



SAGGASCO LIMITED

ABN 83 114 061 433

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2015

SACGASCO LIMITED

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SACGASCO LIMITED CORPORATE DIRECTORY

CORPORATE DIRECTORY

Directors

Mr Andrew Childs
Mr Gary Jeffery
Mr Keith Martens
Mr Aqeel Virk

Secretary

Mr David McArthur

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Perth WA 6000

Bankers

ANZ Banking Group Limited
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Perth WA 6000

Share Registry

Advanced Share Registry Services Limited
110 Stirling Highway
Nedlands WA 6009

ASX Code

Shares: SGC

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

Website and Email

Website: www.sacgasco.com

Email: info@sacgasco.com

Twitter: @Sacgasco

CHAIRMAN'S REPORT

Dear valued shareholder,

I am pleased to be writing to you following what has been an industrious 12 months for Sacgasco Limited, as your Board continued to work towards unlocking the significant underlying value of our conventional gas assets in the world-class Sacramento Basin.

Throughout the past year, the Company has consolidated its development strategy in the Sacramento Basin, targeting near-term gas supply to a high-demand market with a significant energy supply deficit. Further highlighting this deficit is the fact that California's average gas demand is approximately 7 billion cubic feet per day (2.5 Tcf per year), with local Californian gas production amounting to less than 10% of that demand.

Sacgasco's 'discovery thinking' approach to unlocking shareholder value creates a key point of difference from a number of our similarly positioned peers, in that we are operating in a region that has produced 11 Tcf of gas to date and provides immediate access to critical infrastructure.

Importantly, this access to existing infrastructure and the capacity to supply directly into a growing local market has Sacgasco positioned well ahead of the curve in terms of making the transition from explorer to significant producer in the near-term.

“The Sacgasco Joint Venture’s production in 2015 ranked 9th in the Sacramento Basin, but it would only take a flow rate of just 2.5 million cubic feet of gas per day from a well on the Dempsey Prospect to move the JV ranking to 2nd.”

To provide some further context as to why the Board believes the Sacramento Basin is still largely underexplored, California currently has around 320 operating energy companies and only 45 of these operate in the Sacramento Basin: in comparison Texas has approximately 4,700 operators.

The majority of operators in the Sacramento Basin of California have been and still are focused on producing from the existing shallow petroleum systems and we believe this has created a significant opportunity for companies like Sacgasco who have the foresight to investigate below the producing geological strata to identify additional world-class opportunities.

Despite the onerous industry conditions in the short-term, during the past 12 months the Company has been involved, and continues to be involved, in a number of positive discussions from well-regarded industry participants regarding the development of our Sacramento Basin assets.

Positive Future Outlook for Conventional Gas Markets

The Board remains firmly committed to progressing a number of corporate objectives in order to commence drilling of the Company's flagship Dempsey conventional gas prospect this year.

Furthermore, we continue to be buoyed by the positive market outlook for natural gas, with many experts predicting global energy demand to grow significantly over the next two decades.

SACGASCO LIMITED CHAIRMAN'S REPORT

According to the BP Energy Outlook published in February 2016, global demand for energy is expected to increase by 34% between 2014 and 2035 – which equates to 1.4% per year. The global energy mix is also expected to transition towards a lower-carbon future with natural gas expected to be the fastest growing fossil fuel in coming years at a rate of approximately 1.8% per year.

“The required growth of global gas consumption from 2014 to 2035 is more than the current gas production of the US and Russia combined.” BP Energy Outlook

The BP Energy Outlook also predicts that natural gas will replace oil as the leading fuel in US energy consumption markets by about 2025.

Together, these views testify to a positive future for natural gas producers, and further reinforces Sacgasco's view that our conventional gas assets located onshore and near infrastructure have a high level of intrinsic value that shouldn't be diminished by the current weakness in energy markets.

