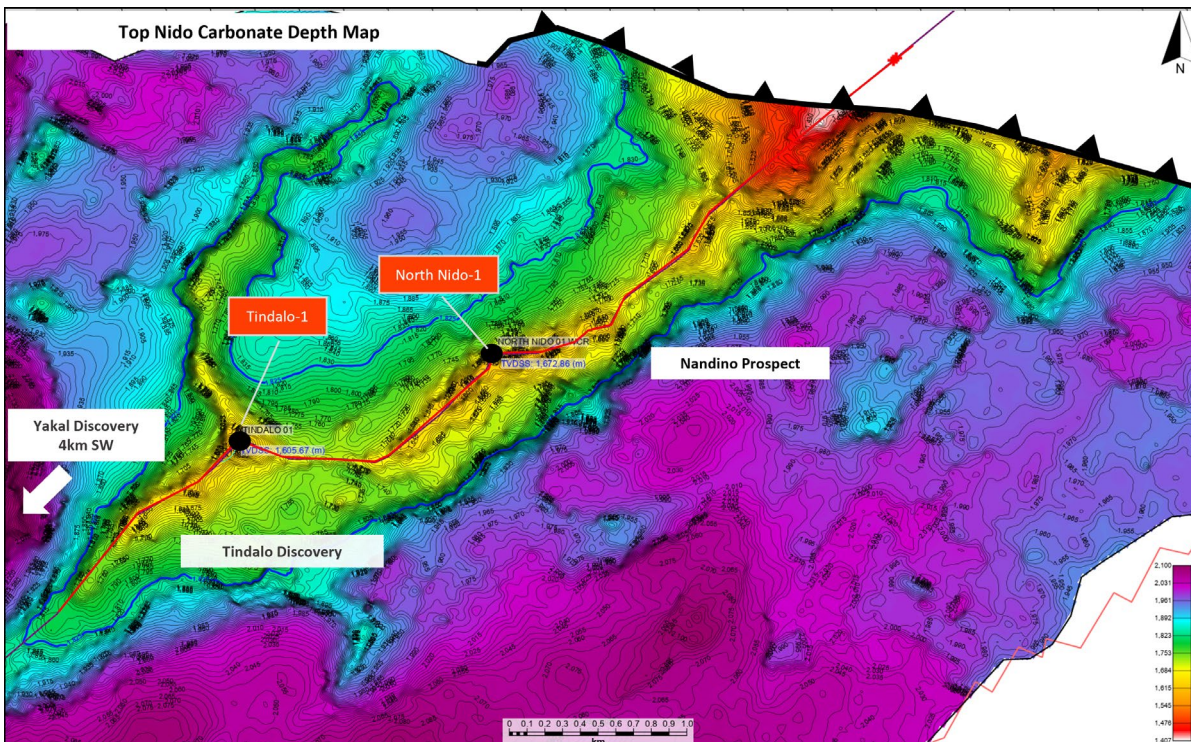
Nido Petroleum Philippines Pty Ltd (“Nido”), was and still is the Operator of SC54.

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 wells drilled downdip on the greater Nandino structure.

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
<b>Mean (million barrels)</b>	<b>91.0</b>	<b>27.3</b>

**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.**



Nido Carbonate Reservoir Depth Map in the greater Nandino Prospect Area

Nido and its SC 54 Participants elected to proceed into the Sub-Phase 7 period of 1 year from August 2022 which includes a commitment to drill one well. TG World (Blue Sky) has elected to pay 85% of the costs of the planned Nandino well to earn an additional 36.25% participating interest from Nido.

Joint Venture Participants	"Pre-Halo default" # Participating Interest	Current Interest	Nandino Well Paying Interest	Post-farmin* Interests
<b>Nido and Yilgarn (100% owned Sagasco subsidiaries,) - Operator</b>	72.5%	87.5%	15%	51.25%
<b>TG World (Blue Sky Resources Subsidiary)</b>	12.5%	12.5%	85%	48.75%
<b>Halo Oil</b>	15%	0	0	0
<b>TOTAL</b>	100%	100%	100%	100%
<b>* Subject to DOE approval and completion of Nandino drilling</b>				

#### SC 58 (Nido 50%, Operator)

In November 2021, Nido 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 within which Nido has mapped more than 10 prospects on 3D and 2D seismic.

The Balyena Prospect is a highly prospective example with multiple stacked targets accessible in a single exploration well. Balyena is located just west of the 3.2 Tcf Malampaya Gas Field which is connected by underutilized pipeline to energy hungry Luzon Island and The Philippines capital city, Manila.

Nido had requested a suspension of activities on SC 58 until such time that security access to the SC area is clarified.

Sagasco as result of its divestment of Nido subsidiaries, will have an option to participate in drilling of SC 58.

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

The West Linapacan A Field previously produced 8.5 million barrels of oil and was shut in in 1996 due to facility constraints and a corresponding low oil price environment. The Service Contract Participants are considering development and funding options for the redevelopment of the West Linapacan Field, which includes adjacent undeveloped resources in a separate West Linapacan B Structure.

#### ONSHORE CANADA - Province of Alberta

Sagasco had Working Interests ("WI") in two groups of Non-Operated Onshore Assets in Alberta, Canada - Red Earth and Alberta Plains. In Q3 of 2023, Sagasco divested the Alberta Plains assets for C\$900,000.



**SAGASCO CANADA TENEMENT TABLE (as at 31 December 2023)**

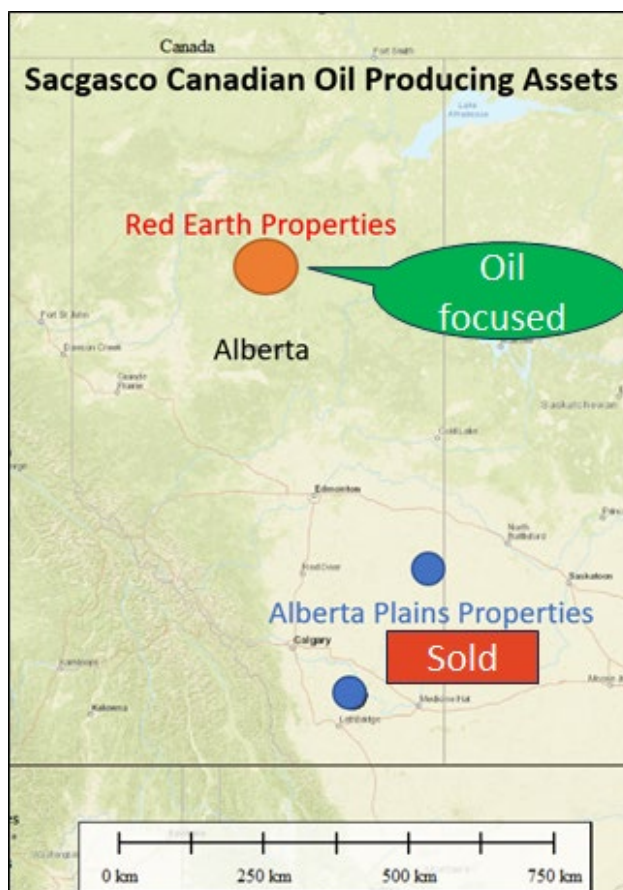
Project Names	Leases, Related Gas Field (HBP Leases); of key well	Project Type	Working Interest (WI)*
<b>Red Earth Assets (Canada)</b>	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	30%

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	Year ending 31 December 2023 (BBL) <sup>1</sup>	Year ending 31 December 2022 (BOE) <sup>2</sup>
SGC Production	86,743	156,695
SGC Production after Royalty	71,143	131,498

<sup>1</sup> No gas production in 2023 as Alberta Plains assets were divested  
<sup>2</sup> Gas production converted to BOE using 6:1 ratio



Sagasco's Canadian Producing Properties in red post the divestment of Alberta Plains assets

### 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 2023 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 have been re-presented below to exclude the Alberta Plains assets that were included last year, and that those prior year balances were amalgamated for the total reserve holding.

#### Sacgasco Canada Net Reserves on 31 Dec 2023:

Canada - TOTAL Reserves Table 31 Dec 2023	SGC Reserves Canada Before Royalty 31 Dec 2023	SGC Reserves Canada After Royalty 31 Dec 2023	SGC Reserves Canada After Royalty 31 Dec 2022
<b>Barrels of Oil Equivalent (BOE)</b>			
Proved Developed Producing (PDP)	791,400	696,400	533,000
Proved Developed Not Producing (PDNP)	556,700	493,900	480,700
Proved Undeveloped (PUD)	93,300	80,800	77,700
<b>Total Proved (1P) Reserve</b>	<b>1,441,400</b>	<b>1,271,100</b>	<b>1,091,400</b>
Probable Reserves (Prob.)	399,800	342,500	300,600
<b>Total Proved plus Probable (2P) Reserves</b>	<b>1,841,200</b>	<b>1,613,700</b>	<b>1,392,000</b>

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 2022 were increased in 2023 (approximately 133,400 BOE – After Royalty), due to predominantly price changes used for 31 December 2023 reserves estimation along with 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 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 Properties, Blue Sky Resources Limited.

2. Qualified Petroleum Reserves and Resource Evaluator Requirements:

#### Red Earth Properties:

The reserves and resources information in this Australian Stock Exchange (“ASX”) document relating to oil fields in the Red Earth Properties are based on, and fairly represent information prepared under the supervision of Pavitra Iyer, (Project Leader and Senior Petroleum Engineer) of Sproule Associates Limited (“Sproule”).

Pavitra Iyer, is an employee of Sproule. She holds a B.Sc. Chemical Engineering (2011), Schulich School of Engineering, University of Calgary, Calgary, AB, Canada and is a Professional Engineer (P.Eng.), Province of Alberta, Canada. She 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 2023 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, 2023, (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 leases 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.

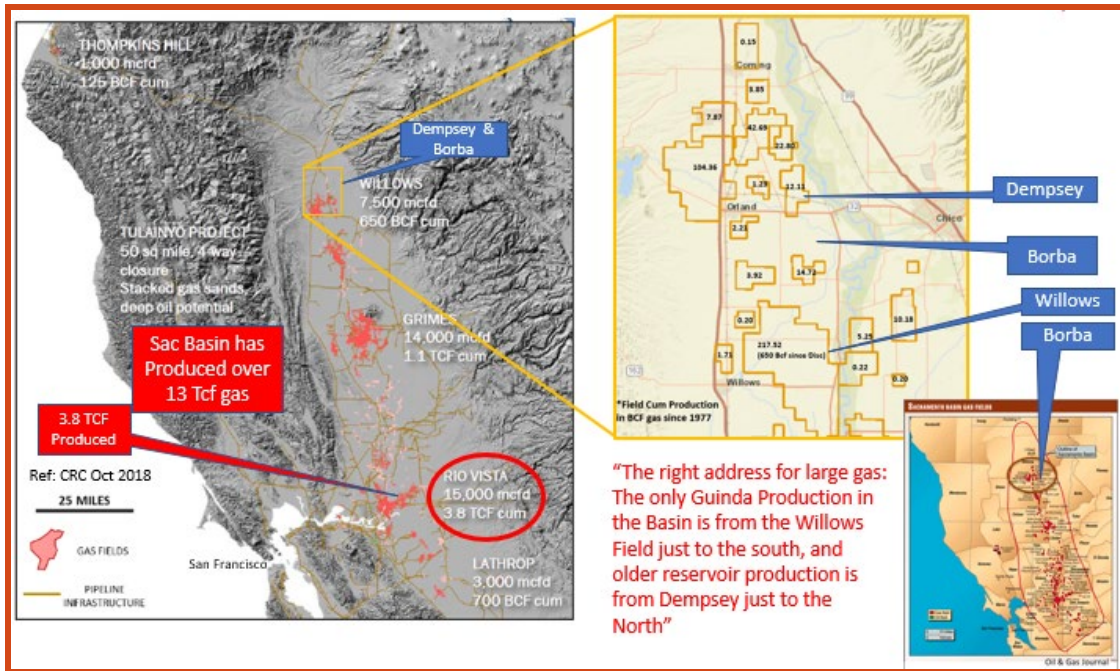
Pricing Strip Tables used in Reserves Reporting

**Table S-2**  
**Summary of Selected Canadian Price Forecasts<sup>(1)</sup>**  
**Industry Average**  
**(Effective December 31, 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)
<b>Historical<sup>2</sup></b>						
2019	68.87	58.77	1.80	71.39	23.71	17.16
2020	45.39	35.59	2.24	49.85	21.87	16.31
2021	80.31	68.80	3.64	85.88	51.64	43.39
2022	119.79	98.51	5.43	121.28	61.68	50.11
2023	99.87	79.53	2.64	102.80	45.62	29.59
<b>Forecast</b>						
2024	92.91	76.74	2.20	96.79	47.69	29.65
2025	95.04	79.77	3.37	98.75	48.83	35.13
2026	96.07	81.12	4.05	100.71	49.36	35.43
2027	97.99	82.88	4.13	102.72	50.35	36.14
2028	99.95	85.04	4.21	104.78	51.35	36.86
2029	101.94	86.74	4.30	106.87	52.38	37.60
2030	103.98	88.47	4.38	109.01	53.43	38.35
2031	106.06	90.24	4.47	111.19	54.50	39.12
2032	108.18	92.04	4.56	113.41	55.58	39.90
2033	110.35	93.89	4.65	115.67	56.70	40.70
Escalation rate of 2.0% thereafter						

**ONSHORE CALIFORNIA**

The Company continued to maintain leases in the Sacramento Basin during 2023. Sagasco 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. Commercial studies in relation to the development of the stranded Borba gas discovery are ongoing and consistent with what has been disclosed in previous ASX disclosures.



