



**SACGASCO LIMITED**

**ABN 83 114 061 433**

**FINANCIAL REPORT**

**For the half-year ended 30 June 2022**

## CONTENTS

	Page
Directors' Report .....	3
Auditor's Independence Declaration .....	16
Consolidated Statement of Profit or Loss .....	18
Consolidated Statement of Other Comprehensive Income .....	19
Consolidated Statement of Financial Position .....	20
Consolidated Statement of Changes in Equity .....	22
Consolidated Statement of Cash Flows .....	24
Notes to the Consolidated Interim Financial Report .....	25
Directors' Declaration .....	47
Independent Auditor's Review Report .....	48
Corporate Directory .....	50

## DIRECTORS' REPORT

Your directors submit the Interim Report of the Group comprising Sacgasco Limited ("the Company", "SGC" or "Sacgasco") and its controlled entities ("the Group") for the half-year ended 30 June 2022. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

### DIRECTORS

The names of the Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Gary Jeffery	Managing Director
Andrew Childs	Non-executive Chairman
William Ashby	Non-executive Director – appointed 6 April 2022
Joanne Kendrick	Non-executive Director – resigned 6 April 2022

### REVIEW OF OPERATIONS

This half year together with the subsequent events referred to in this report address the growth in the maturity of the Group. In the last 18 months Sacgasco has transformed into a significant Exploration & Production (E&P) company with forward cashflows expected to underpin production, development and exploration projects in Canada and California, and to contribute to maturing development and exploration projects in the Philippines.

The Company now holds a suite of assets with material upside in three stable global jurisdictions.

### HIGHLIGHTS

- **Philippines – Exploration and Development**
  - One year since acquired Nido Assets in Philippines
  - Nido and Sacgasco have been exploring for and producing oil and gas for 22 years
  - Philippines JVs simplified and Farmouts implemented to allow greater control of project activities
  - Nido (Sacgasco) appointed Technical Operator of Cadlao
  - Capital raised to purchase long lead well equipment for 2 wells Cadlao and Nandino
  - Production Alliance initiated with Asian-based production and testing specialists
  - Cadlao Extended Well Test (EWT) planning underway
  - In Cadlao Oilfield, 6.2 million barrels oil 2C Contingent Resources Certified (100%)
  - In Nandino Prospect, 22 million Barrels of recoverable oil P50 Prospective Resources Certified (100%) from 75 million barrels of oil in place.
  - Nido Limestone Reservoir Studies coming to conclusion
  - 85% of costs of drilling Nandino Prospect to be provided by TG World (Blue Sky) Farmout
  - Deep Venture Drillship being prepared for 2022/ 2023 Philippines Drilling Program
  - Oil and gas industry supportive Government recently elected.

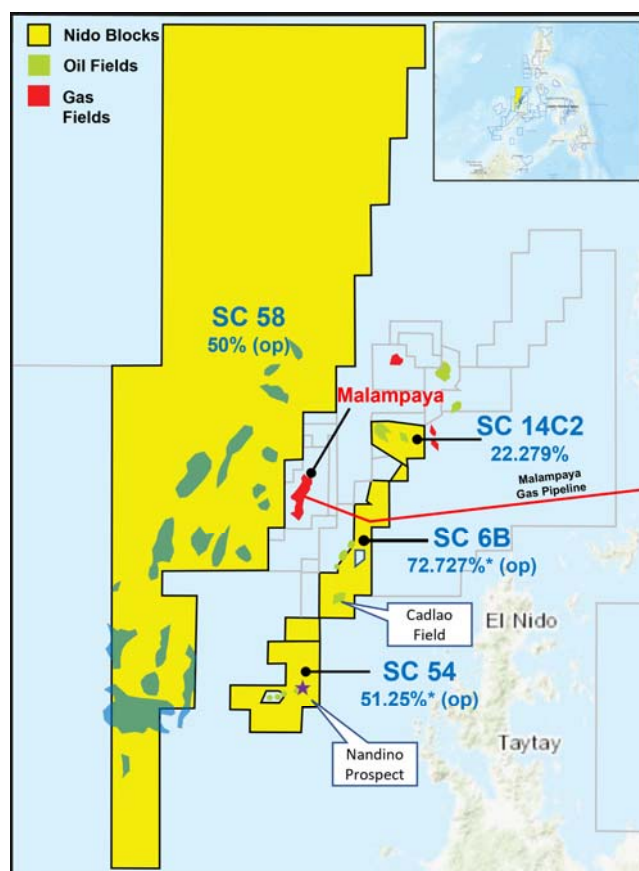
• **North America - Producing Properties and Development**

- Producing properties funding normal exploration activity and general and administration expenditure for the half year
- Oil dominated properties in Canada with high oil prices
- Total net production from North American assets (after royalty) of 76,906 BOE, a 12% increase from the previous half year
- Net production receipts of A\$3.05 million (after production costs), an increase of 566% from the previous half year
- Three Development wells drilled in Alberta, all are producing
- SGC current share of production in North America is 546 BOEPD - over 50 shut in wells to be reactivated with a goal of an additional 180 BOPD net to Sacgasco
- Well work and Natural Gas flow optimisation, including search for alternatives to monetise Borba gas in California
- High gas prices in California supporting cash flow; Current reference price is US\$10.20 (~A\$15 per mcf)

**EXPLORATION AND PRODUCTION ACTIVITIES**

**OFFSHORE PHILIPPINES**

Sacgasco, through its 100% owned Nido Petroleum, has interests in 4 Service Contracts ("SC") offshore Palawan Island in the Philippines. Nido is Operator for two of the Service Contracts (SC 54 and SC 58) and Technical Operator for another (SC 6B).



**Figure 1: Sacgasco's Service Contracts in the Palawan Basin, Philippines**

Nido, which has been active in the Philippines for over 22 years, was acquired by Sacgasco on 1 July 2021, and during the year the participants interests in the various Service Contracts have been consolidated and simplified by farmouts.

Sacgasco successfully raised approximately \$2.9 million towards Philippines drilling equipment for a two-well drilling program including an Early Production Phase (Extended Well Test (EWT)) at the Cadlao Oil Field in SC 6B and an exploration / appraisal well, Nandino in SC 54 in 2022 / 2023.

Nido has acquired key drilling Long Lead Items ("LLI") including conductor, casing, liner hangers, casing accessories, wellheads, and bits for the drilling of Cadlao and Nandino.

Total Consideration for the LLI is US\$2.9M. The Payment Structure for the acquisition of the LLI is:

Initial consideration US\$1.4M to be paid in the manner below:

- i. US\$0.4M has been paid;
- ii. US\$0.5M to be paid within ninety (90) days after Agreement Date; and
- iii. US\$0.5M to be paid within one hundred and twenty (120) days after Agreement Date.

Secondary Consideration of US\$1.5M to be paid on the earlier of a date that is immediately prior to the mobilization of the equipment to drill site or 12 months after Agreement Date.



**Figure 2: Part of LLI purchased for Drilling in the Palawan Basin**

A very successful drilling and Well Test planning Workshop was held in Singapore in late May. Attendees to the workshop included experts from production contractors, drilling contractors and marine equipment providers.

Many of the operational and support team at the workshop have been involved in many Early Production Facilities including MOPU's, FPSOs and rig-based Production facilities over the past 30+ years in the Asia Pacific region. EPFs can be used for small reserves that would be financially risky or uneconomical to produce with a permanent production facility.

The Geological and Geophysical Studies (“G&G”) focused on Carbonate Facies Modelling to select the optimum location for drilling the Nandino Prospect and drilling other oil exploration and development wells is nearing conclusion.