Yours faithfully,



Andrew Childs
Chairman

SACGASCO LIMITED

REVIEW OF OPERATIONS

For the year ended 31 December 2015

REVIEW OF OPERATIONS

Sacgasco Limited (formerly Australian Oil Company Limited) is listed on the Australian Securities Exchange (ASX: SGC) and has approximately 107 million shares on issue. The Company changed its name from Australian Oil Company Limited on 29 October 2015. Sacgasco has one operational segment, being the exploration and development of oil and gas interests, onshore California.

HIGHLIGHTS

- **Name change to Sacgasco Limited to reflect focus on Sacramento Basin Gas.**
- **Sacgasco's growth strategy is aimed at increasing conventional Natural Gas production to underpin its revenue profile as a means to accelerate company growth through drilling of its worldscale exploration and appraisal projects.**
- **Targeting gas supply to 2.5 Tcf per year Californian domestic gas market and growing North American export LNG markets**
- **Sacgasco's development plans for large-scale conventional gas projects in Sacramento Basin are supported by:**
 - **Geological and Geophysical information that reinforces interpreted multi-Tcf conventional gas production potential under SGC Sacramento Basin leases**
 - **An industry switch to areas with lower cost of operations that are close to infrastructure which enables earlier monetisation of discoveries.**
- **The Company is focused on farming out, multi-Tcf conventional gas production opportunities under the prolific Sacramento Gas Basin, onshore California**
- **Discussions are progressing with multiple potential funding partners for drilling of Dempsey prospect**



SGC's Sacramento gas assets, onshore California

SACGASCO HAS USED 'DISCOVERY THINKING' TO BE STRATEGICALLY PLACED TO UNCOVER THE SACRAMENTO BASIN'S NEXT WORLD-CLASS CONVENTIONAL GAS DISCOVERY

SACGASCO LIMITED

REVIEW OF OPERATIONS

For the year ended 31 December 2015

Sacgasco's Strategy for Delivering Growth:

Foundation: "The history of oil and gas exploration demonstrates that some of the best places to explore are in and around existing production areas."

Revisiting mature areas and applying a truly investigative approach to geology has resulted in huge discoveries of oil and gas over time.

Buzzard Oil (North Sea), Zohr Gas (Egypt), Gunslinger Oil (California) and Edvard Grieg and Johan Sverdrup Oil (Norway) are but a few examples of Major to Super-Giant discoveries in industry-labelled "mature" areas since 2000.

Strategy: SGC is targeting substantial gas production to initially supply the 2.5 Tcf per year demand of the local Californian gas market, and subsequent supply to the growing LNG export market in North America. The Company has an extensive portfolio of appraisal and exploration stage gas prospects, including a number of multi-Tcf opportunities in the proven Sacramento Basin.

The Sacramento Basin has significant development upside because underlying gas potential has been overlooked by operating companies which produce from the widely recognised existing shallow petroleum systems that have produced over 11 Trillion cubic feet (11 Tcf) gas.

Californian-focused conventional Natural Gas developer Sacgasco Limited (ASX: SGC) ("SGC or the Company") has established a robust portfolio of large-scale conventional gas prospects in the Sacramento Basin, located in a community that understands and welcomes the benefits of the Natural Gas industry, close to under-filled gas trunklines connecting to the attractive Californian gas market. California's tech industry dominated economy is expected to continue to grow along with commensurate increased energy consumption.

The Company's key assets are the Dempsey and Alvares conventional gas prospects, which have gross unrisks best estimate recoverable prospective resources of 1 TCF and 2.4 TCF respectively.

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

SGC's management team remains firmly committed to progressing a number of corporate and operational objectives in order to expand the company's gas business in California, and to commence drilling of the Company's flagship Dempsey conventional gas prospect in the first half of 2016.

SACGASCO LIMITED REVIEW OF OPERATIONS

For the year ended 31 December 2015

SACRAMENTO BASIN - Onshore Northern California

Exploration, appraisal and new ventures

Exploration leases have continued to be maintained within the Sacramento Basin during the year. SGC has a working interest (WI) of between 40% and 70% in these leased lands which cover conventional Natural Gas prospects.