**California Assets**

**Gas Flows in Sacramento Basin**

California Gas Flows (mcf) <sup>1</sup>	2023	2022
Gross Production	161,834	181,738
SGC Production after Mineral Royalty	95,548	98,531
Note 1: mcf = Thousand Cubic feet gas		

**SACGASCO CALIFORNIA TENEMENT TABLE (as at 31 December, 2023)**

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

\* Approximate WI across the referenced Project

+ This area is currently not leased but Sacgasco has the option to enter into a land access agreement with a view of releasing the area and have a 50% WI in the well

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:**

All the service contracts in the Philippines were divested by virtue of the sale of Yilgarn Petroleum Pty Ltd and Nido Petroleum Pty Ltd, and its subsidiary Nido Petroleum Philippines Pty Ltd, to Blue Sky Resources Limited during 2023 and completed after the end of 2023. Alberta Plains leases were divested during 2023, also to Blue Sky Resources Limited.

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.

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## Leases

USA and Canadian exploration are conducted on leases granted 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 its 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.

## 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, Technical 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 11 July 2023, the Company raised \$1,075,199 (before costs) through the issue of 153,599,800 fully paid ordinary shares at 0.7 cents each to sophisticated investors.

On 19 January 2024, the Company issued 1,694,256 fully paid shares in lieu of 50% director fees for the December 2023 quarter and 937,500 fully paid shares to extinguish a debt as disclosed in note 35.

On 31 January 2024, 27,250,000 unlisted options exercisable at 4.5 cents per share, expired.

At the date of this report, the Company had 779,687,078 fully paid ordinary shares on issue.



### **Annual General Meeting**

On 31 March 2023, the Company provided its 2022 Annual Report to Shareholders.

The Annual General Meeting was held on the 31 May 2023 and all Resolutions presented were passed by a poll.

### **Board and Management Changes**

On 17 July 2023, the Company appointed J.L. Kane Marshall as Managing Director. Kane has over 20 years' experience in various roles as a director, geologist, engineer, and company builder. He currently advises several resource companies on new venture transactions and funding.

He is currently the Non-Executive Chairman of NSX listed diamond explorer Consolidated Africa Limited (NSX: CRA) and Chairman of IPB Petroleum Limited (ASX: IPB), and prior to that held various senior roles with ASX listed oil and gas companies including Chief Operating Officer of Bounty Oil and Gas NL (ASX: BUY), Managing Director of Key Petroleum Limited (ASX: KEY) and Non-Executive Director of Hawkey Oil and Gas (ASX: HOG).

His diverse experience base includes technical and managerial roles with private equity, junior and major oil companies. Mr Marshall holds academic qualifications which include a Master of Petroleum Engineering from Curtin University, and a Bachelor of Science (Petroleum Geology) from the University of Western Australia.

On 17 July 2023, former Managing Director Gary Jeffery assumed the role of Non-Executive Technical Director.

## 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 2023.

### 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.

J.L. Kane Marshall	Managing Director	Appointed 17 July 2023
Gary Jeffery	Non-executive Technical Director Managing Director	Appointed 17 July 2023 24 October 2013 to 17 July 2023
Andrew Childs	Non-executive Chairman	Appointed 25 November 2008
William Ashby	Non-executive Director	Appointed 6 April 2023

#### Information on Directors

#### Experience, qualifications, and other directorships

Name:	J.L. Kane Marshall
Title:	Managing Director
Qualifications:	MSc. Petroleum Engineering
Experience and expertise:	<p>Kane has over 20 years' experience in various roles as a director, geologist, engineer, and company builder. He currently advises several resource companies on new venture transactions and funding.</p> <p>His diverse experience base includes technical and managerial roles with private equity, junior and major oil companies. Mr Marshall holds academic qualifications which include a Master of Petroleum Engineering from Curtin University, Bachelor of Science (Petroleum Geology) from the University of Western Australia and a Bachelor of Commerce (Investment Finance and Corporate Finance) from the University of Western Australia.</p>
Other current directorships:	Non-Executive Chairman of Consolidated Africa Limited since 26 October 2022 Non-Executive Chairman of IPB Petroleum Limited since 9 February 2024
Former directorships (past 3 years):	Non-Executive Director of Hawkey Oil and Gas from 30 January 2020 to 20 July 2021
Special responsibilities:	None
Interests in shares:	5,455,714
Interests in options:	Nil

## DIRECTORS (continued)

Information on Directors	Experience, qualifications, and other directorships
Name:	Andrew Childs
Title:	Non-Executive Chairman
Qualifications:	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:	Executive Chairman of Xstate Resources Limited since 22 April 2020
Former directorships (past 3 years):	Non-executive Director of ADX Energy Limited from 11 November 2009 to 5 March 2024
Special responsibilities:	Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Interests in shares:	13,670,459
Interests in options:	Nil
Name:	Gary Jeffery
Title:	Non-executive Technical Director (Managing Director from 24 October 2013 to 17 July 2023)
Qualifications:	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:	34,725,358
Interests in options:	Nil

## DIRECTORS (continued)

Name	Experience, qualifications, and other directorships
Name:	William Ashby
Title:	Non-Executive Director
Qualifications:	BAS Geophysics GradDipAS (Honours) – Petroleum Geophysics
Experience and expertise:	<p>Bill has over 40 years of experience in upstream oil and gas covering the disciplines of geoscience, subsurface engineering, drilling, development, and production.</p> <p>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.</p> <p>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.</p>
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:	2,530,225
Interests in options:	Nil

'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.

Jordan McArthur is a Chartered Accountant and was appointed to the position of Joint Company Secretary on 28 February 2022. 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 2023, and the number of meetings attended by each director was:

	Full board		Audit and risk management committee	
	Attended	Held	Attended	Held
Andrew Childs	8	8	2	2
Kane Marshall	6	6	1	1
Gary Jeffery	8	8	2	2
William Ashby	8	8	2	2

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 sixteen circular resolutions.

## 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 2023 attributable to members of Sagasco Limited after income tax was \$733,264 (2022: \$1,375,499 restated).

The Group has a working capital deficit of \$8,303,446 (2022: deficit of \$1,257,324 restated) and had net cash inflows of \$314,114 (2022: net cash outflow of \$904,597).

## DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 31 December 2023 (2022: Nil).

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## **MATERIAL BUSINESS RISKS**

The key risk factors affecting the Company are set out below.

### *Crude oil and gas price*

Crude oil and gas prices are volatile and affected by numerous factors beyond Sacgasco's control, including consumer demand, industry supply trends, international financial market conditions, uncertainty in commodity markets, OPEC actions, global economic conditions, government pricing regulations, and competing fuel sources. Sacgasco's financial performance is influenced by oil and gas prices, and lower oil and gas prices can negatively impact revenues, available liquidity, or access to capital markets, resulting in funding shortfall and/or inability to service debt. This may in turn lead to revisions in medium and longer-term price assumptions for oil and gas from future production, which, in turn, may lead to a revision of the value of the Company's assets.

### *Operational interruptions*

Oil and gas production and recovery volumes may differ from Sacgasco's assumptions and forecasts. This can be due to, but not limited to, unplanned interruptions to production arising from various factors. These events may have a material effect on Sacgasco's financial performance. The occurrence of any event associated with these risks could result in production interruptions and/or substantial loss to Sacgasco.

### *Farm-out and Joint Venture Partners*

Sacgasco may enter farm-out or joint venture agreements in relation to assets. Farm-out or joint venture partners may be unable to pay for their share of applicable costs.

### *Counterparty risks*

A dispute or a breakdown between Sacgasco and its Joint Venture Partners, suppliers or customers, or a failure to reach a suitable agreement with Joint Venture Partners, suppliers or customers could have an adverse effect on the reputation and/or financial performance of the Company.

### *Estimated quantities of Reserves and Contingent Resources*

Estimated quantities of Reserves and contingent Resources are based on interpretations of geological, geophysical, and engineering models and assessments of the technical feasibility and commercial viability of producing the reserves. Estimates that are valid at a certain point in time may alter significantly or become uncertain when new reservoir information becomes available through additional drilling or subsurface technical analysis over the life of the field. As Reserves and Contingent Resource estimates change, development and production plans may be altered in a way that may adversely affect the Company's financial results.

### *Laws, regulations, and government policies*

Sacgasco's business is subject to extensive laws, regulations, and government policies in the jurisdictions where Sacgasco operates its assets and carries out its business. Failure to comply, including passing regular inspection and certification obligations may result in reputational harm, operations being suspended or delayed, permits, license and concessions being cancelled, and fines and penalties being imposed. Changes to laws, regulations and government policies including tax legislation imposed on Sacgasco could result in immediate impacts on the Company's forecast revenues and financial position.

### *Climate policies*

Polices related to climate and energy transition may adversely affect oil and gas demand, oil and gas prices, and oil and gas industry investment and funding behaviour.

*Regulatory approvals*

Regulatory approvals or required licences, including the Company's social licence to operate may not be forthcoming or may be delayed.

*Weather conditions*

Weather events (including those related to climate change) may result in physical damage to assets or interruptions to operations.

*Decommissioning*

Sacgasco may not have accurately anticipated required decommissioning costs and obligations, which may vary due to higher standards potentially being imposed in the future. Higher decommissioning obligations may negatively impact the Company's financial position.

*Environment*

Oil and gas exploration, development and production activities may damage the environment. If Sacgasco is responsible, it will be required to remediate such damage which may involve substantial expenditure and adversely affect Sacgasco's reputation.

*Key Personnel*

The ability of Sacgasco to achieve its objectives depends on the engagement of key employees, Directors and contractors with appropriate experience and expertise. If Sacgasco cannot attract, motivate, and retain required personnel there is risk of additional costs and delays which may adversely affect Sacgasco's financial performance.

*Availability of parts, labour, and logistics*

Supply or availability of required infrastructure (including drill rigs when required), equipment, goods or services could be subject to interruptions, delays or increases in cost, which may impact production, the cost of running Sacgasco's operations and the economics of future development projects.

*Cybersecurity*

Cyber incidents could result in interruptions to, or failure of, the Company's operations and business.

*Cashflow*

Insufficient cashflow could result in an inability to meet contingent payment obligations, debt obligations and/or day to day operational commitments.

*Insurance coverage*

Insurance coverage may be insufficient to cover all risks associated with oil and gas production, development, exploration, and evaluation.

*Currency risk*

Changes in foreign exchange rates and interest rates may negatively impact the Company's liquidity.

*Litigation risk*

There is a risk that Sacgasco may have claims made against it and be the subject of litigation or be required to commence litigations, including with respect to its other contracting parties. The impact of such actions may have a material adverse impact on Sacgasco.