### SC 6B Cadlao (SGC (Nido) Technical Operator)

The Philippines Department of Environment and Natural Resources (DENR) delivered a certificate of Non-Coverage (“CNC”) dated May 11, 2022, for Service Contract No (“SC”) 6B Cadlao Field Appraisal Project, and Work Program and Budget approval for SC 54 (Nandino Area).

Sacgasco’s wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd. (“Nido”), is the designated Technical Operator of SC 6B. Receipt of the CNC will allow Nido to conduct surveys, drill exploration and appraisal wells and extended well test(s) in SC 6B which covers the Cadlao Oilfield and the East Cadlao Oil Prospect. Application is being made for ancillary approvals required for other aspects of the drilling program.

The Cadlao Field previously produced 11.1 million barrels of oil between 1981 and 1991 and at the time production ceased the field was still producing 950 bopd from 5,900 barrels of produced liquid per day from 2 subsea wells. Initial production from the discovery well, Cadlao 1A, was over 6,000 bopd.

A proposal to drill a new well aimed to recover oil updip from the prolific Cadlao 1A well, and to then conduct an Extended Well Test (“EWT”) to maximize reservoir knowledge and reduce risks associated with redevelopment of the field as well as provide early cashflow, has been approved by Joint Venture participants and is awaiting the Department of Energy (“DOE”) approval.

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

The Farmin Agreement for Cadlao (“FIA”) (Refer ASX release: “Farmin to Cadlao Oil Development” 4 March 2022) includes Nido taking Operatorship of the Cadlao development. The farmin is designed to both accelerate and increase Sacgasco’s exposure to cashflow from the anticipated development of the proven oil in the field. Under the FIA, Nido will fund the cost of the EWT and any subsequent development costs 100% up to the date of a Declaration of Commerciality on Cadlao. Nido will receive preferential cost recovery during this period.

The working interest changes in the JV following the FIA are as follows:

Joint Venture Party	Working Interests	
	Pre-FIA	Post-FIA
<b>Nido – Operator</b>	<b>9.090%</b>	<b>72.727%</b>
Philodrill – pre-FIA Operator	58.182%	17.4546%
Oriental	16.364%	4.09092%
Alcorn	8.182%	2.4546%
Forum	8.182%	2.4546%
Note 1: FIA and transfer of Operatorship are subject to DOE approval		

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

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

Cadlao Contingent Resources Summary (oil, MMstb)			
	1C	2C	3C
Gross Contingent Resources	4.5	6.2	8.2
SGC Net Contingent Resources (72.727%)	3.3	4.5	6.0
<p><b>Note 1:</b> These are unrisks contingent resources that have not been risked for the chance of development, and that there is no certainty that at the time of project approval it will be economically viable to produce any portion of the contingent resources.</p> <p><b>Note 2:</b> Nido's net entitlement to future production proceeds is dependent on approval of the FIA which includes preferential cost recovery and an approved EWT agreement by the DOE</p> <p><b>Note 3:</b> The contingent resource estimate assumes an economic cutoff of 750 barrels of oil per day</p>			

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

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

In the event of a successful EWT at Cadlao and depending upon the field data obtained, a full field development may include extra wells with a dedicated oil production facility. The East Cadlao Prospect, which is only 3km away, may also be drilled, tested, and produced from any Cadlao development.

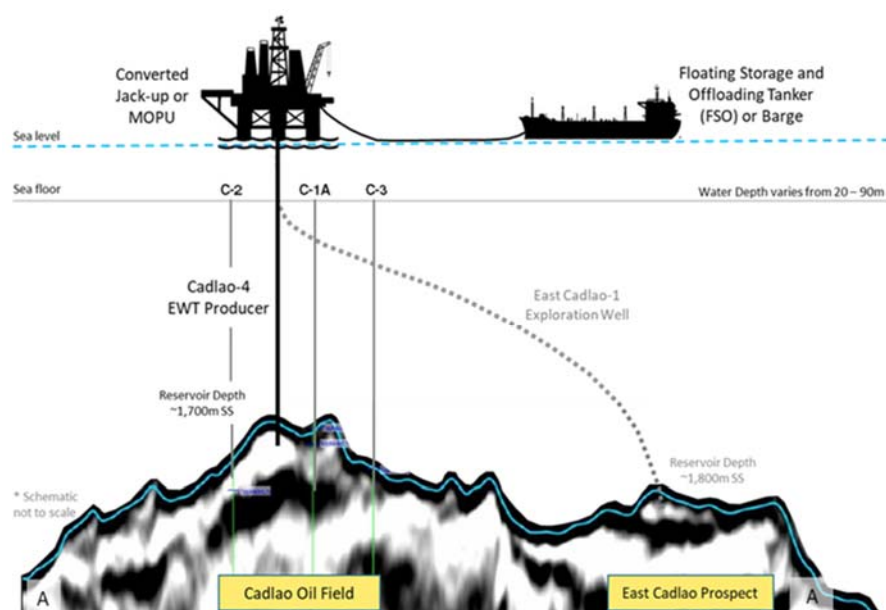


Figure 3: A Cadlao Field development Scenario



### SC 54 (SGC (Nido) Operator)

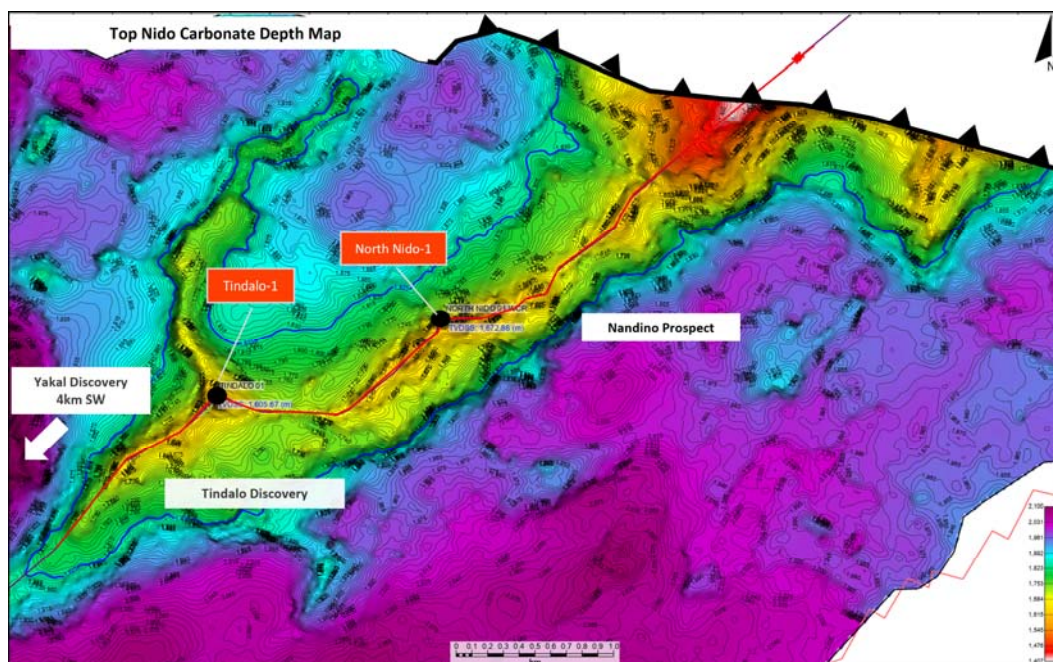
Sacgasco's wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd. ("**Nido**"), is the Operator of SC 54. Nido acquired an additional 15% participating interest from the receiver appointed to handle the default of participant Halo BV SC 54 ("**Halo**") in SC 54. Nido paid US\$126,624 to remedy the default and henceforth have unencumbered title to an additional 15% participating interest in SC 54, which includes the Nandino Oil Prospect and Nido Limestone hosted oil discoveries at Tindalo, Nido 1X and Yakal.