During 2015 interpretation of reprocessed seismic and additional geologic information reinforced SGC's belief that both Dempsey and Alvares are world-class, multi-Tcf prospects. Improved technical data and "discovery thinking" processes have also been used to identify additional prospects for exploration drilling.

Mapping completed to date has resulted in the identification of a portfolio of additional gas prospects and leads, with best estimate recoverable Prospective Resources of gas ranging from 500 Bcf to over 2 Tcf.

Dempsey Conventional Gas Prospect – Appraisal / Exploration stage (SGC 55% WI)

The Dempsey conventional gas prospect is SGC's flagship prospect and remains the focus of the Company's near-term development plans. The Dempsey prospect has the potential for near-term, conventional gas production because it is located below existing SGC production facilities.

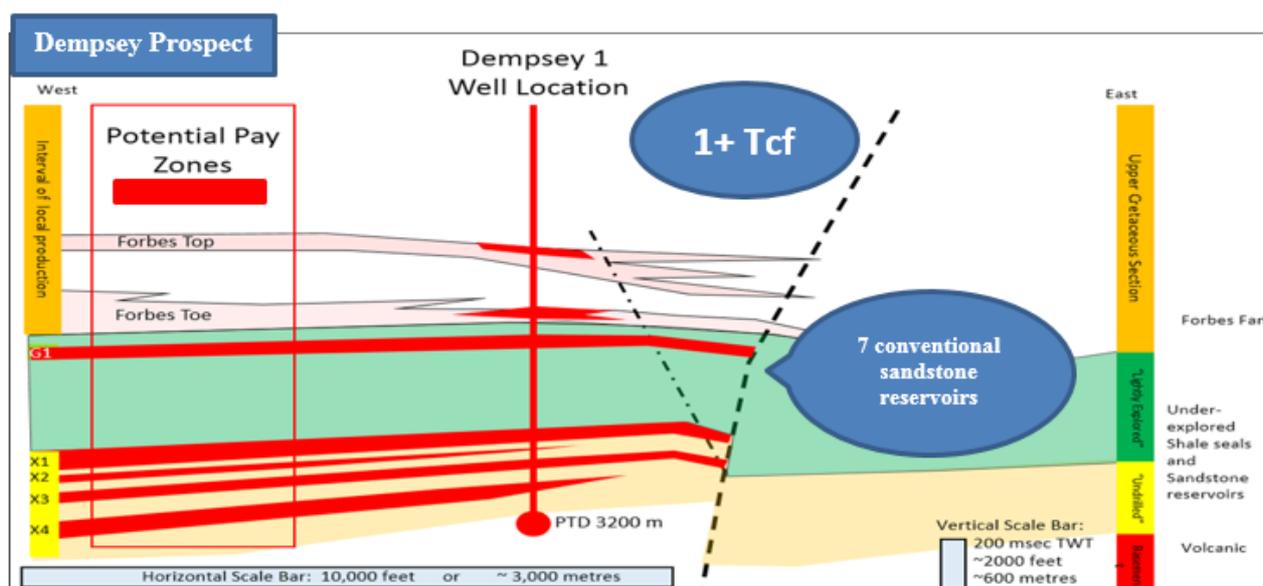


Figure 3: Dempsey Prospect Schematic Cross-section

The Dempsey prospect has a Proposed Total Depth ('PTD') of 3,200 metres and is anticipated to take around 50-60 days to drill with costs estimated to be between US\$3 and US\$5.3 million. This range of costs covers the costs of just drilling an exploration well, up to the costs of also completing the well ready for production through Company owned existing pipeline access facilities.

The total (100%) unrisks recoverable Prospective Resource, from seven interpreted reservoir zones, on a best estimate deterministic basis in the Dempsey prospect is over 1 Tcf (i.e. over 167 million barrels of oil equivalent (boe) – using an industry standard energy based conversion factor of 6 mcf per boe).

The Dempsey #1 well will be located within a proven gas field area with existing joint venture owned pipeline and meter station infrastructure easily accessible. Should commercial quantities of gas be found, these existing production facilities with capacity of up to 20 mmcf/gpd, and which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay. Such potential flows, if achieved could result in up to US\$40,000 per day of gross well production revenue if gas prices were similar to today's prices.