*Access to capital*

Sacgasco's activities may require the Company to obtain additional funding from equity and debt capital providers. Any material restriction on the ability of Sacgasco to source capital may restrict its operations preventing Sacgasco from acquiring new assets and taking advantage of new development opportunities or delaying the commencement or completion of projects in which Sacgasco is involved.

*Taxation risk*

Changes to the rate of taxes imposed on Sacgasco or changes in tax legislation or changing interpretations enforced by taxation authorities, whether in Australia or such other foreign jurisdictions in which Sacgasco may operate, may lead to an increase in Sacgasco's taxation obligations and a reduction in potential shareholder returns.

*Australian Accounting Standards and International Financial Reporting Standards*

Accounting Standards are set by the AASB and IASB and are outside the Directors' and Sacgasco's control. Changes to accounting standards issued by the AASB and IASB may have a material adverse impact on the financial performance and position of Sacgasco as reported in its financial statements.

*Access to committed debt facility*

Sacgasco has entered into several debt facility agreements. In certain circumstances, the facility may be terminated, funding unavailable or withdrawn and/or repayments accelerated.

*Unforeseen risk*

There may be other unforeseeable circumstances beyond the control of the Company which may impact Sacgasco, its operations and/or the valuation and performance of its shares. The above list of key risks ought not to be taken as exhaustive of the risks faced by Sacgasco or by investors in Sacgasco. The above risks and others not specifically referred to above may in the future materially affect Sacgasco, its financial performance or the value of its shares.

Each of the key risks if they were to materialise, could have a material and adverse impact on (among other things) Sacgasco's business, reputation, growth, financial position and/or financial performance. Sacgasco has an established risk management framework in place to identify, assess and mitigate risks in accordance with the materiality and risk tolerance parameters set by the Board of Directors.

**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.



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## **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 35 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.

## **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 \$40,359 (2022: \$37,088) 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**

There were no unissued ordinary shares of Sacgasco Limited under option at the date of this report.

## **SHARES ISSUED ON THE EXERCISE OF OPTIONS**

No ordinary shares of Sacgasco Limited were issued during the year ended 31 December 2023, and up to the date of this report, on the exercise of options granted.

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## 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 32.

## 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 2023. 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

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## Remuneration structure

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

### Non-Executive Directors' Remuneration

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.

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.

## Remuneration structure (continued)

### 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.

### 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.

	2023	2022 Restated	2021	2020	2019
Production income (\$)	8,863,115	17,849,415	7,888,355	-	-
Other income (\$)	536,454	609,394	1,017,912	465,538	782,243
Profit / (loss) before income tax from continuing operations (\$)	910,877	(647,589)	(10,316,883)	(1,730,534)	(1,314,164)
Net loss attributable to equity holders (\$)	(733,264)	(1,375,499)	(10,681,643)	(1,734,221)	(1,316,441)
Share price at year end (cents)	1.10	1.20	2.60	6.30	4.50
Number of listed ordinary shares	777,055,322	611,180,909	481,198,714	341,258,491	268,513,742
Weighted average number of shares	692,119,307	567,437,263	464,646,028	277,329,705	266,085,375
Basic earnings / (loss) per share EPS (cents) from continuing operations	0.09	(0.17)	(2.30)	(0.63)	(0.49)
Listed options	-	-	-	133,429,938	133,429,948
Unlisted options	27,250,000	27,250,000	18,000,000	19,000,000	19,000,000
Market capitalisation (\$)	8,547,609	7,334,171	12,511,167	21,499,285	12,083,118
Net tangible assets / (liabilities) (NTA) (\$)	(7,654,311)	(7,976,998)	(9,229,622)	844,695	(133,437)
NTA Backing (cents)	(0.99)	(1.31)	(1.92)	0.25	(0.05)

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.

## Remuneration structure (continued)

### Voting and comments made at the Company's 2022 Annual General Meeting ("AGM")

At the 31 May 2023 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 ***
Kane Marshall	Ongoing from 17 July 2023	Three months	Three months	\$300,000 *	N/A
Gary Jeffery	From 1 November 2013 to 17 July 2023	Three months	Three months	\$200,000 **	Six months' base salary

\* Base salary is on a pro rata basis to the days worked in a 5-day working week, exclusive of the superannuation guarantee charge rate applicable at the time, currently 11%. For the period 17 July 2023 to 31 August 2023, Kane Marshall was paid for 3 days per working week at which time, he assumed the full-time position.

In view of the need to preserve cash and in light of the current financial climate and market conditions, Mr Marshall has received 50% of his salary paid in cash with the balance accrued.

\*\* 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 from 1 November 2013 to 17 July 2023). Following the appointment of Kane Marshall on 17 July 2023, Gary assumed the role of non-executive Technical Director.

Base salary is inclusive of the superannuation guarantee charge rate applicable at the time (currently 11%) 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
	Cash salary and fees	Other benefits (A)	Super-annuation	Shares	Equity-settled options	
2023	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>						
Andrew Childs	20,000	-	-	17,155	-	37,155
Gary Jeffery (from 17 July 2023)	8,286	-	-	4,383	-	12,669
William Ashby	16,253	3,008	3,494	13,947	-	36,702
<b>Executive Directors</b>						
Kane Marshall	129,763	-	13,412	-	-	143,175
Gary Jeffery (to 17 July 2023)	53,968	-	-	56,260	-	110,228
	<b>228,270</b>	<b>3,008</b>	<b>16,906</b>	<b>91,745</b>	-	<b>339,929</b>

(A) Other benefits include Philippines' accommodation

**Details of remuneration (continued)**

	Short-term benefits		Post employment benefits	Share-based payments		Total
	Cash salary and fees	Other benefits (A)	Super-annuation	Shares	Equity-settled options	
2022	\$	\$	\$	\$	\$	\$
<b>Non-executive Directors</b>						
Andrew Childs	20,000	-	-	23,376	35,400	<b>78,776</b>
William Ashby	19,584	1,571	3,313	14,603	23,600	<b>62,671</b>
<b>Executive Directors</b>						
Gary Jeffery	100,000	-	-	116,882	59,000	<b>275,882</b>
<b>Former Directors</b>						
Joanne Kendrick	4,800	-	-	3,270	-	<b>8,070</b>
	<b>144,384</b>	<b>1,571</b>	<b>3,313</b>	<b>158,131</b>	<b>118,000</b>	<b>425,399</b>

(A) Other benefits include Philippines' accommodation

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

Name	Fixed Remuneration		At risk - LTI	
	2023	2022	2023	2022
	%	%	%	%
<b>Non-executive Directors</b>				
Andrew Childs	54	25	46	75
Gary Jeffery	65	-	35	-
William Ashby	62	39	38	61
<b>Executive Directors</b>				
Kane Marshall	100	-	-	-
Gary Jeffery	49	36	51	64
<b>Former Directors</b>				
Joanne Kendrick	-	59	-	41

No cash bonuses were granted during the year (2022: Nil).

**Share-based compensation**

Options granted as compensation

At the date of this report, no share options were granted to the Directors of the Company as part of their remuneration.

No options granted as compensation in the current or prior years were exercised (2022: nil options).

No options granted as compensation in prior years expired (2022: 16,000,000 options expired). Subsequent to the reporting date, 27,250,000 options expired.

### Share-based compensation (continued)

#### Shares issued in lieu of deferred director fees

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. 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-22 <sup>(1)</sup>	Gary Jeffery	-	-	1,666,667	17-Jan-23	2.20
31-Dec-22 <sup>(1)</sup>	Andrew Childs	-	-	333,333	17-Jan-23	2.20
31-Dec-22 <sup>(2)</sup>	William Ashby	-	-	271,493	17-Jan-23	2.20
31-Mar-23	Gary Jeffery	25,000	36,667	1,666,667	11-Apr-23	2.20
31-Mar-23	Andrew Childs	5,000	7,333	333,333	11-Apr-23	2.20
31-Mar-23	William Ashby	4,072	5,973	271,493	11-Apr-23	2.20
30-Jun-23 <sup>(2)</sup>	Gary Jeffery	25,000	15,625	3,125,000	11-Jul-23	1.50
30-Jun-23 <sup>(2)</sup>	Andrew Childs	5,000	3,125	625,000	11-Jul-23	1.50
30-Jun-23 <sup>(2)</sup>	William Ashby	4,072	2,545	509,053	11-Jul-23	1.50
30-Sep-23	Gary Jeffery	7,754	5,539	1,107,709	13-Dec-23	0.50
30-Sep-23	Andrew Childs	5,000	3,572	714,286	13-Dec-23	0.50
30-Sep-23	William Ashby	4,054	2,895	579,150	13-Dec-23	0.50
		<b>84,952</b>	<b>83,274</b>	<b>11,203,184</b>		

#### Shares to be issued in lieu of deferred director fees

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-23	Gary Jeffery	4,500	2,812	562,500	19-Jan-24	0.50
31-Dec-23	Andrew Childs	5,000	3,125	625,000	19-Jan-24	0.50
31-Dec-23	William Ashby	4,054	2,534	509,053	19-Jan-24	0.50
		<b>13,554</b>	<b>8,471</b>	<b>1,696,553</b>		
		<b>98,506</b>	<b>91,745</b>	<b>12,899,737</b>		

<sup>(1)</sup> No value is recorded for contractual value of services and market value of shares in the current financial year as these expenses (\$49,973) were recorded in the share-based payments reserve as of 31 December 2022.

<sup>(2)</sup> At a general meeting on 31 May 2023, a share plan was approved by shareholders to satisfy 50% of all current director fees through the issue of shares on a quarterly basis for the period 1 April 2023 to 31 March 2024. \$8,471 for the quarter ending 31 December 2023 is recorded in the share-based payments reserve. Kane Marshall is excluded from this share plan as he was not a director at the AGM when shareholder approval was given.

### 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 2022	Held on appointment / (resignation)	Purchases	In lieu of fees	Held at 31 December 2023
Andrew Childs	11,039,507	-	-	2,005,952	13,045,459
Kane Marshall	-	5,455,714	-	-	5,455,714
Gary Jeffery	26,596,815	-	-	7,566,043	34,162,858
William Ashby	392,280	-	-	1,631,189	2,023,469
	38,028,602	5,455,714	-	11,203,184	54,687,500

#### 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 2022 Number	Held on Appointment / (resignation) Number	Granted as compensation Number	Expired Number	Held at 31 December 2023 Number	Vested and exercisable at 31 December 2023 Number
Andrew Childs	6,000,000	-	-	-	6,000,000	6,000,000
Gary Jeffery	10,000,000	-	-	-	10,000,000	10,000,000
William Ashby	4,000,000	-	-	-	4,000,000	4,000,000
	20,000,000	-	-	-	20,000,000	20,000,000

### Additional disclosures relating to key management personnel

No options issued to directors as part of compensation in prior years expired during the year ended 31 December 2023.

No 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 26 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 28.