Currently the most attractive Prospect in SC 54 is the Nandino Oil Prospect. Nandino lies updip and on-trend with four oil discoveries within SC 54. 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
Mean (million barrels)	91.0	27.3

*Note 1: The estimated quantities of hydrocarbons that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.*



**Figure 4: 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
Nido and Yilgarn (100% owned Sacgasco subsidiaries,) - Operator	72.5%	87.5%	15%	51.25%
TG World (Blue Sky Resources Subsidiary)	12.5%	12.5%	85%	48.75%
Halo Oil	15%	0	0	0
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
* Subject to DOE approval and completion of Nandino drilling the working interest in SC 54				
# Halo SC 54 BV (“Halo”), previous holder and owner of a participating interest in SC 54, defaulted on its obligations in SC 54 by failing to pay, despite repeated demands, its share in joint expenses. As a result of Halo’s default, its previous participating interest is now held by Nido (a Sacgasco subsidiary). Refer SGC ASX Announcement “Philippines Acquisition and Update” dated 14 June 2022.				

### Deep Venture DP2 Drillship

The DP2 Drillship Deep Venture is being prepared for drilling action in Vietnam. A short program to source critical control equipment and test key equipment for drilling is underway.

The drillship provides the most flexibility for Philippines operations in that it can drill in water depth ranging from 80 metres to 150 metres with a 4 anchor mooring in DP Assist mode, and up to 1,300 metres in DP2 mode, and can carry EWT and drilling equipment and supplies, hence simplifying logistics, as well as providing options for drilling in deeper water Service Contracts, like SC 14C which includes the potential Redevelopment of the West Linapacan Oil field, and in which Nido has a Participating Interest.



**Figure 5: Deep Venture DP2 Drillship in Vietnam being readied for Philippines Drilling**

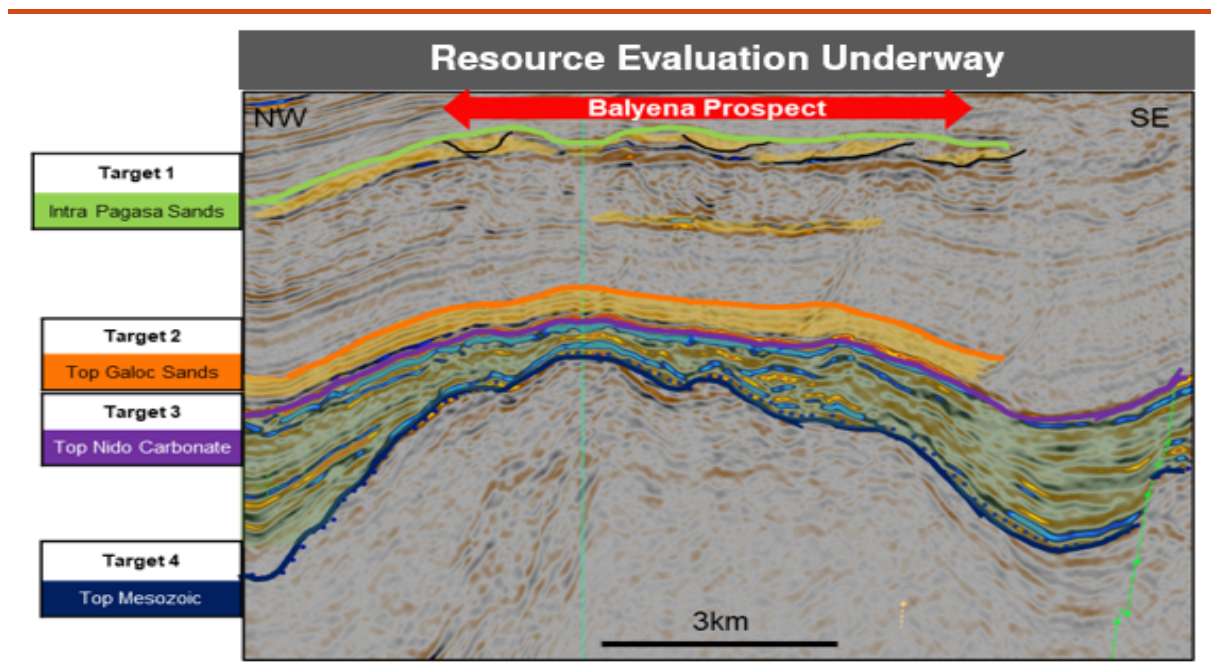
### SC 58 (SGC (Nido) 50%, Operator)

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. (Refer to Figure 1 above).

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 underutilised pipeline to energy hungry Luzon Island and The Philippines capital city, Manila.



**Figure 6: Balyena Prospect Stacked Targets**

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

### SC 14C2 West Linapacan (SGC (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.

### New Ventures (SGC (Nido) 100%)

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

**SACGASCO PHILIPPINES TENEMENT TABLE (30 June 2022)**

Service Contract	Fields / Discoveries	% Working Interest	Operator
SC 54	Tindalo, Yakal, Nido 1X1, Nandino Prospect	85% (reducing to 51.25% when Farmout terms are satisfied, and DOE approved)	NIDO (SGC)
SC 14C2	West Linapacan A Field; West Linapacan B	22.28%	Philodrill
SC 58	Palawan Basin big hit Exploration	50%	NIDO (SGC)
SC 6B	Cadlao, near field Exploration	9.09% (Increasing to 72.727% when Farmin terms are satisfied, and DOE approved)	Philodrill - NIDO (SGC) Technical Operator

Service Contracts in the Philippines are granted by the government for defined periods of times and stages that vary from contract to contract.

**ONSHORE CANADA (Non-Operated)**

During the Half Year, Sacgasco participated in a program to drill three oil development wells in the Alberta Plains Assets, Canada, where the Company has a 20% working interest. The wells were drilled on time and under budget. Sacgasco funded its share of the drilling program from the Company's net operating cashflow. The wells have been connected for production and have contributed to the 13% increase in production for the half year.

Current SGC net before royalty production rate is approximately 546 BOEPD.

The Operator has identified over 50 shut in wells that can be reactivated with a goal of an additional 180 BOPD of oil production net to Sacgasco.

Other optimisation and production increase opportunities are being pursued across the Canadian assets.



**Figure 7: Alberta Plains development wells**

Canada Oil and Gas Production (BOE) <sup>1</sup>	June 2022 Current Half Year	December 2021 Prior Half Year
<b>SGC Production</b>	79,140	70,092
<b>SGC Production after Royalty</b>	68,969	61,084
<b>Note 1: Gas converted to BOE using 6 mcf:1 barrel ratio</b>		

Sacgasco's share of Production after Royalty increased by 13% compared to the previous half year.

#### SACGASCO CANADA TENEMENT TABLE (30 June 2022)

PROJECT NAMES	LEASES; RELATED GAS FIELD (HBP LEASES); OR 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%
<b>Alberta Plains Assets (Canada)</b>	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	20%

#### ONSHORE CALIFORNIA (Majority Operated)

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

Reference Natural Gas prices for Sacgasco Gas Sales in the Sacramento Basin are currently close to US\$10.20 (~A\$15per mcf) around 11% above the US Henry Hub benchmark gas price.