**SACGASCO LIMITED
REVIEW OF OPERATIONS**

For the year ended 31 December 2015

Alvares Conventional Gas Prospect – Appraisal stage (SGC 40% WI)

The Alvares conventional gas prospect is located close to large Natural Gas pipelines and on trend 35 miles from the similarly structured multi-Tcf Tulainyo Project (based on the Shell James 1 well drilled in 1947), mapped by Cirque Resources and involving California Resources Corporation (NYSE: CRC).

The Alvares prospect contains a total (100%) unrisks recoverable prospective conventional gas resource on a best estimate deterministic basis of approximately 2.4 Tcf (400 million boe). Alternative methods of evaluating the gas flow potential using the existing Alvares well bore are being investigated further.

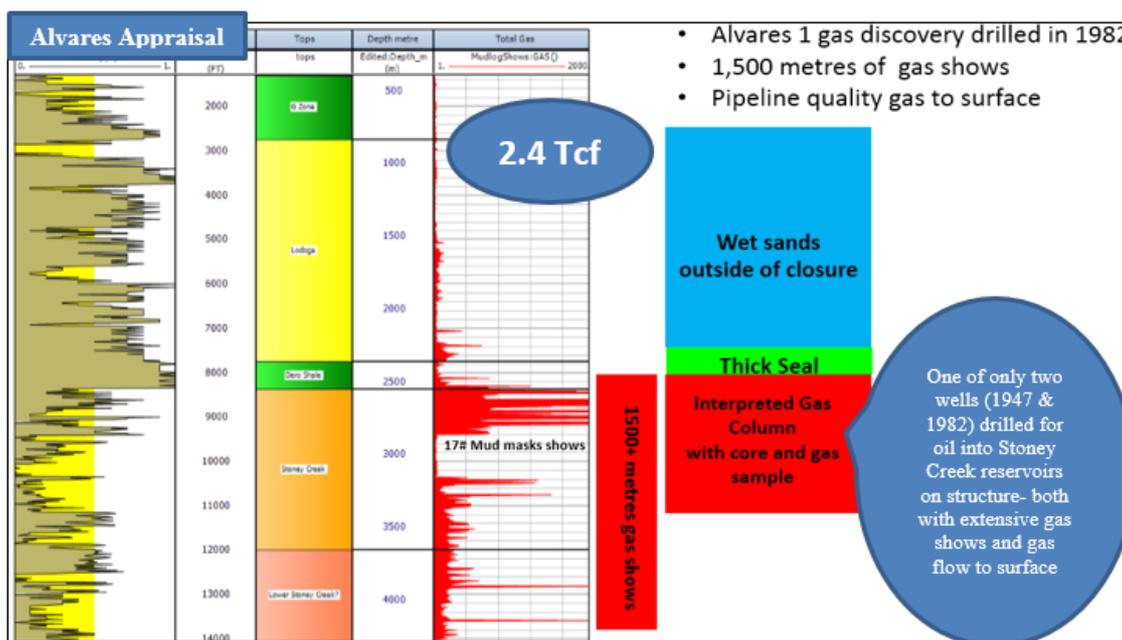


Figure 4: Alvares Appraisal Project Summary

Additional prospects and leads have been mapped and land availability determined as part of the Company’s growth strategy.

PRODUCTION UPDATE

Rancho - Capay Gas Field (SGC 55% WI in 4 wells) & Los Medanos Gas Field (SGC 55% WI in 3 wells)

SGC acquired a 40% working interest in gas production rights in the above fields in the Sacramento Basin onshore California in late 2012 primarily as a means to acquire leases for further exploration and access an extensive 3D seismic database to generate new exploration opportunities. SGC acquired an additional 15% WI in these wells effective 1 January 2014.

SGC continues to evaluate production acquisition opportunities that could provide short term cash flow and strategic longer term access to exploration leases, and production facilities and pipelines connected to the premium California gas market.