**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.



**J.L. Kane Marshall**  
Managing Director

28 March 2024  
Perth, WA

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sargasco Limited for the year ended 31 December 2023, 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  
28 March 2024



**D I Buckley**  
Partner

**hlb.com.au**

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## 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 places of business are:

**Registered office**

Level 1  
31 Cliff Street  
Fremantle WA 6160

**Principal office**

Level 2  
210 Bagot Road  
Subiaco WA 6008

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 28 March 2024. The directors have the power to amend and reissue the financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the year ended 31 December 2023**

	Note	2023 \$	2022 Restated \$
Production income	6	8,863,115	17,849,415
Other income	7	536,454	609,394
Finance income	8	445	3,668
Gain on disposal of asset	9	1,529,260	-
Impairment gains on trade receivables	15	599	6,697
Foreign exchange gains		15,983	646,133
<b>Expenses</b>			
Cost of sales		(6,681,962)	(14,276,572)
Other operating expenses		(1,037,072)	(1,108,765)
Exploration expenditure expensed through profit or loss	11	-	(76,640)
Marketing and business development costs		(7,263)	(31,285)
Personnel expenses	10	(348,627)	(485,962)
General and administration costs		(216,928)	(217,402)
Professional fees		(571,718)	(676,538)
Depreciation and amortisation – oil and gas properties		(685,879)	(2,239,244)
Depreciation and amortisation – other assets		(2,718)	(2,327)
Loss on disposal of subsidiary		-	(968)
Finance expenses	8	(482,812)	(647,193)
<b>Profit / (loss) before income tax</b>		<b>910,877</b>	<b>(647,589)</b>
Income tax expense	13	(282,923)	(304,371)
<b>Profit / (loss) for the year from continuing operations</b>		<b>627,954</b>	<b>(951,960)</b>
Loss for the year from discontinued operations	4	(1,361,218)	(423,539)
<b>Loss for the year</b>		<b>(733,264)</b>	<b>(1,375,499)</b>

*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 2023**

	Note	2023 \$	2022 Restated \$
Loss for the year		(733,264)	(1,375,499)
<b>Other comprehensive income</b>			
<i>Items which may be reclassified to profit or loss</i>			
Foreign currency translation difference of foreign operations		(70,307)	(598,406)
<b>Total comprehensive loss for the year</b>		<b>(803,571)</b>	<b>(1,973,905)</b>
<b>Profit / (loss) for the year is attributable to:</b>			
Continuing operations		627,954	(951,960)
Discontinued operations		(1,361,218)	(423,539)
		(733,264)	(1,375,499)
<b>Comprehensive profit / (loss) for the year is attributable to:</b>			
Continuing operations		542,174	(988,807)
Discontinued operations		(1,345,745)	(985,098)
		(803,571)	(1,973,905)
<b>Earnings / (loss) per share (cents per share)</b>			
Basic and diluted – continuing operations		0.09	(0.17)
Basic and diluted – discontinued operations		(0.20)	(0.07)
	12	(0.11)	(0.24)

*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 2023**

	Note	2023 \$	2022 Restated \$
<b>Assets</b>			
Cash and cash equivalents	14	265,725	435,870
Trade and other receivables	15	481,643	5,005,184
Inventory	16	97,495	124,782
Prepayments	17	30,095	837,389
Non-current assets held for sale	4	10,386,483	-
Other financial assets	18	-	5,435
Current tax assets	13	-	72,447
<b>Total current assets</b>		<b>11,261,441</b>	<b>6,481,107</b>
Oil and gas properties	19	11,822,726	22,884,305
Property, plant, and equipment		1,021	12,357
Right of use assets	20	-	140,841
Intangible assets		132	634
Other financial assets	18	298,952	318,365
<b>Total non-current assets</b>		<b>12,122,831</b>	<b>23,356,502</b>
<b>Total assets</b>		<b>23,384,272</b>	<b>29,837,609</b>
<b>Liabilities</b>			
Trade and other payables	21	(632,676)	(5,652,013)
Borrowings	22	(1,119,783)	(917,041)
Lease liabilities	23	-	(89,272)
Employee benefits	10	(97,506)	(16,926)
Site restoration provision	24	(614,406)	(1,061,769)
Contract liabilities		(656)	(1,410)
Liabilities associated with non-current assets held for sale	4	(16,789,548)	-
Current tax liabilities	13	(310,312)	-
<b>Total current liabilities</b>		<b>(19,564,887)</b>	<b>(7,738,431)</b>

*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 2023**

	Note	2023 \$	2022 Restated \$
Site restoration provision	24	(11,473,564)	(30,030,547)
Lease liabilities	23	-	(44,994)
<b>Total non-current liabilities</b>		<b>(11,473,564)</b>	<b>(30,075,541)</b>
<b>Total liabilities</b>		<b>(31,038,451)</b>	<b>(37,813,972)</b>
<b>Net liabilities</b>		<b>(7,654,179)</b>	<b>(7,976,363)</b>
<b>Equity</b>			
Share capital	25	34,218,663	33,058,906
Reserves		(507,622)	(403,313)
Accumulated losses		(41,365,220)	(40,631,956)
<b>Total deficit attributable to equity holders of the Company</b>		<b>(7,654,179)</b>	<b>(7,976,363)</b>

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

For the year ended 31 December 2023

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2023**

	Share capital	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	-	-	-	-	(1,375,499)	(1,375,499)
Foreign exchange translation difference on foreign operations	-	(598,406)	-	-	-	(598,406)
<b>Total comprehensive loss for the period</b>	-	(598,406)	-	-	(1,375,499)	(1,973,905)
<i>Transactions with owners in their capacity as owners</i>						
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
<b>Balance on 31 December 2022 - restated</b>	<b>33,058,906</b>	<b>(614,061)</b>	<b>160,775</b>	<b>49,973</b>	<b>(40,631,956)</b>	<b>(7,976,363)</b>

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



For the year ended 31 December 2023

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)****For the year ended 31 December 2023**

	Share capital	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance on 1 January 2023	33,058,906	(614,061)	160,775	49,973	(40,631,956)	(7,976,363)
Loss for the period	-	-	-	-	(733,264)	(733,264)
Foreign exchange translation difference on foreign operations	-	(70,307)	-	-	-	(70,307)
<b>Total comprehensive loss for the period</b>	-	(70,307)	-	-	(733,264)	(803,571)
<i>Transactions with owners in their capacity as owners</i>						
Contributions of equity, net of transaction costs	1,159,757	-	-	(49,973)	-	1,109,784
Share-based payments	-	-	-	15,971	-	15,971
<b>Balance on 31 December 2023</b>	<b>34,218,663</b>	<b>(684,368)</b>	<b>160,775</b>	<b>15,971</b>	<b>(41,365,220)</b>	<b>(7,654,179)</b>

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 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,747,856	4,621,122
ATO Refund of Nido Petroleum overpaid PAYG		399,386	-
Cash paid to suppliers and employers		(2,518,096)	(1,261,519)
Payments for exploration and evaluation		(1,335,578)	(6,216,916)
Interest paid		(8,175)	(106,082)
Interest received		310	7,178
Income taxes refund / (paid)		103,781	(757,463)
<b>Net cash used in operating activities</b>	14(b)	(1,610,516)	(3,713,680)
<b>Cash flows from investing activities</b>			
Proceeds from sale of producing assets	9	454,112	-
Proceeds from farm in	4	5,022,960	-
Payments for exploration and evaluation	4	(4,552,289)	-
Payments for property, plant, and equipment		(645,661)	(18,951)
Payments for intangible assets		-	(928)
<b>Net cash from / (used in) investing activities</b>		279,122	(19,879)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		1,075,199	2,917,500
Repayment of premium funding facility	14(d)	(32,453)	-
Proceeds from other short-term loans	14(d)	451,515	-
Proceeds from related party loans	14(d)	300,000	100,000
Repayment of right of use lease liability	14(d)	(92,564)	(41,527)
Payment of capital raising costs		(56,189)	(147,011)
<b>Net cash from financing activities</b>		1,645,508	2,828,962
Net increase / (decrease) in cash and cash equivalents		314,114	(904,597)
Cash and cash equivalents on 1 January		435,870	1,286,051
Effect of exchange rate fluctuations on cash held		(8,646)	54,416
<b>Cash and cash equivalents on 31 December</b>	14(a)	741,338	435,870

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

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## **NOTES TO THE CONSOLIDATED FINANCIAL REPORT**

### **For the year ended 31 December 2023**

#### **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 2023. 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.

##### **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 34.

##### **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 2023 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’.

#### **1.4 PRINCIPLES OF CONSOLIDATION (continued)**

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 can 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 consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 31 December 2023, the Group recorded a loss of \$733,264 and had net cash inflows of \$314,114. As of 31 December 2023, the Group had net liabilities of \$7,654,179, a working capital deficit of \$8,303,446 and total cash on hand of \$265,725.

A large component of the working capital deficit is predominantly due to the Filipino operations, with \$6,403,065 of net liabilities relating to the available for sale assets, and \$614,406 for estimated abandonment costs to be performed by the operator of the Canadian oil wells during the next twelve months which will be deducted from operational cash distributions from the Operator. In addition, \$1,112,740 is a related party loan including interest. The lender has confirmed that they will not call for payment of the loan until the Group is in a financial position to do so.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on a combination of:

- Positive cash flows generated from the Group's interest in its Canadian producing assets;
- Potential sale of its Canadian producing working interests;
- Receipt of funds from the sale of its Philippines assets; and
- Secure additional funding through debt or equity issuances.

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

## 1.7 GOING CONCERN (continued)

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.

## 1.8 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the consolidated statement of profit or loss and other comprehensive income.

## 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.

### 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 26.

### 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 15, is calculated based on the information available at the time of preparation. The actual credit loss in future years may be higher or lower.

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## 2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 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 27.

### 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 Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 13.

### 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 24.

## 2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 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.

## 3 RESTATEMENT OF COMPARATIVES

### Correction of error

An error was discovered in the Group's share of Philippines exploration expenses reported in the 2022 Financial Statements. This was due to the Group reporting Nido's share of exploration expenses as per its working interest in the Service Contracts rather than its funding interest as announced to the ASX during the year ending 31 December 2022.

#### *Service Contract SC 54 ("SC 54")*

On 10 March 2022, following its acquisition of TG World, Blue Sky Resources exercised its farmin option in relation to SC 54 by committing to drill the Nandino Prospect. Under the terms of the farmin election, Blue Sky would pay Nido and Yilgarn's 72.5% working interest share of the dry hole Nandino well cost.

On 14 June 2022, the Company announced a receiver had been appointed to act as Administrator for the parent company of Halo BV. Pursuant to the terms of the Joint Operating Agreement ("JOA"), a non-defaulting party may immediately take control of any defaulting party's participating interest. As such, Halo BV's 15% participating interest was transferred to Nido who agreed to pay the outstanding debt.

	Funding Interest				Working Interest			
	NPP %	YPP %	BSR %	Halo %	NPP %	YPP %	BSR %	Halo %
Reported <sup>1</sup>	42.40	30.10	12.50	15.00	42.40	30.10	12.50	15.00
Adjusted <sup>2</sup>	15.00	-	85.00	-	36.20	15.05	48.75	-
Movement	(27.40)	(30.10)	72.50	(15.00)	(6.20)	(15.05)	36.25	(15.00)

#### *Service Contract SC 6B ("SC 6B")*

On 4 March 2022, the Company announced that Nido entered a Farmin Agreement to fund 100% of SC 6B in return for an additional 63.37% working interest, bringing Nido's total working interest to 72.72%.

On 22 August 2022, the Company announced that Nido signed a fiscal agreement with Blue Sky to fund 45.455% of the initial drilling and extended well tests, but will only have a financial interest in Nido's share.



### 3 RESTATEMENT OF COMPARATIVES (continued)

#### Correction of error (continued)

	Funding Interest			Working Interest		
	NPP %	BSR %	Others %	NPP %	BSR %	Others %
Reported <sup>1</sup>	9.090	-	90.910	9.090	-	90.910
Adjusted <sup>2</sup>	54.545	45.455	-	72.727	-	27.273
Movement	45.455	45.455	(90.910)	63.637	-	(63.637)

1 Percentage interest reported in the 2022 Financial Statements based on Working Interest

2 Percentage interest reported in the restated 2022 Financial Statements based on Funding Interest

This error resulted in exploration expenses, other receivables and accruals being overstated.

Extracts (Being only those line items affected) are disclosed below.