California Gas Production (mcf) <sup>1</sup>	June 2022 Current Half Year	December 2021 Prior Half Year
<b>Gross Production</b>	84,465	78,655
<b>SGC Production after Royalty</b>	47,624	46,211
<b>Note 1: mcf = Thousand Cubic feet gas</b>		

Sacgasco's Gas After Royalty increased over the half year by approximately 3%. Production optimization and sales opportunities are being continually pursued.

**SACGASCO CALIFORNIA TENEMENT TABLE (30 June 2022)**

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

\* Approximate WI across the referenced Project

Sacgasco is the Operator of all but one of its WI wells and related tenements in California.

**Borba Gas**

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

**OBJECTIVES: Half year to December 2022**

Progress and facilitate strategic plans for exploration and development of the Philippines Service Contracts including optimizing working interests, accelerating cash flow from existing oil discoveries, and pursuing significant exploration prospects.

Increasing production, revenues and cashflow from oil and gas producing properties in North America including the reactivation of numerous shut-in oil production wells in Canada and permitting of facilities for monetization of the natural gas from the Borba 1-7 well discovery.

Ongoing review of potential conventional oil and natural gas projects including Hydrogen and Helium that have a strategic fit with Sacgasco's current assets and strategy.



## **SACGASCO CAPITAL STRUCTURE**

Sacgasco Common shares are listed on the Australian Stock Exchange-**Ticker: SGC**.

Sacgasco Common shares are also traded on the OTCQB market in North America- **Ticker: SGCSF**

<b>ISSUED CAPITAL - 30 June 2022</b>	
Ordinary Shares (ASX: SGC) *	607,706,062
Unlisted Options exercisable @ .06 cents by 31 December 2022	18,000,000
Unlisted Options exercisable @ .045 cents by 31 December 2024	27,250,000
<i>On the 8th of July 2022, the Company issued 1,352,727 fully paid ordinary shares to Directors in lieu of cash payments for Directors fees for the June 2022 period, as approved by shareholders at the May 2022 AGM. The Company also issued 1,206,250 fully paid ordinary shares to Consultants as partial extinguishment of amounts owed for services provided.</i>	

## **Competent Persons**

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 50 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery 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.

## **CORPORATE**

Gary Jeffery presented a webinar on 4 May providing shareholders a Philippines update.

Sacgasco Limited placed 116,700,000 Common Shares to Sophisticated Investors to raise approximately \$2.917 million before broker costs of approximately 5%.

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

The funds raised are to be used primarily to accelerate the drilling preparations for 2022 / 2023 in the Philippines by allowing Sacgasco, through its wholly owned subsidiary Nido Petroleum Philippines, to award key contracts for drilling and production equipment for the two well drilling campaign it has planned at Cadlao and Nandino.

Mr William (Bill) Ashby joined the Board as a Non-Executive Director on 6 April 2022, following the resignation of Joanne Kendrick resigned.

Gary Jeffery also presented to the Australia Philippines Business Council in Perth on 26 July 2022.

## **Annual General Meeting**

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

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



## REVIEW OF RESULTS AND FINANCIAL POSITION

The net loss after income tax for the half-year was \$2,682,376 (30 June 2021: \$5,199,593), which included exploration expenditure of \$1,065,352 (30 June 2021: \$3,559,690).

At the end of the reporting period the Group had cash on hand of \$3,603,461 (31 December 2021: \$1,286,051).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as reported above in the Review of Operations, there were no significant changes in the state of affairs of the Group during the reporting period.

## MATTERS SUBSEQUENT TO THE BALANCE DATE

Other than as disclosed in note 22 to the financial statements, there have been no other matters or circumstances that have arisen since the end of the financial period 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.

## 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 16.

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



**GARY JEFFERY**  
Managing Director

13 September 2022  
Perth, WA

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sacgasco Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia  
13 September 2022

**D I Buckley**  
Partner

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## CONTENTS

Consolidated Statement of Profit or Loss.....	18
Consolidated Statement of Other Comprehensive Income.....	19
Consolidated Statement of Financial Position.....	20
Consolidated Statement of Changes in Equity.....	22
Consolidated Statement of Cash Flows .....	24
Notes to the Consolidated Interim Financial Report.....	25

## 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 half-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 office and principal place of business are:

**Registered office**

Level 1,  
31 Cliff Street  
Fremantle WA 6160

**Principal place of business**

Level 2,  
210 Bagot Road  
Subiaco WA 6008

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.

The financial statements were authorised for issued, in accordance with a resolution of directors, on 13 September 2022. The directors have the power to amend and reissue the financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the half-year ended 30 June 2022**

	Note	30 June 2022 \$	30 June 2021 \$
Production income	4	8,668,816	2,707,949
Other income	5	692,889	348,502
Finance income		128	331
<b>Expenses</b>			
Cost of sales		(8,197,227)	(2,703,301)
Other operating expenses	5	(669,583)	(311,540)
Exploration expenditure	6	(1,065,352)	(3,559,690)
Personnel expenses		(294,168)	(1,180,391)
General and administrative expenses		(123,643)	(87,798)
Professional fees		(553,960)	(186,808)
Marketing and business development expense		(14,545)	(40,131)
Depreciation and amortisation – oil and gas properties		(1,079,480)	(356,985)
Depreciation and amortisation – other assets		(777)	(1,416)
Finance expenses		(253,476)	(36,663)
Foreign exchange gains		27,201	23,143
Impairment gain / (loss) on trade receivables		794	188,313
<b>Loss before income tax</b>		<b>(2,862,383)</b>	<b>(5,196,485)</b>
Income tax expense		(36,690)	(3,108)
<b>Loss for the year from continuing operations</b>		<b>(2,899,073)</b>	<b>(5,199,593)</b>
Gain on acquisition and disposal of a subsidiary	7	216,697	-
<b>Profit from discontinued operations</b>		<b>216,697</b>	<b>-</b>
<b>Loss for the year</b>		<b>(2,682,376)</b>	<b>(5,199,593)</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 half-year ended 30 June 2022**

	30 June 2022 \$	30 June 2021 \$
Loss for the year	(2,682,376)	(5,199,593)
<b>Other comprehensive income</b>		
Foreign currency translation difference of foreign operations	(273,154)	72,553
<b>Total comprehensive loss for the year</b>	<b>(2,955,530)</b>	<b>(5,127,040)</b>
<b>Loss for the year is attributable to:</b>		
Continuing operations	(2,899,073)	(5,199,593)
Discontinued operations	216,697	-
	(2,682,376)	(5,199,593)
<b>Comprehensive loss for the year is attributable to:</b>		
Continuing operations	(3,172,227)	(5,127,040)
Discontinued operations	216,697	-
	(2,955,530)	(5,127,040)
<b>Loss per share (cents per share)</b>		
Basic and diluted – continuing operations	(0.59)	(1.28)
Basic and diluted – discontinued operations	0.04	-
	(0.55)	(1.28)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As of 30 June 2022**