SACGASCO LIMITED
REVIEW OF OPERATIONS

For the year ended 31 December 2015

<i>Production</i>	<i>Full Year 2015</i>	<i>Full Year 2014</i>
Gross mcf * (100%)	155,483	200,487
Net SGC mcf (after Royalty)	58,710	75,180
*mcf – Thousand Cubic feet gas		

PROSPECT PORTFOLIO

As outlined above, SGC’s current focus is unlocking the underlying value from its conventional gas prospects in the Sacramento Basin. At this point, the Company believes shareholders’ interests are best suited to a singular focus on the largest value adding projects in the Sacramento Basin, in particular the early monetisation of the Dempsey prospect.

SACGASCO LIMITED - Tenement / Project List		
Project name	Location	Working Interest
Dempsey Prospect	<i>Sacramento Basin Onshore Northern California</i>	55%
Alvares Prospect	<i>Sacramento Basin Onshore Northern California</i>	40%
California AMI Prospects	<i>Sacramento Basin Onshore Northern California</i>	70%
Rancho-Capay Gas Field	<i>Sacramento Basin Onshore Northern California</i>	55%
Los Medanos Gas Field	<i>Sacramento Basin Onshore Northern California</i>	55%
Mankins Ranch Oil Project	<i>Santa Maria Basin (Huasna Sub-Basin) Onshore Southern California</i>	35%

Changes in Tenement / Project List Reporting Period:

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

During the last quarter of 2015 Leases covering the Porter Ranch Oil Prospect expired at the end of their term and low oil prices did not warrant lease renegotiation.

The SCU1-24 based Water Disposal project was also abandoned due to changed and overly onerous licensing requirements.

The company’s interest in the Mankins ranch Project is maintained only through a part interest in Mineral Rights located over the proven oil accumulation. No activity is envisioned on this project in the short term as a result of low oil prices and a confrontational local community.

SACGASCO LIMITED

REVIEW OF OPERATIONS

For the year ended 31 December 2015

Leases:

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

CORPORATE ACTIVITY

The name change to Saccgasco Limited became effective from the commencement of trading on Wednesday 4 November 2015 and the ASX code is SGC.

The Directors of the company were of the view that the current operational focus of the company warranted the company changing it's name to reflect the geographic region in which it operates and the commodity focus on Natural Gas. SGC's California gas subsidiary was already named Saccgasco LLC.

On 16 June the Company completed a placement to sophisticated investors of 12,764,000 new fully paid ordinary shares at \$0.05 per share to raise \$638,200.

Mr. Aqeel Virk a Californian-based lawyer was appointed as Non-Executive Director.

SGC Managing Director Gary Jeffery presented to shareholders and investors at the annual Good Oil Conference held in Fremantle, Western Australia (Refer ASX release dated 15 September 2015).

Managing Director's comment:

"The past 12 months was a challenging period for the entire energy industry, as many operators have had to continuously adapt to declining oil prices.

While natural gas prices have also declined during the past year, they have not dropped to the same extent as oil, ensuring our onshore conventional gas assets in the Sacramento Basin still hold a high level of intrinsic value.

The Board remains steadfast in its view that we have a number of distinct competitive advantages as an onshore, conventional-gas exploration company, which will be further realised through the proposed lower-cost vertical well development program at Dempsey.

With industry experts predicting a robust outlook for US Natural Gas markets, we are continuing to work diligently towards the commencement of drilling at our Dempsey conventional Natural Gas prospect in the first half of 2016."

SACGASCO LIMITED

REVIEW OF OPERATIONS

For the year ended 31 December 2015

Financial results and condition

The loss for the year ended 31 December 2015 attributable to members of Sacgasco Limited after income tax was \$2,337,230 (six months ended 31 December 2014: \$506,823). This was after exploration expenditure written off of \$1,584,040.

The Group has a working capital deficit of \$128,570 (six months ended 31 December 2014: surplus \$78,372) and net cash outflows of \$53,911 (six months ended 31 December 2014: \$1,078,673).