#### Extract from consolidated statement of profit or loss and other comprehensive income

	31 December 2022	31 December 2022 Restated	Increase / (decrease)
	\$	\$	\$
Other income	679,202	42,524	(636,679)
Exploration expenditure expensed through profit or loss	(3,361,851)	(76,640)	3,285,211
Other operating expenses	(1,109,139)	(1,108,765)	374
Impairment (loss) / gain on trade receivables and contract assets	(336,247)	6,696	342,943
Foreign exchange gains and (losses)	18,276	646,134	627,858
General and administrative expenses	(307,167)	(217,402)	89,765
Withholding tax	1,207,747	-	(1,207,747)
Marketing and business development	(38,045)	(31,285)	6,760
Personnel expenses	(447,471)	(485,962)	(38,491)
Professional fees	(911,590)	(676,538)	235,052
Depreciation and amortisation	(2,286,466)	(2,241,571)	44,895
<b>Loss before income tax from continuing operations</b>	<b>(3,510,104)</b>	<b>(647,589)</b>	<b>2,862,515</b>
<b>Profit / (loss) from discontinued operations (note 4)</b>	<b>216,697</b>	<b>(423,539)</b>	<b>(640,236)</b>
<b>Loss for the year</b>	<b>(3,597,778)</b>	<b>(1,375,499)</b>	<b>2,222,279</b>
<b>Total comprehensive loss for the year</b>	<b>(4,232,619)</b>	<b>(1,973,905)</b>	<b>2,258,714</b>
<b>Loss per share (cents)</b>			
Basic and diluted from continuing operations	(0.67)	(0.17)	0.50
Basic and diluted from discontinued operations	0.04	(0.07)	(0.11)
Basic and diluted	(0.63)	(0.24)	0.39

### 3 RESTATEMENT OF COMPARATIVES (continued)

Extract from consolidated statement of financial position

	31 December 2022	31 December 2022 Restated	Increase / (decrease)
	\$	\$	\$
Trade and other receivables	1,406,782	5,005,184	3,598,402
Prepayments	2,177,077	837,389	(1,339,688)
<b>Total assets</b>	<b>27,578,895</b>	<b>29,837,609</b>	<b>2,258,714</b>
<b>Equity</b>			
Issued capital	33,058,906	33,058,906	-
Reserves	(439,748)	(403,313)	36,435
Accumulated losses	(42,854,235)	(40,631,956)	2,222,279
<b>Total deficiency</b>	<b>(10,235,077)</b>	<b>(7,976,363)</b>	<b>2,258,714</b>

### 4 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

As disclosed in note 35, on 19 January 2024, shareholders approved the sale of its Filipino subsidiaries to Blue Sky Resources Limited, as announced to the market on 13 December 2023. The terms of the sale agreement are summarised below:

#### Sale Consideration

- US\$1,250,000 in cash with US\$350,000 payable upon receiving shareholder approval, and US\$900,000 on or before 30 April 2024. Two payments of US\$100,000 were received on 2 February 2024 and 29 February 2024. US\$150,000 was received on 14 March 2024.

#### Contingent Consideration

- Cash payment of US\$1,500,000 to be paid to Sacgasco within six months of production activities commencing at Cadlao; and
- A further cash payment of US\$1,000,000 after 12 months of oil production from the Cadlao Oilfield at a production rate of 3,000 BOPD or more
- A sliding scale royalty on the Cadlao Field of:
  - Overriding royalty of 3% on production up to 3,000 BOPD net to Nido Participating Interest after PNOC EC Farmin;
  - Overriding royalty of 4% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin; and
  - Overriding royalty of 5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin.
- A sliding scale royalty on all other Nido Service Contracts, except Cadlao as contemplated above, of:
  - Overriding royalty of 1.5% on production up to 3,000 BOPD net to Nido Participating Interest after PNOC EC Farmin;
  - Overriding royalty of 2% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin; and
  - Overriding royalty of 2.5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOC EC Farmin.

#### 4 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

As a result of the sale and purchase agreement, the assets, and liabilities prior to the effective disposal date, being 1 December 2023, are classified as assets classified as held for sale and liabilities associated with assets held for sale, and financial performance as a discontinued operation.

	Note	2023 \$	2022 \$
<b>Non-current assets classified as held for sale</b>			
Cash and cash equivalents	14(a)	475,613	-
Trade and other receivables		9,125,908	-
Prepayments		70,833	-
Deposits and bonds		21,415	-
Property, plant, and equipment		633,406	-
Right-of-use assets		59,308	-
<b>Total assets classified as held for sale</b>		<b>10,386,483</b>	-
<b>Non-current liabilities associated with assets held for sale</b>			
Trade and other payables		4,520,085	-
Borrowings		685,200	-
Employee benefits		2,223	-
Contract liabilities		2,758,412	-
Site restoration provision		8,823,628	-
<b>Total liabilities associated with assets classified as held for sale</b>		<b>16,789,548</b>	-
<b>Net liabilities associated with assets classified as held for sale</b>		<b>(6,403,065)</b>	-
<b>Cash flow information</b>			
Net cash used in operating activities		(1,717,410)	(5,282,299)
Net cash from investing activities		1,434,187	4,869,646
Net cash from / (used in) financing activities		558,951	(41,527)
Effects of foreign exchange		(29,313)	34,290
<b>Net increase in cash and cash equivalents from discontinued operations</b>		<b>(246,415)</b>	<b>(419,890)</b>

**4 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**

	2023	2022
	\$	\$
<b>Financial performance information</b>		
Debt forgiveness	-	(227,662)
Other income (prior period employee expense refunds)	-	(409,017)
Gain on sale of exploration assets	-	(216,697)
Withholding tax	-	(1,207,747)
Exploration and evaluation expenditure	158,554	1,403,228
Administrative and personnel expenses	82,914	51,309
Professional fees	304,054	235,052
Net finance costs / (income)	18,312	(935)
Accretion expense	624,107	113,508
Depreciation	6,267	7,974
Amortisation	83,851	36,922
Marketing and business development	5,273	7,134
Foreign exchange losses	77,886	630,470
Loss before income tax expense	1,361,218	423,539
Income tax expense	-	-
Loss from discontinued operations after income tax expense	1,361,218	423,539
Foreign currency translation difference of foreign operations	(15,473)	561,559
<b>Comprehensive loss attributable to owners of the Company from discontinued operations</b>	<b>1,345,745</b>	<b>985,098</b>

The sale of its Filipino subsidiaries to Blue Sky Resources Limited was contingent upon Sacgasco's wholly owned subsidiary, Nido, executing a farm in agreement with PNOC Exploration Corporation for a 20% participating interest in SC 6B. The transfer and assignment of the 20% interest from Nido to PNOC EC was subject to the approval of the Philippine Department of Energy, received on 15 November 2023. Under the terms of the binding farm in agreement, Nido received \$5,022,960 (US\$3,337,400).

As shareholder approval for the sale of the Filipino subsidiaries was after the reporting date, accounting standards require that Sacgasco report the Group's cash position on 31 December 2023, including Nido. During the period 2 December 2023 to 31 December 2023, Nido incurred payments of \$4,552,289 (US\$3,024,673) in exploration and evaluation expenditure.

## 5 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 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 operating segments. Any amounts that fall outside of these segments are categorised as "Corporate".

As disclosed in note 9, on 17 July 2023, the group sold its 20% working interest in the Alberta Plains gas project. The effective date of the disposal was 1 January 2023; therefore no gas sales have been recorded for the year ending 31 December 2023. Gas sales and loss generated from the Alberta Plains project for the year ending 31 December 2022 are recorded in oil production in the table below.

## 5 OPERATING SEGMENTS (continued)

### Segment profit or loss

	Revenue		Segment profit / (loss)	
	2023	2022	2023	2022 Restated
	\$	\$	\$	\$
Oil production <sup>(1)</sup>	8,066,841	16,700,519	1,997,975	(110,535)
Oil and gas exploration	796,274	1,148,896	(146,548)	110,323
	8,863,115	17,849,415	1,851,427	(212)
Eliminations	-	-	1,531	(1,869)
	8,863,115	17,849,415	1,852,958	(2,081)
Finance income			163	99
Finance costs			(99,152)	(80,986)
Central administrative expenses			(843,092)	(564,621)
<b>Profit / (loss) from continuing operations before tax</b>			<b>910,877</b>	<b>(647,589)</b>

<sup>(1)</sup> includes gas production for the prior year

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.

### Segment assets and liabilities

	Assets		Liabilities	
	2023	2022 Restated	2023	2022 Restated
	\$	\$	\$	\$
Oil production <sup>(1)</sup>	12,047,078	23,009,086	(12,250,239)	(24,004,700)
Oil and gas exploration	537,853	5,824,578	(392,571)	(10,276,992)
<b>Total segment assets and liabilities</b>	<b>12,584,931</b>	<b>28,833,664</b>	<b>(12,333,332)</b>	<b>(34,281,692)</b>
Corporate and other segment assets/liabilities	412,858	1,003,945	(1,606,093)	(3,532,280)
Assets held for sale (refer to note 4)	10,386,483	-	-	-
Liabilities associated with assets held for sale (refer to note 4)	-	-	(16,789,548)	-
<b>Total</b>	<b>23,384,272</b>	<b>29,837,609</b>	<b>(31,038,451)</b>	<b>(37,813,972)</b>

<sup>(1)</sup> 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.

## 5 OPERATING SEGMENTS (continued)

### Geographical information

The Group operates its business in Canada, the USA and until 1 December 2023, the Philippines. During the period, the Group's production income was derived from Canada and California. The Group's production income and non-current assets by geographical location is as follows:

	Production income		Non-current assets	
	2023	2022	2023	2022 Restated
	\$	\$	\$	\$
Australia	-	-	6,225	7,029
Canada and USA	8,863,115	17,849,415	12,116,606	23,178,734
Philippines	-	-	-	170,739
<b>Total</b>	<b>8,863,115</b>	<b>17,849,415</b>	<b>12,122,831</b>	<b>23,356,502</b>

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

## 6 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 2023, 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 2023.

## 6 PRODUCTION INCOME (continued)

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:

	2023	2022
	\$	\$
<b>Goods transferred at a point in time</b>		
Crude oil	8,066,841	16,429,444
Natural gas	796,274	1,419,971
	<b>8,863,115</b>	<b>17,849,415</b>

## 7 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	2023	2022
		\$	\$
Other operating income – California	(i)	278,011	289,107
Other operating income – Canada	(ii)	254,862	277,763
		<b>532,873</b>	<b>566,870</b>
Other income		3,581	19,962
Debt forgiveness		-	22,562
<b>Total other income</b>		<b>536,454</b>	<b>609,394</b>

- (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.



## 8 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.

	Note	2023 \$	2022 \$
Interest income on deposits		445	3,668
<b>Interest expense on financial liabilities measured at amortised cost</b>			
Interest expense on loans received from related parties	22	95,699	80,986
Interest expense on premium funding facilities	22	3,453	-
<b>Interest expense</b>		<b>99,152</b>	<b>80,986</b>
Unwinding of discounts on provisions	24	383,660	566,207
<b>Total finance costs</b>		<b>482,812</b>	<b>647,193</b>
<b>Net finance costs</b>		<b>482,367</b>	<b>643,525</b>

## 9 GAIN ON DISPOSAL OF OIL AND GAS ASSETS

On 17 July 2023, Sagasco AB Limited (Sagasco's wholly owned Canadian subsidiary) ("SGC AB") signed a binding sale and purchase agreement with Blue Sky Resources Limited ("Blue Sky" or "the Operator") to sell its 20% working interest in the Alberta Plains oil and gas project, for consideration of C\$900,000. As SGC AB owed amounts to Blue Sky from loss-making operations, C\$492,965 was deducted from the sale proceeds. The sale was completed on 15 September 2023.

## 9 GAIN ON DISPOSAL OF OIL AND GAS ASSETS (continued)

	\$
Consideration	1,004,093
Amounts payable to Blue Sky deducted from sale proceeds	(549,981)
Net proceeds received	454,112
Net liabilities disposed	1,075,148
<b>Gain on disposal</b>	<b>1,529,260</b>

## 10 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.

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

	Note	2023 \$	2022 \$
Directors' remuneration	28	339,929	425,399
Other wages and salaries		5,790	16,350
Contract labour		3,101	3,781
Contributions to defined contribution plans		618	1,669
Share-based payments expense		-	1,180
Other associated personnel expenses		2,197	2,066
Directors' remuneration associated with assets held for sale		(3,008)	(1,571)
<b>Total Personnel Expenses</b>		<b>348,627</b>	<b>448,874</b>

## 10 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

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

	2023	2022
	\$	\$
<b>Current</b>		
Salary accrual <sup>(1)</sup>	79,423	14,866
Statutory superannuation contributions	10,242	2,060
Annual leave provision	7,841	-
	<b>97,506</b>	<b>16,926</b>

(1) In view of the need to preserve cash and considering the current financial climate and market conditions, Mr Marshall has received 50% of his salary paid in cash with the balance accrued.

## 11 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.

Exploration and evaluation incurred during the current and prior year has been expensed 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 also expensed as incurred to exploration expenditure expensed through profit or loss.