		30 June 2022	31 December 2021 Restated
	Note	\$	\$
<b>Assets</b>			
Cash and cash equivalents		3,603,461	1,286,051
Trade and other receivables	8	835,464	1,948,770
Inventory		304,976	48,771
Prepayments	9	723,325	100,324
Current tax assets		155,262	-
<b>Total current assets</b>		<b>5,622,488</b>	<b>3,383,916</b>
Oil and gas properties	10	25,048,452	28,671,482
Other financial assets		300,671	280,511
Property, plant, and equipment		19,112	3,079
Intangible assets		26	34
<b>Total non-current assets</b>		<b>25,368,261</b>	<b>28,955,106</b>
<b>Total assets</b>		<b>30,990,749</b>	<b>32,339,022</b>
<b>Liabilities</b>			
Trade and other payables	11	(6,280,797)	(4,782,003)
Borrowings	12	(813,370)	(839,534)
Employee entitlements		(35,664)	(27,191)
Site restoration provision	12	(1,526,388)	(903,257)
Contract liabilities		-	(219,639)
Current tax liabilities		-	(369,277)
<b>Total current liabilities</b>		<b>(8,656,219)</b>	<b>(7,140,901)</b>
Site restoration provision	13	(31,409,023)	(34,427,709)
<b>Total non-current liabilities</b>		<b>(31,409,023)</b>	<b>(34,427,709)</b>
<b>Total liabilities</b>		<b>(40,065,242)</b>	<b>(41,568,610)</b>
<b>Net liabilities</b>		<b>(9,074,493)</b>	<b>(9,229,588)</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 30 June 2022**

		30 June 2022	31 December 2021 Restated
	Note	\$	\$
<b>Equity</b>			
Issued capital	14	32,932,458	29,941,940
Reserves		869,682	1,022,729
Accumulated losses		(42,876,633)	(40,194,257)
<b>Total deficit attributable to equity holders of the Company</b>		<b>(9,074,493)</b>	<b>(9,229,588)</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the half-year ended 30 June 2022**

	Issued capital	Equity component of convertible note	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance on 1 January 2021	23,635,092	361,229	191,556	110,200	12,931	(23,466,207)	844,801
Loss for the period	-	-	-	-	-	(5,199,593)	(5,199,593)
Foreign exchange translation difference on foreign operations	-	-	72,553	-	-	-	72,553
<b>Total comprehensive loss for the period</b>	-	-	72,553	-	-	(5,199,593)	(5,127,040)
<i>Transactions with owners in their capacity as owners</i>							
Contributions of equity, net of transaction costs	5,837,356	-	-	-	-	-	5,837,356
Issue of convertible notes	361,229	(361,229)	-	-	-	-	-
Transfer to accumulated losses on exercise of options	(4,591)	-	-	(121,600)	-	126,191	-
Share-based payments	-	-	-	1,042,000	72,728	-	1,114,728
<b>Balance on 30 June 2021</b>	<b>29,829,086</b>	<b>-</b>	<b>264,109</b>	<b>1,030,600</b>	<b>85,659</b>	<b>(28,539,609)</b>	<b>2,669,845</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**  
**For the half-year ended 30 June 2022**

	Issued capital	Equity component of convertible note	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance on 31 December 2021 - restated</b>	29,941,940	-	(15,655)	937,800	100,584	(40,194,257)	(9,229,588)
Loss for the period	-	-	-	-	-	(2,682,376)	(2,682,376)
Foreign exchange translation difference on foreign operations	-	-	(273,154)	-	-	-	(273,154)
<b>Total comprehensive loss for the period</b>	-	-	(273,154)	-	-	(2,682,376)	(2,955,530)
<i>Transactions with owners in their capacity as owners</i>							
Contributions of equity, net of transaction costs	2,990,518	-	-	-	-	-	2,990,518
Share-based payments	-	-	-	160,775	(40,668)	-	120,107
<b>Balance on 30 June 2022</b>	<b>32,932,458</b>	<b>-</b>	<b>(288,809)</b>	<b>1,098,575</b>	<b>59,916</b>	<b>(42,876,633)</b>	<b>(9,074,493)</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 half-year ended 30 June 2022

	30 June 2022 \$	30 June 2021 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	2,855,273	25,683
Cash paid to suppliers and employees	(328,628)	(1,176,053)
Payments for exploration and evaluation	(1,782,163)	(5,198,273)
Interest paid	(65,836)	(9,820)
Interest received	99	1,397
Income taxes paid	(561,933)	(3,108)
<b>Net cash from / (used in) operating activities</b>	<b>66,812</b>	<b>(6,360,174)</b>
<b>Cash flows from investing activities</b>		
Payments for oil and gas properties	-	(188,643)
Payments for property, plant, and equipment	(16,017)	-
Payments for intangible assets	(397,975)	-
<b>Net cash used in investing activities</b>	<b>(413,992)</b>	<b>(188,643)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	2,917,500	5,003,250
Proceeds from the exercise of options	-	301,209
Repayment of loan to joint venture partner	-	202,060
Loan to joint venture partner	-	(137,450)
Proceeds from related party loans	-	550,000
Repayment of related party loans	-	(270,000)
Payment of capital raising costs	(144,449)	(328,168)
<b>Net cash from financing activities</b>	<b>2,773,051</b>	<b>5,320,901</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,425,871</b>	<b>(1,227,916)</b>
Cash and cash equivalents on 1 January	1,286,051	1,735,573
Effect of exchange rate fluctuations on cash held	(108,461)	6,360
<b>Cash and cash equivalents on 30 June</b>	<b>3,603,461</b>	<b>514,017</b>

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

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT For the half-year ended 30 June 2022

### 1 STATEMENT OF 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 of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. There was not a material change to accounting standards 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. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

#### 1.2 Basis of preparation

This financial report for the half-year ended 30 June 2022 is a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the most recent annual financial report for the year ended 31 December 2021.

It is also recommended that the half-year financial report be considered together with any public announcements made by Sacgasco Limited during the half-year ended 30 June 2022 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

#### 1.3 Coronavirus (COVID-19) pandemic

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

#### 1.4 Segment information

For management purposes, the Group is organised into two operating segments, being oil and natural gas exploration and evaluation, and oil and gas production. All the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statements of the Group as a whole. The accounting policies used by the Group in reporting segment internally are the same as those contained in note 3 to the financial statements

### 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 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 period ended 30 June 2022, the Group recorded a loss of \$2,682,376 and had net cash inflows of \$2,425,871, with total cash on hand of \$3,603,461.

On 30 June 2022, the Group had net liabilities of \$9,074,493 comprised of a \$3,587 thousand withholding tax liability (see below) and a \$31,409 thousand non-current site restoration provision. \$23,212 thousand relates to the Group's Canadian producing assets and \$7,992 thousand to the recently acquired Philippines exploration assets, neither of which are unlikely to be payable in the near term.

As disclosed in the prior year, there is a liability of \$3,586,592 for estimated withholding tax on intercompany loan interest which was payable prior to the acquisition of BCPE on 1 July 2021. Legal advice on the recovery of this amount under the warranties provided under the share purchase agreement continues, with such legal advice confirming the Company has strong grounds to recover these amounts.

The ability of the Group to continue as a going concern is dependent on achieving future positive cashflows from the Group's Canadian producing assets.

Should the Canadian producing assets in which the Group has an interest be unsuccessful in providing positive cash flows and the Group is unable to raise secure further working capital via the issue of securities, there is a material uncertainty that exists that may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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



### 1.7 Exploration and evaluation expenditure

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.

### 1.8 Asset acquisition

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

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

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

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

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

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

### 1.9 Other operating income

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

## 2 VOLUNTARY CHANGE OF ACCOUNTING POLICY

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

The new exploration and evaluation expenditure accounting policy adopted on 31 December 2016 was to expense all exploration and evaluation expenditure as incurred. Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure prior to securing legal rights to explore an area, is expensed to profit or loss as incurred.