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

Summary of results

	12 months ended 31 December 2015 \$	6 months ended 31 December 2014 \$
Revenue from ordinary activities	1,549	646
Other income	365,605	84,612
Loss before income tax	(2,336,013)	(505,112)
Income tax expense	(1,217)	(1,711)
Loss attributable to owners of Sacgasco	(2,337,230)	(506,823)
Other comprehensive income	223,464	254,198
Underlying loss per share (cents)	(2.34)	(0.55)
Shares in issue at reporting date	107,095,783	92,311,257
Weighted average number of shares	100,080,631	92,104,924

Planned Activity - 2016

The Company will seek to implement the growth strategies as outlined in the review of operations above.

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 a 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 43 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this document has been reviewed by Sacgasco's Technical Director, Mr Keith Martens, who has over 35 years of experience in the sector, with 15 years of experience in working in North America. Mr Martens is a qualified resources evaluator and consents to that information being included in the form and context in which it appears. Past ASX releases contain the basis for the resource estimates in this report.

Before investing it is recommended that you conduct your own due diligence and consult financial and technical advisors.

SACGASCO LIMITED DIRECTORS' REPORT

For the year ended 31 December 2015

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Saggasco Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 31 December 2015 and the auditor's report thereon.

1. DIRECTORS

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

Name and status	Experience, qualifications, special responsibilities and other directorships
<p>Andrew Childs Non-executive Chairman Appointed: 25 November 2008</p>	<p>Mr Childs graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, Mr Childs moved to petroleum geology and geophysics with Perth-based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director.</p> <p>Mr Childs is also Principal of Resource Recruitment and Managing Director of International Recruitment Services Pty Ltd.</p>
<p>Gary Jeffery Managing Director Appointed: 24 October 2013</p>	<p>Mr Jeffery has over forty years of project development, operations and exploration experience in the oil, gas and mining and energy utilities industries, having worked for both large and small organisations in over thirty countries worldwide.</p> <p>He is an experienced director of public companies in Australia, Uganda and Canada, and has broad international experience in resources, and provides consulting services on energy and resource related matters.</p> <p>Mr Jeffery graduated with a BSc in Geology and Geophysics from the University of New England. He is a member of the Australian Institute of Energy, Fellow of Australian Institute of Company Directors, and a WA Energy Research Alliance (WAERA) Industry Advisory Group participant.</p>
<p>Keith Martens Non-executive Director Appointed: 14 June 2011</p>	<p>Mr Martens is an explorationist with 35 years' experience in Australia, North America, New Zealand, Philippines and Kazakhstan. He is the former Exploration Manager of Tap Oil Limited, Bow Energy Limited and Senex Energy Limited. He is the current lead explorationist for Jupiter Energy and Saggasco and is Principal of Martens Petroleum Consulting Pty Ltd.</p>

SACGASCO LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2015

1. DIRECTORS (continued)

Name and status	Experience, qualifications, special responsibilities and other directorships
<p>Aqeel Virk Non-executive Director Appointed: 8 July 2015</p>	<p>Mr Virk is an oil and gas professional who has worked for oil and gas companies with assets in Indonesia, Canada and the United States. His experience includes business development, operations, legal affairs, compliance, contract negotiations and acquisitions.</p> <p>Mr Virk graduated from Haskayne School of Business at the University of Calgary and received his Juris Doctor (J.D.) in 2013.</p> <p>Mr Virk is also a Director of Blue Sky Langsa Limited, one of Indonesia's independent offshore oil producers.</p>

2. COMPANY SECRETARY

Mr David McArthur was appointed to the position of Company Secretary on 24 October 2013.

Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. He has been actively involved in the financial and corporate management of a number of public listed companies over the past 28 years, and has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions. He is Company Secretary and Director of a number of public listed Companies with exposure to the ASX, TSX and AIM markets and has a Bachelor of Commerce Degree from the University of Western Australia.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2015, and the number of meetings attended by each director was:

Director	Full meetings of directors		Meetings of audit and risk management committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director
Andrew Childs	1	1	2	2
Gary Jeffery	1	1	-	-
Keith Martens	1	1	2	2
Aqeel Virk	-	-	-	1

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

SACGASCO LIMITED DIRECTORS' REPORT

For the year ended 31 December 2015

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was oil and gas exploration.