All exploration expenditure incurred during the prior year was from the group's California operations totalling \$76,640. For exploration and evaluation relating to discontinued operations, refer to note 4.

## 12 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.

	2023	2022 Restated
	\$	\$
<b>Basic and diluted loss per share from continuing operations</b>		
Profit / (loss) after income tax attributable to owners of Sacgasco Limited	627,954	(951,960)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings / (loss) per share	0.09	(0.17)
	<b>2023</b>	<b>2022 Restated</b>
	\$	\$
<b>Basic and diluted earnings per share from discontinued operations</b>		
Loss after income tax attributable to owners of Sacgasco Limited	(1,361,218)	(423,539)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted (loss) / earnings per share	(0.20)	(0.07)

In both years ending 31 December 2023 and 2022, 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 LOSS PER SHARE (continued)

	2023	2022 Restated
	\$	\$
<b>Basic and diluted loss per share</b>		
Loss after income tax attributable to owners of Sacgasco Limited	(733,264)	(1,375,499)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(0.11)	(0.24)
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares on 1 January	611,180,909	481,198,714
Effect of shares issued	80,938,398	86,238,549
<b>Weighted average number of ordinary shares on 31 December</b>	<b>692,119,307</b>	<b>567,437,263</b>

In both years ending 31 December 2023 and 2022, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the year.

## 13 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 a 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.

### 13 INCOME TAX EXPENSE (continued)

#### Accounting Policy (continued)

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 (continued)**

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.

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

	2023	2022
	\$	\$
Current tax expense	282,923	304,371
Deferred tax expense	-	-
<b>Income tax expense</b>	<b>282,923</b>	<b>304,371</b>

### 13 INCOME TAX EXPENSE (continued)

#### (a) Amounts recognised in profit or loss (continued)

	2023	2022 Restated
	\$	\$
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit / (loss) from continuing operations before income tax	910,877	(647,589)
Tax at the Australian tax rate of 30% (2022: 30%)	273,263	(194,277)
Non-deductible expenses	72,816	165,731
Non-assessable income	(77,160)	(110,122)
Tax rate differential on Australian income	(138,755)	7,737
Non-assessable non-exempt overseas subsidiaries expenses	552,419	359,489
Overseas minimum income tax	3,603	3,463
Adjustment for prior periods	(2,201)	(2,114)
Timing differences	(247,714)	324,104
Tax losses utilised	(153,348)	(249,640)
Tax losses utilised not previously brought to account	-	-
<b>Income tax expense</b>	<b>282,923</b>	<b>304,371</b>
<b>Tax losses</b>		
Potential future income tax benefits attributed to tax losses, not brought to account	1,745,646	1,557,981
<b>Current tax (liability) / asset</b>	<b>(310,312)</b>	<b>72,447</b>

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.

### 13 INCOME TAX EXPENSE (continued)

#### (b) Unrecognised deferred tax assets and liabilities

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

	2023	2022
	\$	Restated \$
<b>Deferred tax liabilities</b>		
Prepayments	(7,743)	(8,207)
Oil and gas properties	(3,546,818)	(4,307,512)
	(3,554,561)	(4,315,719)
<b>Deferred tax assets</b>		
Capital raising costs – s40-880	1,107	5,224
Property, plant, and equipment	44	50
Trade and other payables	16,500	18,438
Employee benefits	5,425	618
Provisions	3,564,372	4,815,682
Carry forward tax losses	1,745,646	1,557,981
	5,333,094	6,397,993
<b>Net unrecognised deferred tax assets</b>	<b>1,778,533</b>	<b>2,082,274</b>

### 14 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.



## 14 CASH AND CASH EQUIVALENTS (continued)

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

	Note	2023 \$	2022 \$
Cash on hand		265,725	435,870
Cash and cash equivalents – classified as held for sale	4	475,613	-
Balance as per statement of cash flows		741,338	435,870

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

		2023 \$	2022 Restated \$
<b>Cash flows from operating activities</b>			
Loss for the year		(733,264)	(1,375,499)
<i>Adjustments for:</i>			
Equity-settled share-based payment transactions	26	106,745	401,485
Depreciation and amortisation		778,714	2,286,466
Gain on sale of asset		(1,529,260)	-
Debt forgiveness		-	(250,224)
Other income		(95,389)	(47,700)
Net loss on foreign exchange translations		85,445	85,523
Unwind of discount on provisions		1,007,767	679,715
Loss on disposal of subsidiary		-	511
Change in trade and other receivables		(971,544)	(1,627,868)
Change in inventory		30,436	(77,741)
Change in prepayments and deposits		755,620	(722,912)
Change in other operating assets		(151,540)	(1,156,669)
Change in other financial assets		3,919	(24,940)
Change in trade and other payables		810,507	(477,065)
Change in interest bearing liabilities		148,650	(22,493)
Change in contract liabilities		(2,198,395)	(218,255)
Change in current tax liabilities		386,704	(451,043)
Change in employee benefits provision		82,857	(10,265)
Change in site restoration provision		(128,488)	(704,706)
<b>Net cash used in operating activities</b>		<b>(1,610,516)</b>	<b>(3,713,680)</b>

## 14 CASH AND CASH EQUIVALENTS (continued)

### (c) Non-cash investing and financing activities

	2023	2022
	\$	\$
Additions to the right-of-use assets	-	174,521

### (d) Changes in liabilities arising from financing activities

	Related party loans	Right-of-use assets	Other short-term loans	Premium funding	Total
	\$	\$	\$		\$
Balance on 1 January 2022	839,534	-	-	-	839,534
Net cash from / (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
Net cash from / (used in) financing activities	300,000	(92,564)	451,515	(32,453)	626,498
Interest on related party loans - expensed	97,885	-	-	-	97,885
Interest on other short-term loans – expensed	-	-	11,269	-	11,269
Premium funding facility	-	-	-	39,496	39,496
Effects of foreign exchange	(14,515)	4,005	(10,962)	-	(21,472)
Borrowings associated with assets held for sale	(187,671)	(45,707)	(451,822)	-	(685,200)
<b>Balance on 31 December 2023</b>	<b>1,112,740</b>	<b>-</b>	<b>-</b>	<b>7,043</b>	<b>1,119,783</b>

## 15 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.

## 15 TRADE AND OTHER RECEIVABLES (continued)

		2023	2022
		\$	Restated \$
<b>Current</b>			
Trade debtors		146,429	272,828
Less: provision for expected credit losses	(i)	(25,147)	(25,690)
		<b>121,282</b>	<b>247,138</b>
Philippines joint venture partners cash calls	(ii)	-	4,030,063
Less: provision for expected credit losses		-	-
		-	<b>4,030,063</b>
Authorised government agencies		25,134	23,968
Other receivables – oil and gas assets		335,131	389,461
Other		96	314,554
		<b>481,643</b>	<b>5,005,184</b>
<b>Movement in the allowance for expected credit losses</b>			
Opening balance		25,690	30,525
Reversal of provisions recognised		(599)	(6,697)
Effects of foreign exchange		56	1,862
	(i)	25,147	25,690

- (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 \$25,147 for the year ended 31 December 2023 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) Refer to note 4 for current year amounts, classified within non-current assets held for sale.

Other receivables are non-interest bearing. Note 27 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

## 16 INVENTORIES

	2023	2022
	\$	Restated \$
Oil in storage – at costs	97,495	124,782

## 17 PREPAYMENTS

		2023	2022
		\$	Restated \$
<b>Current</b>			
Exploration expenses	(i)	-	773,238
Insurance		12,416	2,314
Australian Securities Exchange		8,151	13,988
Other		9,528	47,849
		<b>30,095</b>	<b>837,389</b>

(i) Refer to note 4 for current year amounts, classified within non-current assets held for sale.

## 18 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.

#### *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.

## 18 OTHER FINANCIAL ASSETS (continued)

### Accounting Policy (continued)

#### *Impairment of financial assets (continued)*

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.

	2023	2022
	\$	\$
Current	-	5,435
Non-current	298,952	318,365
	<b>298,952</b>	<b>323,800</b>
Deposits and bonds	298,952	318,365
Retainer	-	5,435
	<b>298,952</b>	<b>323,800</b>

#### Reconciliation

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

	DoGGR Bond <sup>(1)</sup>	ANZ Term Deposit	Security Deposit	Director Retainer	Total
	\$	\$	\$	\$	\$
Balance on 1 January 2022	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
Additions	-	-	1,534	-	1,534
Director retainer repaid	-	-	-	(5,345)	(5,345)
Effects of foreign exchange	470	-	(2)	(90)	378
Transfer to non-current assets held for sale	-	-	(21,415)	-	(21,415)
<b>Balance on 31 December 2023</b>	<b>293,880</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>298,952</b>

<sup>1</sup> 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.

Refer to note 27 for further information on fair value measurement.

## 19 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 their 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.

#### Impairment

The Group has reviewed its oil and gas properties for indicators of impairment in accordance with AASB 136 and concluded that impairment indicators existed at year end. An assessment over the oil and gas properties has been undertaken under the requirements of AASB 136. No impairment was recognised as a result of this assessment.

## 19 OIL AND GAS PROPERTIES (continued)

	Subsurface assets \$	Surface assets \$	Total \$
Balance on 1 January 2022	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
<b>Balance on 31 December 2022</b>	<b>16,524,472</b>	<b>6,359,833</b>	<b>22,884,305</b>
Additions	-	151,540	151,540
Disposals	(9,550,567)	(3,807,614)	(13,358,181)
Change in site restoration liabilities	278,655	94,466	373,121
Depreciation write-back on disposals	1,594,364	508,373	2,102,737
Depreciation and depletion	(501,339)	(184,540)	(685,879)
Exchange differences	260,005	95,078	355,083
<b>Balance on 31 December 2023</b>	<b>8,605,590</b>	<b>3,217,136</b>	<b>11,822,726</b>

## 20 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.

## 20 RIGHT-OF-USE ASSETS (continued)

	Note	2023 \$	2022 \$
Land and buildings – right of use		-	177,905
Less: accumulated depreciation		-	(37,064)
		-	<b>140,841</b>
<b>Reconciliation of movements:</b>			
Opening balance		140,841	-
Additions		-	174,521
Depreciation	4	(83,851)	(36,922)
Effects of foreign exchange movement		2,318	3,242
Transfer to non-current assets held for sale		(59,308)	-
<b>Closing balance</b>		-	<b>140,841</b>

## 21 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.

		2023 \$	2022 \$
<b>Current</b>			
Trade payables	(i)	429,759	161,266
Other payables – oil and gas producing assets		147,917	1,392,399
Other payables – oil and gas exploration assets	(i)	-	1,302,501
Authorised government agencies	(i)	-	2,378,845
DOE training assistance for Philippine service contracts	(i)	-	376,657
Accrued expenses		55,000	40,345
		<b>632,676</b>	<b>5,652,013</b>

(i) Refer note 4 for amounts transferred to liabilities associated with non-current assets held for sale

Refer to note 27 for further information on financial instruments.



## 22 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.

	Book value 2023 \$	Fair value 2023 \$	Book value 2022 \$	Fair value 2022 \$
<b>Current</b>				
Loans received from a related party	1,112,740	1,112,740	917,041	917,041
Premium Funding	7,043	7,043	-	-
	<b>1,119,783</b>	<b>1,119,783</b>	<b>917,041</b>	<b>917,041</b>

	Other short- term loans <sup>(3)</sup> \$	Premium Funding \$	Loans from a director <sup>(1)</sup> \$	Total \$
Balance on 1 January 2022	-	-	839,534	839,534
Loans and borrowings received	-	-	100,000	100,000
Interest charged	-	-	80,986	80,986
Interest paid	-	-	(103,479)	(103,479)
<b>Balance on 31 December 2022</b>	-	-	<b>917,041</b>	<b>917,041</b>
Loans and borrowings received	451,515	-	300,000	751,515
Financing of premium funding facility	-	39,496	-	39,496
Interest charged	11,269	3,453	97,885	112,607
Interest paid	-	(3,453)	-	(3,453)
Principal repaid	-	(32,453)	-	(32,453)
Effects of foreign exchange	(10,962)	-	(14,515)	(25,477)
Classified as liabilities associated with assets held for sale <sup>(2)</sup>	(451,822)	-	(187,671)	(639,493)
<b>Balance on 31 December 2023</b>	-	<b>7,043</b>	<b>1,112,740</b>	<b>1,119,783</b>

## 22 BORROWINGS (continued)

### Note to the table above

- (1) refer to note 28 for further details
- (2) refer to note 4 for amounts transferred to liabilities associated with non-current assets held for sale
- (3) On 10 October 2023, Nido entered into a loan agreement with Bluerock Well Services (S) Pte Ltd, a company incorporated in Singapore, to borrow US\$300,000 (\$451,822) accruing interest at 18% per annum, calculated daily, repayable within 90 days. Interest expense to 1 December 2023 was \$11,269 (2022: \$nil) and the balance outstanding transferred to liabilities associated with non-current assets held for sale (refer note 4) was \$451,822.