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

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

## 2 VOLUNTARY CHANGE OF ACCOUNTING POLICY (continued)

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

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

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

	31 December 2021	Increase / (decrease)	31 December 2021 Restated
	\$	\$	\$
Exploration expenditure expensed through profit or loss	(4,381,605)	(11,491,777)	(15,873,382)
Site restoration expense / change in estimate	-	5,230,969	5,230,969
General and administrative expenses	(178,418)	1	(178,417)
<b>Loss before income tax</b>	<b>(10,316,883)</b>	<b>(6,260,807)</b>	<b>(16,577,690)</b>
Income tax expense	(364,760)	-	(364,760)
<b>Loss for the year</b>	<b>(10,681,643)</b>	<b>(6,260,807)</b>	<b>(16,942,450)</b>
<b>Total comprehensive loss for the year</b>	<b>(11,086,747)</b>	<b>(6,062,914)</b>	<b>(17,149,661)</b>
<b>Loss per share</b>			
Basic and diluted (cents per share)	(2.30)	(1.35)	(3.65)

### Extract from reconciliation of cash flows from operating activities

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

## 2 VOLUNTARY CHANGE OF ACCOUNTING POLICY (continued)

Extract from consolidated statement of financial position

	31 December 2021	Increase / (decrease)	31 December 2021 Restated
	\$	\$	\$
Prepayments	100,323	1	100,324
Capitalised exploration acquisition costs	6,062,915	(6,062,915)	-
	<b>6,163,238</b>	<b>(6,062,914)</b>	<b>100,324</b>
<b>Equity</b>			
Issued capital	29,941,940	-	29,941,940
Reserves	824,836	-	824,836
Accumulated losses	(33,933,450)	(6,062,914)	(39,996,364)
<b>Total deficiency</b>	<b>(3,166,674)</b>	<b>(6,062,914)</b>	<b>(9,229,588)</b>

## 3 OPERATING SEGMENTS

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

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

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

There has been no change to the basis of segmentation since 31 December 2021.

### 3 OPERATING SEGMENTS (continued)

#### Segment profit or loss

	Revenue		Segment profit / (loss)	
	30 June 2022 \$	30 June 2021 \$	30 June 2022 \$	30 June 2021 \$
Oil and gas production	8,668,816	2,707,949	(666,148)	(298,586)
Oil and gas exploration	-	-	(1,234,370)	(4,436,945)
	8,668,816	2,707,949	(1,900,518)	(4,735,531)
Eliminations	-	-	(3,344)	-
	8,668,816	2,707,949	(1,903,862)	(4,735,531)
Finance income			92	331
Finance costs			(39,671)	(36,663)
Central administrative expenses			(918,942)	(424,622)
<b>Loss from continuing operations before income tax</b>			<b>(2,862,383)</b>	<b>(5,196,485)</b>

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	
	30 June 2022 \$	31 December 2021 Restated \$	30 June 2022 \$	31 December 2021 \$
Oil and gas exploration	2,179,920	973,033	(9,879,213)	(8,790,805)
Oil and gas production	25,508,690	29,958,425	(26,071,266)	(27,916,244)
<b>Total segment assets and liabilities</b>	<b>27,688,610</b>	<b>30,931,458</b>	<b>(35,950,479)</b>	<b>(36,707,049)</b>
Corporate and other segment assets/liabilities	3,302,139	1,407,564	(4,114,763)	(4,861,561)
<b>Total</b>	<b>30,990,749</b>	<b>32,339,022</b>	<b>(40,065,242)</b>	<b>(41,568,610)</b>

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.

### 3 OPERATING SEGMENTS (continued)

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

#### Geographical information

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

	Production income		Non-current assets	
	30 June 2022	30 June 2021	30 June 2022	31 December 2021 Restated
	\$	\$	\$	\$
Australia	-	-	11,310	6,183
Canada and USA	8,668,816	2,707,949	25,340,233	28,948,923
Philippines	-	-	16,718	-
<b>Total</b>	<b>8,668,816</b>	<b>2,707,949</b>	<b>25,368,261</b>	<b>28,955,106</b>

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

### 4 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 Blue Sky Resources Limited ("**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.

#### 4 PRODUCTION INCOME (continued)

Revenue for the half-year ended 30 June 2022, relates to contracts executed for the sale of crude oil and natural gas. All performance obligations have been met within the period. There is no variable consideration requiring estimation for the period ended 30 June 2022. Revenue is derived from one single customer.

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

The Group's revenue is currently wholly derived from Canadian operations and is disaggregated as such in the Group's segment note disclosure in note 3. The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	30 June 2022 \$	30 June 2021 \$
<b>Goods transferred at a point in time</b>		
Crude oil	8,508,635	2,664,786
Natural gas	160,181	43,163
	<b>8,668,816</b>	<b>2,707,949</b>

#### 5 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.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

	Note	30 June 2022 \$	30 June 2021 \$
Other operating income – California	(i)	520,876	277,037
Other operating income – Canada	(ii)	152,848	53,750
		<b>673,724</b>	<b>330,787</b>
Other income		19,165	17,715
<b>Total other income</b>		<b>692,889</b>	<b>348,502</b>



## 5 OTHER INCOME (continued)

- (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. Until such time as well production becomes an economically viable direction for the Group, it is recognised as other operating income offset by operating expenses totalling \$669,583 (30 June 2021: \$311,540).
- (ii) The Canadian production assets additionally generate minor revenues through provision of access to private roads.

## 6 EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2022 \$	30 June 2021 \$
Exploration expenditure as incurred - California	42,267	3,559,690
Exploration expenditure as incurred - Philippines	1,023,085	-
	1,065,352	3,559,690

## 7 ASSET ACQUISITION AND DISPOSAL

### Acquisition of TG World (BVI) Corporation

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

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

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

## 7 ASSET ACQUISITION AND DISPOSAL (continued)

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

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

### Disposal of TG World (BVI) Corporation

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

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

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

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

## 8 TRADE AND OTHER RECEIVABLES

	30 June 2022 \$	31 December 2021 \$
<b>Current</b>		
Trade debtors	326,538	311,140
Less: Provision for expected credit losses	(31,335)	(30,525)
	<b>295,203</b>	<b>280,615</b>
Authorised government agencies	85,771	30,289
Other receivables – oil and gas assets	171,985	1,238,172
Philippines joint venture partners	264,304	253,280
Other receivables	18,201	146,414
	<b>835,464</b>	<b>1,948,770</b>
<b>Movement in the allowance for expected credit losses</b>		
Opening balance	30,525	244,884
(Reversal of) / additional provisions recognised	(794)	(201,305)
Effects of foreign exchange	1,604	(13,054)
	<b>31,335</b>	<b>30,525</b>

The Group has assessed the recoverability of the amounts due for well expenses on exploratory wells, accounting for factors such as oil and gas prices and historical recovery and determined that an ECL of \$31,335 for the period ended 30 June 2022 is appropriate. Should the exploratory wells for which costs are due move from exploration to production in the future, the Group intends to recover the amounts owing prior to releasing net revenues to the working interest parties. Other receivables are non-interest bearing.

## 9 PREPAYMENTS

		30 June 2022 \$	31 December 2021 Restated \$
<b>Current</b>			
Exploration expenses	(1)	656,276	60,313
Other prepayments		67,049	40,011
		<b>723,325</b>	<b>100,324</b>

(1) Includes \$580,445 (US\$400,000) initial consideration for key drilling long lead items, refer note 18.

## 10 OIL AND GAS PROPERTIES

	Subsurface assets \$	Plant and equipment \$	Assets under development \$	Total \$
Balance on 1 January 2021	-	-	-	-
Acquisitions	1,869,815	152,231	-	2,022,046
Additions	17,676,292	6,072,828	-	23,749,120
Change in site restoration liabilities	2,496,523	801,836	-	3,298,359
Depreciation and depletion	(753,594)	(240,719)	-	(994,313)
Exchange differences	452,143	144,127	-	596,270
Balance on 31 December 2021	21,741,179	6,930,303	-	28,671,482
Additions	-	-	397,975	397,975
Change in site restoration liabilities	(2,921,459)	(970,726)	-	(3,892,185)
Depreciation and depletion	(816,676)	(262,804)	-	(1,079,480)
Exchange differences	712,986	226,050	11,624	950,660
<b>Balance on 30 June 2022</b>	<b>18,716,030</b>	<b>5,922,823</b>	<b>409,599</b>	<b>25,048,452</b>

## 11 TRADE AND OTHER PAYABLES

	Note	30 June 2022 \$	31 December 2021 \$
<b>Current</b>			
Trade payables		418,519	372,179
Other payables – oil and gas assets		1,322,455	-
Authorised government agencies	(i)	3,586,592	3,586,592
DOE training assistance for Philippine service contracts		285,498	541,912
Accrued expenses		667,733	281,320
		<b>6,280,797</b>	<b>4,782,003</b>

- (2) As part of its acquisition of BCPE International Pte. Ltd. on 1 July 2021, the Company also acquired an A\$63,303,000 interest-bearing intercompany loan with accrued interest. Under Subdivision 12-F of Schedule 1 of the *Taxation Administration Act 1953*, the requirement to withhold interest withholding tax arises at the time the interest is paid or credited. Based on the interest withholding tax ("WHT") rate of 25% between Australia and Thailand, a prima facie interest WHT liability of \$3,586,592 (US\$2,604,271) is owed to the ATO based on a historical accrued interest balance of \$13,515,601 (US\$10,417,082).

## 12 LOANS AND BORROWINGS

	Convertible notes \$	Loans from a director <sup>(2)</sup> \$	Total \$
Balance on 1 January 2021	42,636	276,787	319,423
Loans and borrowings received	-	870,000	870,000
Equity component of convertible notes transferred	361,229	-	361,229
Interest charged	25,932	43,238	69,170
Conversion to fully paid shares	(429,797)	-	(429,797)
Less repaid <sup>(1)</sup>	-	(350,491)	(350,491)
<b>Balance on 31 December 2021</b>	<b>-</b>	<b>839,534</b>	<b>839,534</b>
Interest charged	-	39,671	39,671
Less repaid <sup>(1)</sup>	-	(65,835)	(65,835)
<b>Balance on 30 June 2022</b>	<b>-</b>	<b>813,370</b>	<b>813,370</b>

(1) amounts repaid include interest and loan establishment costs.

(2) refer to note 16 for further details.

## 13 SITE RESTORATION PROVISION

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

### 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 Department of Conservation and Division of Oil, Gas and Geothermal Resources (DoGGR) bond of US\$200,000 for up to fifty wells.

### Alberta, Canada (Red Earth and Alberta Plains assets)

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

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

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

### 13 SITE RESTORATION PROVISION (continued)

#### Philippines (Service Contract SC 14C2)

The Group has recognised a restoration liability for the complete abandonment of the historically abandoned wells, based on the estimated \$42,908,293 (US\$29,569,264) (gross) cost to abandon the field. The significant assumptions used in the calculation of the present value of the provisions are a risk-free rate of 5.25 percent, an inflation rate of 3 percent, and the assumed timing of cash outflows until 2025. The Group's share (22.28%) as of 30 June 2022 is \$7,992,434 (US\$5,507,802).

	30 June 2022 \$	31 December 2021 \$
<b>Current</b>		
Canada	1,526,388	903,257
<b>Non-current</b>		
California	204,156	193,757
Canada	23,212,433	26,643,711
Philippines	7,992,434	7,590,241
	31,409,023	34,427,709
<b>Closing balance</b>	<b>32,935,411</b>	<b>35,330,966</b>

#### Reconciliation of movements in site restoration provision:

	California \$	Canada \$	Philippines Restated <sup>(1)</sup> \$	Total Restated \$
Balance on 1 January 2021	182,537	-	-	182,537
Amounts recognised on acquisition	-	23,344,495	12,543,107	35,887,602
Amounts utilised or extinguished	-	(30,610)	-	(30,610)
Accretion expense	-	361,840	523,757	885,597
Change in site restoration estimates	-	3,368,411	(5,230,969)	(1,862,558)
Effects of foreign exchange	11,220	502,832	(245,654)	268,398
<b>Balance on 31 December 2021</b>	<b>193,757</b>	<b>27,546,968</b>	<b>7,590,241</b>	<b>35,330,966</b>
Amounts utilised or extinguished	-	(31,522)	-	(31,522)
Accretion expense	-	372,615	(4,965)	367,650
Change in site restoration estimates	-	(4,005,870)	-	(4,005,870)
Effects of foreign exchange	10,399	856,630	407,158	1,274,187
<b>Balance on 30 June 2022</b>	<b>204,156</b>	<b>24,738,821</b>	<b>7,992,434</b>	<b>32,935,411</b>

<sup>(1)</sup> As of 31 December 2021, the site restoration provision of \$12,543,107 was combined with the acquisition cost of acquiring NPP but was subsequently changed as disclosed in note 2.

## 14 CAPITAL AND RESERVES

### Issued Capital

	Ordinary shares			
	Number of shares		Amount in \$	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
<b>Opening balance</b>	<b>481,198,714</b>	<b>341,258,491</b>	<b>29,941,940</b>	<b>23,635,092</b>
Issue of shares for cash	116,700,000	76,973,072	2,917,500	5,003,250
Issue of shares in lieu of directors' fees	2,304,308	2,672,690	69,129	75,671
Issue of shares in satisfaction of service provider fees	4,944,063	-	148,338	-
Issue of shares for working interest acquisitions	-	10,767,808	-	827,484
Issue of shares on conversion of convertible notes	-	40,049,984	-	400,500
Issue of shares to extinguish interest on convertible Notes	-	2,929,700	-	29,297
Issue of shares on conversion of listed options	-	1,546,969	-	61,879
Issue of shares on conversion of unlisted options	-	5,000,000	-	240,000
Capital raising costs	-	-	(144,449)	(331,233)
<b>Closing balance</b>	<b>605,147,085</b>	<b>481,198,714</b>	<b>32,932,458</b>	<b>29,941,940</b>

## 15 SHARE-BASED PAYMENTS

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

	30 June 2022 \$	30 June 2021 \$
<b>Expensed in personnel expenses</b>		
Shares issued to directors	34,305	9,615
Shares to be issued to directors	29,760	28,125
Options issued to directors	118,000	1,042,000
Options issued to employees	1,180	-
<b>Expensed in professional fees</b>		
Shares issued to consultants	82,578	-
Shares to be issued to a consultant	30,156	-
Options issued to consultants of the company	41,595	-

## 15 SHARE-BASED PAYMENTS (continued)

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

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

Quarter ended	Director name	Contractual value of services rendered \$	Market value of shares on grant date \$	No. of Plan Shares issued	Date of issue	Share price on grant date cents
31-Dec-21 <sup>(1)</sup>	Gary Jeffery	-	-	675,676	19-Jan-22	3.00
31-Dec-21 <sup>(1)</sup>	Andrew Childs	-	-	135,135	19-Jan-22	3.00
31-Dec-21 <sup>(2)</sup>	Joanne Kendrick	-	(1,695)	293,497	06-Jun-22	3.00
31-Mar-22	Gary Jeffery	25,000	25,862	862,069	20-Apr-22	3.00
31-Mar-22	Andrew Childs	5,000	5,173	172,414	20-Apr-22	3.00
06-Apr-22 <sup>(2)</sup>	Joanne Kendrick	4,800	4,965	165,517	06-Jun-22	3.00
		34,800	34,305	2,304,308		
30-Jun-22 <sup>(3)</sup>	Gary Jeffery	25,000	22,000	1,000,000	08-Jul-22	2.20
30-Jun-22 <sup>(3)</sup>	Andrew Childs	5,000	4,400	200,000	08-Jul-22	2.20
30-Jun-22 <sup>(3)</sup>	William Ashby	3,818	3,360	152,727	08-Jul-22	2.20
		68,618	64,065	3,657,035		

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

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

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

### *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.



## 15 SHARE-BASED PAYMENTS (continued)

### *Share-based payment programme (continued)*

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

Grant date	Expiry date	Exercise price cents	Number under option
29-Jan-2021	31-Dec-2022	6.00	18,000,000
31-May-2022	31-Jan-2024	4.50	27,250,000
			45,250,000

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

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	18,000,000	6.00	29-Jan-21	31-Dec-22	1.92	151.94%	8.00%	5.21	6.00
Tranche 2	27,250,000	4.50	31-May-22	31-Jan-24	1.67	91.72%	2.60%	0.59	2.20
	45,250,000								

During the reporting period, no options were exercised, expired, or forfeited.