Refer to note 27 for further information on financial instruments.

## 23 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 do 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.

	2023	2022
	\$	\$
Current	-	89,272
Non-current	-	44,994
	-	<b>134,266</b>

## 23 LEASE LIABILITIES

	2023	2022
	\$	\$
Opening balance	134,266	-
Recognition of lease liabilities	-	174,521
Interest charged	4,722	2,603
Repayments including interest	(97,286)	(44,130)
Effects of foreign exchange	4,005	1,272
Classified as liabilities associated with assets held for sale <sup>(1)</sup>	(45,707)	-
<b>Lease liabilities included in the consolidated statement of financial position</b>	<b>-</b>	<b>134,266</b>

<sup>(1)</sup> refer to note 4 for amounts transferred to liabilities associated with non-current assets held for sale

Refer to note 27 for further information on financial instruments.

## 24 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.

## 24 SITE RESTORATION PROVISION (continued)

### 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 3.117 percent, an inflation rate of 2 percent, and the assumed timing of cash outflows from 2023 until 2045. The assumptions represent a change from the metrics utilised on 31 December 2022, due to changes in the risk-free rate since that date.

The Alberta Plains assets and associated site restoration provision were sold during the year. Refer to note 9.

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

	2023	2022
	\$	\$
<b>Current</b>		
Canada	614,406	1,061,769
<b>Non-current</b>		
California	206,729	206,399
Canada	11,266,835	21,622,979
Philippines	-	8,201,169
	11,473,564	30,030,547
<b>Balance</b>	<b>12,087,970</b>	<b>31,092,316</b>

## 24 SITE RESTORATION PROVISION (continued)

### Reconciliation of movements in site restoration provision:

	California	Canada	Philippines Restated	Total Restated
	\$	\$	\$	\$
Balance on 1 January 2022	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)
<b>Balance on 31 December 2022</b>	<b>206,399</b>	<b>22,684,748</b>	<b>8,201,169</b>	<b>31,092,316</b>
Amounts utilised or extinguished	-	(128,488)	-	(128,488)
Accretion expense	-	383,660	624,107	1,007,767
Change in site restoration estimates	-	373,121	-	373,121
Amounts extinguished on sale of assets	-	(11,768,779)	-	(11,768,779)
Effects of foreign exchange	330	336,979	(1,648)	335,661
Classified as liabilities associated with assets held for sale <sup>(1)</sup>	-	-	(8,823,628)	(8,823,628)
<b>Balance on 31 December 2023</b>	<b>206,729</b>	<b>11,881,241</b>	<b>-</b>	<b>12,087,970</b>

<sup>(1)</sup> refer to note 4 for amounts transferred to liabilities associated with non-current assets held for sale

## 25 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.

## 25 CAPITAL AND RESERVES (continued)

### Issued capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2023	2022	2023	2022
<b>Balance on 1 January</b>	611,180,909	481,198,714	33,058,906	29,941,940
Issue of fully paid shares for cash	153,599,800	116,700,000	1,075,199	2,917,500
Issue of shares in lieu of directors' fees	11,203,184	5,661,294	133,247	142,983
Issue of shares in satisfaction of service provider fees	1,071,429	7,620,901	7,500	203,494
Capital raising costs	-	-	(56,189)	(147,011)
<b>Balance on 31 December</b>	<b>777,055,322</b>	<b>611,180,909</b>	<b>34,218,663</b>	<b>33,058,906</b>

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

	2023	2022
	\$	\$
Share-based payments reserve	15,971	49,973
Options reserve	160,775	160,775
Foreign currency translation reserve	(684,368)	(614,061)
	<b>(507,622)</b>	<b>(403,313)</b>

#### **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 issued capital once the shares are issued. Refer to note 26.

#### **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 issued capital once the shares are issued or reversed through retained earnings if the options expire or are cancelled. Refer to note 26.

## 25 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.

#### Movement in reserves

	Share-based Payments \$	Options \$	Foreign currency \$	Total \$
<b>Balance on 1 January 2022</b>	100,584	937,800	(15,655)	1,022,729
Expiry of 18,000,000 options issued to directors on 29-Jan-21, exercisable at 6 cents	-	(937,800)	-	(937,800)
Issue of 20,200,000 options to directors and employees, exercisable at 4.5 cent options, expiring 31-Jan-24	-	119,180	-	119,180
Issue of 7,050,000 options to consultants, exercisable at 4.5 cent options, expiring 31-Jan-24	-	41,595	-	41,595
Issue of shares issued in lieu of 50% of director fees	(100,584)	-	-	(100,584)
Shares to be issued to directors in lieu of 50% of fees	49,973	-	-	49,973
Foreign currency translation during the period	-	-	(598,406)	(598,406)
<b>Balance on 31 December 2022</b>	<b>49,973</b>	<b>160,775</b>	<b>(614,061)</b>	<b>(403,313)</b>
Issue of shares issued in lieu of 50% of director fees	(49,973)	-	-	(49,973)
Shares to be issued to directors in lieu of 50% of fees	8,471	-	-	8,471
Shares to be issued to consultants to extinguish a debt	7,500	-	-	7,500
Foreign currency translation during the period	-	-	(70,307)	(70,307)
<b>Balance on 31 December</b>	<b>15,971</b>	<b>160,775</b>	<b>(684,368)</b>	<b>(507,622)</b>

## 26 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 in equity 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 vest 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.

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.



## 26 SHARE-BASED PAYMENTS (continued)

### **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.

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

	2023	2022
	\$	\$
<b>Expensed in personnel expenses</b>		
Shares issued to directors <sup>(1)</sup>	83,274	108,158
Shares to be issued to directors <sup>(2)</sup>	8,471	49,973
Options issued to directors	-	118,000
Options issued to employees	-	1,180
<b>Expensed in professional fees</b>		
Shares issued to consultants	7,500	82,578
Shares to be issued to consultants	7,500	-
Options issued to consultants of the Company	-	41,595

### Shares issued in lieu of deferred director fees

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. These shares were issued as follows:

## 26 SHARE-BASED PAYMENTS (continued)

### (1) Shares issued in lieu of deferred director fees

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. 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-22 <sup>(1)</sup>	Gary Jeffery	-	-	1,666,667	17-Jan-23	2.20
31-Dec-22 <sup>(1)</sup>	Andrew Childs	-	-	333,333	17-Jan-23	2.20
31-Dec-22 <sup>(2)</sup>	William Ashby	-	-	271,493	17-Jan-23	2.20
31-Mar-23	Gary Jeffery	25,000	36,667	1,666,667	11-Apr-23	2.20
31-Mar-23	Andrew Childs	5,000	7,333	333,333	11-Apr-23	2.20
31-Mar-23	William Ashby	4,072	5,973	271,493	11-Apr-23	2.20
30-Jun-23 <sup>(2)</sup>	Gary Jeffery	25,000	15,625	3,125,000	11-Jul-23	1.50
30-Jun-23 <sup>(2)</sup>	Andrew Childs	5,000	3,125	625,000	11-Jul-23	1.50
30-Jun-23 <sup>(2)</sup>	William Ashby	4,072	2,545	509,053	11-Jul-23	1.50
30-Sep-23	Gary Jeffery	7,754	5,539	1,107,709	13-Dec-23	0.50
30-Sep-23	Andrew Childs	5,000	3,572	714,286	13-Dec-23	0.50
30-Sep-23	William Ashby	4,054	2,895	579,150	13-Dec-23	0.50
		<b>84,952</b>	<b>83,274</b>	<b>11,203,184</b>		

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

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-23	Gary Jeffery	4,500	2,812	562,500	19-Jan-24	0.50
31-Dec-23	Andrew Childs	5,000	3,125	625,000	19-Jan-24	0.50
31-Dec-23	William Ashby	4,054	2,534	509,053	19-Jan-24	0.50
		<b>13,554</b>	<b>8,471</b>	<b>1,696,553</b>		
		<b>98,506</b>	<b>91,745</b>	<b>12,899,737</b>		

(1) No value is recorded for contractual value of services and market value of shares in the current financial year as these expenses (\$49,973) were recorded in the share-based payments reserve as of 31 December 2022.

(2) At a general meeting on 31 May 2023, a share plan was approved by shareholders to satisfy 50% of all current director fees through the issue of shares on a quarterly basis for the period 1 April 2023 to 31 March 2024. \$8,471 for the quarter ending 31 December 2023 is recorded in the share-based payments reserve. Kane Marshall is excluded from this share plan as he was not a director at the AGM when shareholder approval was given.

## 26 SHARE-BASED PAYMENTS (continued)

### Options

On 31 December 2023, 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-22	31-May-22	31-Jan-24	4.5	27,250,000	-	-	-	27,250,000	27,250,000
<b>Total</b>				<b>27,250,000</b>	-	-	-	<b>27,250,000</b>	<b>27,250,000</b>
Weighted average exercise price (cents)				4.5	-	-	-	4.5	

At the reporting date, the weighted average remaining contractual life of options outstanding at year end was 0.08 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

The options vested immediately on grant date and expired subsequent to year end unexercised.

**26 SHARE-BASED PAYMENTS (continued)**

***Options (continued)***

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
<b>Total</b>				<b>18,000,000</b>	<b>27,250,000</b>	<b>-</b>	<b>(18,000,000)</b>	<b>27,250,000</b>	<b>27,250,000</b>
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.

## 27 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***

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

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

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

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

## 27 FINANCIAL INSTRUMENTS (continued)

### Accounting Policy (continued)

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.

#### **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.

## 27 FINANCIAL INSTRUMENTS (continued)

### Accounting Policy (continued)

#### ***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 or loss (FVTPL).

### **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 2022.

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.

## 27 FINANCIAL INSTRUMENTS (continued)

### 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.

### *Interest rate risk management*

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

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

### Interest rate risk sensitivity analysis

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

The Group's sensitivity to interest rates is immaterial.

### *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).

As of 31 December 2023, the Group's net exposure to foreign exchange risk was as follows:

	Assets		Liabilities	
	2023	2022 Restated	2023	2022 Restated
	\$	\$	\$	\$
Canadian Dollar	165,731	6,067	(58,686)	(1,392,399)
Philippine Peso	-	220,854	-	-
US Dollar	584,695	5,009,117	(232,960)	(1,793,050)



## 27 FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

#### Foreign currency exchange rate risk management (continued)

##### Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 2% (2022: 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 2% (2022: 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	
	2023	2022
	\$	\$
<b>If AUD strengthens by 2% (2022: 5%)</b>		
CAD	(1,931)	(63,978)
PHP	n/a	(419,507)
USD	(4,788)	(113,031)
<b>If AUD weakens by 2% (2022: 5%)</b>		
CAD	1,931	63,978
PHP	n/a	419,507
USD	4,788	113,031

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

	2023	2022
	%	%
CAD	(2.33)	0.81
PHP	(1.17)	4.36
USD	(0.16)	3.54

### 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.

## 27 FINANCIAL INSTRUMENTS (continued)

### Credit risk management (continued)

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. Credit risk is not considered material at balance date.

### 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, excluding liabilities associated with discontinued operations.

### 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 includes both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months \$	6 months to 1 year \$	1 – 5 years \$
<b>31 December 2023</b>				
Trade and other payables	n/a	632,676	-	-
Contract liabilities	n/a	656	-	-
Borrowings	9.94	119,783	1,050,000	-
		<b>735,115</b>	<b>1,050,000</b>	-
<b>31 December 2022</b>				
Trade and other payables	n/a	1,985,346	-	3,771,244
Contract liabilities	n/a	1,410	-	-
Borrowings (including right of use lease liabilities)	9.36	65,028	40,458	945,821
		<b>2,051,784</b>	<b>40,458</b>	<b>4,717,065</b>

## 27 FINANCIAL INSTRUMENTS (continued)

### Fair value measurement

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

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

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

### Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 31 December 2023.

### 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.

## 28 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.

## 28 RELATED PARTIES (continued)

### (a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2023	2022
	\$	\$
Short-term employee benefits	231,278	145,955
Post-employment benefits	16,906	3,313
Share-based payments – shares issued	83,274	108,158
Share-based payments – shares to be issued	8,471	49,973
Share-based payments – options	-	118,000
	339,929	425,399

### (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 (2022: \$31,200) in repayment for office rent and outgoings. The balance outstanding on 31 December 2023 was nil (2022: nil).

### (c) Loans from key management personnel

#### Gary Jeffery

Dungay Resources Pty Ltd ("Dungay"), 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 2023 was \$95,699 (2022: \$80,986) and the balance outstanding was \$1,112,740 (2022: \$917,041).

On 20 October 2023, Dungay provided a US\$100,000 cash loan to the Company which was assigned to Nido Petroleum Philippines Pty Ltd on the same day.

## 29 CAPITAL AND OTHER COMMITMENTS

	2023	2022
	\$	\$
<b>Exploration expenses</b>		
Committed at the reporting date, not yet recognised as liabilities payable	-	2,200,575
<b>Office rent</b>		
Less than one year <sup>(1)</sup>	15,600	15,600

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

## 30 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.

## 31 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.

### 31 INTERESTS IN JOINT OPERATIONS (continued)

Permit	Country	Participating Interest %	Funding Interest %
SC 6B	Philippines	9.09	54.545
SC 14-C2	Philippines	22.28	22.280
SC 54A	Philippines	72.50	15.000
SC 58	Philippines	50.00	50.000

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.

On 19 January 2024, shareholders approved the sale of the Group's Philippines operations. The effective date of disposal was 1 December 2023.

### 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	
		2023 %	2022 %
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 <sup>(1)</sup>	Australia	100	100
Nido Petroleum Philippines Pty Ltd <sup>(1)</sup>	Australia	100	100
Yilgarn Petroleum Pty Ltd <sup>(1)</sup>	Australia	100	100

<sup>(1)</sup> On 19 January 2024, shareholders approved the sale of the Group's Philippines subsidiaries as announced to the market on 13 December 2023. The effective date of the sale was 1 December 2023.

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

### 33 AUDITOR'S REMUNERATION

	2023	2022
	\$	\$
<b>HLB Mann Judd</b>		
<b><i>Audit and other assurance services</i></b>		
Audit and review of financial reports	106,801	96,029
Taxation services	-	-
<b>Total Auditor's Remuneration</b>	<b>106,801</b>	<b>96,029</b>

### 34 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 2023, the parent entity of the Group was Sacgasco Limited.

	2023	2022
	\$	\$
<b>Result of the parent entity</b>		
Loss for the year	(2,381,610)	(5,259,002)
Total comprehensive loss for the year	<b>(2,381,610)</b>	<b>(5,259,002)</b>
<b>Financial position of parent entity at year end</b>		
Current assets	386,133	266,733
Total assets	<b>392,262</b>	<b>273,762</b>
Current liabilities	(3,260,071)	(1,885,716)
Total liabilities	<b>(3,260,071)</b>	<b>(1,885,716)</b>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	34,218,663	33,058,906
Share-based payments reserve	15,971	49,973
Options reserve	160,775	160,775
Accumulated losses	(37,263,218)	(34,881,608)
<b>Total (deficiency) / equity</b>	<b>(2,867,809)</b>	<b>(1,611,954)</b>

### 35 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 19 January 2024, shareholders approved the sale of its Filipino subsidiaries to Blue Sky Resources Limited as announced to the market on 13 December 2023. The terms of the sale agreement are summarised below:

#### Sale Consideration

- US\$1,250,000 in cash with US\$350,000 payable upon receiving shareholder approval, and US\$900,000 on or before 30 April 2024. US\$350,000 was received in three tranches between 2 February 2024 and 14 March 2024.

#### Contingent Consideration

- Cash payment of US\$1,500,000 to be paid to Sacgasco within six months of production activities commencing at Cadlao; and
- A further cash payment of US\$1,000,000 after 12 months of oil production from the Cadlao Oilfield at a production rate of 3,000 BOPD or more.
- A sliding scale royalty on the Cadlao Field of:
  - Overriding royalty of 3% on production up to 3,000 BOPD net to Nido Participating Interest after PNOEC Farmin;
  - Overriding royalty of 4% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin; and
  - Overriding royalty of 5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin.
- A sliding scale royalty on all other Nido Service Contracts, except Cadlao as contemplated above, of:
  - Overriding royalty of 1.5% on production up to 3,000 BOPD net to Nido Participating Interest after PNOEC Farmin;
  - Overriding royalty of 2% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin; and
  - Overriding royalty of 2.5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin.

On 19 January 2024, the Company issued 1,694,256 shares in lieu of directors' fees, as approved by shareholders on 31 May 2023.

On 19 January 2024, the Company issued 937,500 shares to extinguish a debt.

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.



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## 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 2023 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 2023.

On behalf of the Board



**J.L. Kane Marshall**  
Managing Director

28 March 2024  
Perth

## 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 2023, 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, notes to the financial statements, including material accounting policy information, 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 2023 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 (including Independence Standards)* ("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* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**[hlb.com.au](http://hlb.com.au)**

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

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Recoverability of oil and gas properties</b> Refer to Note 19</p> <p>At 31 December 2023 the Group had oil and gas properties of \$11,822,726.</p> <p>Assessing the recoverability and carrying value of this balance was considered to be a key audit matter due to the judgements and estimations involved.</p> <p>These estimations and judgements surround two areas being impairment indicators and the amortisation associated with this asset.</p> <p>Impairment indicators involve judgement around the likely recoverability of the asset.</p> <p>Amortisation and depreciation involves using estimated reserves and resources (used as the denominator in a “units-of-production” calculation) of the wells.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We considered management’s assessment of impairment indicators.</li> <li>- We analysed management’s assessment of the recoverable amount of oil and gas properties;</li> <li>- We enquired regarding future plans for the oil and gas properties and ensuring that such plans support the recoverability.</li> <li>- We assessed the current carrying value of the oil and gas properties and ensuring items capitalised during the year were appropriate to capitalise.</li> <li>- We assessed the application of reserves and resources in the amortisation models by comparing them to the latest published statement and underlying records.</li> <li>- We tested the mathematical accuracy of the amortisation models.</li> <li>- We assessed the adequacy of the Group’s disclosures relating to amortisation and depreciation.</li> </ul>
<p><b>Revenue Recognition</b> Refer to Note 6</p> <p>The Group generates revenue predominantly from its Red Earth assets which produce oil. The Group recognised sales revenue of \$8,863,115 for the year (2022: \$17,849,415).</p> <p>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:</p> <ul style="list-style-type: none"> <li>• An overstatement of revenues through premature revenue recognition or recording of fictitious revenues.</li> <li>• Revenue not being recognised when control is transferred to the customer, resulting in it not being recognised in the correct accounting period.</li> </ul> <p>Revenue is recognised when control is transferred to the buyer and the amount of revenue can be reliably determined.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We understood the Group’s process for revenue and controls in place around revenue.</li> <li>- We assessed 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.</li> <li>- We substantiated the revenue recognised to joint interest billing statements and underlying accounting records.</li> <li>- We assessed the adequacy of disclosures in the financial report.</li> </ul>

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**Site restoration provision**

Refer to Note 24

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As at 31 December 2023, the carrying value of the Group's site restoration provision was \$12,087,970.

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.
- 

**Assets held for sale and discontinued operations**

Refer to Note 4

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As at 31 December 2023, the Group had net liabilities held for sale of \$6,403,065 relating to the Group's Philippines assets. The balance is material to our audit and required significant work in ensuring the balances were held at the lower of their carrying amount and fair value less costs to sell and appropriately disclosed as held for sale.

There were also discontinued operations in the Statement of Profit or Loss of \$1,361,218.

The determination of the balances reclassified to assets and liabilities held for sale and discontinued operations requires management's judgement in relation to ensuring the criteria have been met their carrying amount of amounts is appropriate under the standard.

Our audit procedures included but were not limited to the following:

- We considered the requirements of AASB 5 to ensure criteria met for the assets and liabilities to be reclassified as held for sale.
  - We evaluated management's workings and confirmed the balances were appropriately held at the lower of its carrying amount and fair value less costs to sell at balance date, including consideration of impairment before reclassification.
  - We substantively tested expenditure relating to discontinued operations to ensure it was in relation to the operations assets and liabilities to be sold.
  - We tested the accounting treatment of transactions that occurred after the operational handover date, being 1 December 2023 but prior to the date the sale of the subsidiaries completed, which was after balance date.
-

*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 2023, 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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of Sacgasco Limited for the year ended 31 December 2023 complies with Section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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



**HLB Mann Judd**  
Chartered Accountants

**Perth, Western Australia**  
**28 March 2024**



**D I Buckley**  
Partner

## SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable on 25 March 2024:

### 1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	102	10,956	-
1,001 – 5,000	69	292,454	0.04
5,001 – 10,000	211	1,689,234	0.22
10,001 – 100,000	780	33,096,923	4.24
100,001 and over	529	744,597,511	95.50
<b>Total</b>	<b>1,821</b>	<b>613,452,402</b>	<b>100.00</b>

There were 856 holders of less than a marketable parcel of ordinary shares.

### 2. Substantial shareholders

The substantial shareholders are set out below:

	Number of shares
Mr Christopher Whitehead	46,280,209

### 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. Twenty largest shareholders on 25 March 2024

Shareholders	Ordinary shares	
	Number held	% of issued shares
Christopher Whitehead	46,280,209	5.94
Blue Sky Resources Ltd	38,455,000	4.93
Steven David Dahl & Louisa Yvette Dahl	32,148,338	4.12
Bond Street Custodians Limited <PACORK – D000089 A/C>	30,725,358	3.94
Talex Investments Pty Ltd	26,400,000	3.39
Katrina Fourro	18,750,000	2.40
Wayne Raymond Cochran	15,600,000	2.00
A R Hood Super Pty Ltd <Hood Super A/C>	13,909,000	1.78
Alan George Brooks & Philippa Claire Brooks	13,246,760	1.70
Mandalari Pty Ltd <APAFI SF A/C>	12,154,266	1.56
Lay Hoon Ng	11,641,246	1.49
Rex Alexander Hood & Jane Frances Hood <Children A/C>	11,000,000	1.41
Justine Davina Michel <Lambrecht Investment A/C>	10,369,198	1.33
Citicorp Nominees Pty Ltd	10,364,896	1.33
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client>	9,465,212	1.21
David Waterston & Natalie Ana Kovacev	9,000,000	1.15
Endless Summer (WA) Pty Ltd <Peter Nelson Super Fund a/C>	8,892,800	1.14
Alexander Hood	8,400,000	1.08
Matilda West Pty Ltd <Team B A/C>	8,300,000	1.06
Hera Investments Pty Ltd	7,571,429	0.97
Andrew Duncan Murdoch	7,500,000	0.96



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## CORPORATE DIRECTORY

### Directors

Mr Andrew Childs  
Mr J.L. Kane Marshall  
Mr Gary Jeffery  
Mr William Ashby

### Registered Office

Level 1, 31 Cliff Street  
Fremantle WA 6160

Telephone: +61 8 9435 3200

### Postal Address

PO Box 584  
Fremantle WA 6959

### Auditors

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

### Share Registry

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

Telephone: +61 1300,288,664

### Website and Email

Website:

Email:

Twitter:

### Joint Secretaries

Mr David McArthur  
Mr Jordan McArthur

### Principal Office

Level 2, 210 Bagot Road  
Subiaco WA 6008

Telephone: +61 8 9388 2654

### Bankers

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

### ASX Code

Shares: SGC

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