## 16 FINANCIAL INSTRUMENTS

The carrying amounts of receivables, payables, and loans and borrowings are considered a reasonable approximation of their fair value.

## 17 RELATED PARTIES

### (a) Key management personnel compensation

Key management personnel compensation comprises the following:

	30 June 2022 \$	30 June 2021 \$
Short-term employee benefits	87,957	79,613
Post-employment benefits	807	-
Share-based payments – shares issued	34,305	9,615
Share-based payments – shares to be issued	29,760	28,125
Share-based payments – options	118,000	1,042,000
	<b>270,829</b>	<b>1,159,353</b>

### (b) Other key management personnel transactions

#### Andrew Childs

Resource Recruitment Pty Ltd, a company for which Mr Childs is a Director, received \$15,600 in repayment for office rent. No balance was outstanding on 30 June 2022.

#### Joanne Kendrick

Ms Kendrick received \$31,500 for consultancy services during the period. This debt was extinguished through the issue of 945,946 fully paid shares at 3.33 cents per share. No balance was outstanding on 30 June 2022.

### (c) Loans from key management personnel

#### Gary Jeffery

Dungay Resources Pty Ltd, a company for which Mr Jeffery is a Director and shareholder, provided cash loans on an arms-length basis to the Company in the prior year, 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 30 June 2022 was \$39,671 and the balance outstanding was \$813,370.

## 17 RELATED PARTIES (continued)

### (d) Options granted as compensation to key management personnel

During the period, share options granted to the Directors of the Company as part of their remuneration are:

	Number of options granted	Grant date	Value per option at grant date cents	Value of options at grant date \$	Vesting and first exercise date	Exercise Price Per option cents	Expiry date
Gary Jeffery	10,000,000	31-May-22	0.59	59,000	31-May-22	4.50	31-Jan-24
Andrew Childs	6,000,000	31-May-22	0.59	35,400	31-May-22	4.50	31-Jan-24
William Ashby	4,000,000	31-May-22	0.59	23,600	31-May-22	4.50	31-Jan-24

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

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

## 18 COMMITMENTS

	30 June 2022 \$	30 June 2021 \$
<b>Exploration expenses</b>		
Committed at the reporting date, not yet recognised as liabilities payable	3,627,778	-

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

- Initial consideration of US\$1.4 million payable in three instalments:
  - US\$400,000 – paid June 2022
  - US\$500,000 – payable within 90 days of the agreement date
  - US\$500,000 – payable within 120 days of the agreement date
- Balance of US\$1,500,000 payable on the earlier of mobilisation of the equipment, or 12 months after the agreement date

\$725,555 (US\$500,000) was paid on 7 September 2022.

## 19 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; and hence there is no expectation of this liability being realised.

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

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

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

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

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

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

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

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

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

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

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

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

## 19 CONTINGENT LIABILITIES (continued)

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

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

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

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

## 20 INTEREST IN JOINT OPERATIONS

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

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

The Group has classified all joint arrangement interests in its projects as joint operations given that the arrangements are such that each party contributes assets and has proportional rights to the return of assets and payment of obligations based on its percentage contributed. These proportions are as noted above under average interest. In this respect, the Company records its proportion of income, expenses, assets, and liabilities pertaining to the projects. Any loans or contributions to the joint operations, or obligations to the joint operations, that are owed directly to (or from) the Company are recorded in full as and when they arise. (requires clarification).

## 21 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiaries on 30 June 2022:

Name of subsidiary	Place of incorporation	Equity Interest	
		30 June 2022	31 December 2021
		%	%
Sacgasco CA Inc	United States of America	100	100
PEOCO LLC	United States of America	100	100
Sacgasco AB Ltd	Canada	100	100
Sacgasco SG Pte Ltd	Singapore	100	100
Nido Petroleum Pty Ltd	Australia	100	100
Nido Petroleum Philippines Pty Ltd	Australia	100	100
Yilgarn Petroleum Pty Ltd	Australia	100	100

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

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

On 8 July 2022, the Company issued 1,352,727 fully paid ordinary shares in lieu of directors' fees, as approved by shareholders on 31 May 2022.

On 8 July 2022, the Company issued 1,206,250 fully paid ordinary shares to consultants as partial consideration for amounts owed for services provided.

On 22 August 2022, the Company announced that Blue Sky will fund 45.55% of initial drilling and the extended well test on Cadlao Oilfield to earn a fiscal interest in SC 6B of 31.8185% after farmin.

On 7 September 2022, the Group paid its second instalment of \$725,555 (US\$500,000) to acquire its key drilling long lead items as disclosed in note 17.

## **DIRECTORS' DECLARATION**

### **For the half-year ended 30 June 2022**

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

In the directors' opinion:

1. The consolidated financial statements and notes are in accordance with the *Corporations Act 2001* including:
  - a. Giving a true and fair view of the Group's financial position as of 30 June 2022 and of its performance for the six months ended on that date; and
  - b. Complying with Australian Accounting Standards, AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and mandatory professional reporting requirements; and
2. 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 half-year ended 30 June 2022.

On behalf of the Board



**GARY JEFFERY**

Managing Director

13 September 2022  
Perth, Western Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Sacgasco Limited

### Report on the Condensed Half-Year Financial Report

#### *Conclusion*

We have reviewed the half-year financial report of Sacgasco Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We draw attention to Note 1.6 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

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#### *Responsibility of the Directors for the Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

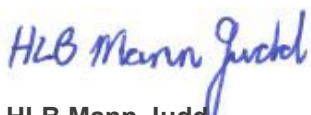
#### *Auditor's Responsibility for the Review of the Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

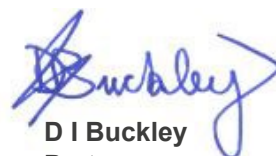
#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**13 September 2022**



**D I Buckley**  
**Partner**

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## CORPORATE DIRECTORY

### Directors

Mr Andrew Childs  
Mr Gary Jeffery  
Mr William Ashby

### Secretary

Mr David McArthur  
Mr Jordan McArthur

### Registered Office

Level 1, 31 Cliff Street  
Fremantle WA 6160

Telephone: +61 8 9435 3200

### Principal Office

Level 2, 210 Bagot Road  
Subiaco WA 6008

Telephone: +61 8 9388 2654

### Postal Address

PO Box 584  
Fremantle WA 6959

### Auditors

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

### Bankers

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

### Share Registry

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

Telephone: +61 1300,288,664

### ASX Code

Shares: SGC  
Options: SGCOA

### Website and Email

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