5. OPERATING AND FINANCIAL REVIEW

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

Significant changes in the state of affairs

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

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 31 December 2015 (six months ended 31 December 2014: Nil).

7. LIKELY DEVELOPMENTS

The Group will continue to pursue its strategy to further develop its exploration portfolio in California, USA.

8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 6.7 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.

9 ENVIRONMENTAL REGULATION

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

10. PROCEEDINGS ON BEHALF OF THE GROUP

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

SACGASCO LIMITED DIRECTORS' REPORT

For the year ended 31 December 2015

11. SHARE OPTIONS

Unissued shares under options

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

Expiry date	Exercise price cents	Number of shares
31-Dec-16	25	500,000
30-Sep-19	10	11,000,000
		<hr/>
		11,500,000

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company.

Further details in relation to the share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During or since the end of the financial year, no shares were issued as a result of the exercise of options.

Options expired

11,500,000 options expired during the reporting period (during the six months ended 31 December 2014: 16,500,000 options expired).

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid an insurance premium of \$16,309 (six months to 31 December 2014: \$3,116) to insure the directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

13. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

No amounts were paid to the auditor of the Company, Ernst & Young, and its related practices for non-audit services provided during the year.

SACGASCO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED

The Directors present the Company's 2015 Remuneration Report prepared in accordance with the Corporations Act 2001. The Report sets out the detailed remuneration information for Non-executive Directors, Executive directors and other Key Management Personnel (KMP) of the Group.

The report contains the following sections:

- (a) Remuneration governance
- (b) Executive remuneration strategy and framework
- (c) Service contracts
- (d) Non-executive director remuneration
- (e) Key management personnel remuneration
- (f) Other KMP disclosures
- (g) Voting and comments made at the Company's 2014 Annual General Meeting

(a) Remuneration governance

The remuneration of directors and key management is the responsibility of the Remuneration and Nomination Committee.

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout this report.

Compensation levels for key management personnel of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors and Executives. As the Group's principal activities during the year involved identifying new potential ventures and exploration / evaluation of existing leases, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Executive remuneration mix

The remuneration of the Managing Director and other KMP can be structured as a mix of fixed remuneration and variable "at risk" remuneration through short-term and long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group, and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

SACGASCO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

14. REMUNERATION REPORT – AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Performance-linked compensation

Performance-linked compensation can consist of both short-term and long-term remuneration. Performance-linked remuneration is not based on specific financial indicators such as earnings or dividends as the Group is at the exploration and development stage. Vesting of long term incentives is based on the share price performance of the Group, which is considered an appropriate measure of the outcome of overall performance. There is no separate profit-share plan. Currently, the Company does not award performance-linked compensation.

Short-term incentive

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

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

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

At this stage, the Company does not award any STI's.

Long-term incentive

Long-term incentives (LTI) can comprise share options and/or performance rights (PR), which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options and rights are granted for no consideration and do not carry voting rights or dividend entitlements.

The Company adopted an Employee Share Options Scheme (ESOS) effective 25 July 2014. Under the ESOS, the Company may grant options to Company eligible employees and consultants to motivate and reward their performance in their respective roles up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes simulation model.

Options with an exercise price well above the current market price, and with vesting conditions dependent on a market capitalisation significantly higher than the market capitalisation at the time of issue, are chosen as they provide an incentive to grow the overall value of the Company.

SACGASCO LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Options over equity instruments granted as compensation

On 26 October 2015, 10,000,000 options over unissued shares in the Company were granted, for no consideration, to key management personnel under the ESOS. Specific disclosure details are as follows:

	Options granted	Value of options granted \$
Directors		
Gary Jeffery	3,000,000	47,700
Andrew Childs	3,000,000	47,700
Keith Martens	3,000,000	47,700
Aqeel Virk	1,000,000	15,900
	<hr/>	
	10,000,000	159,000

These options vest if the share price has a 5 day VWAP equal to, or in excess of, 10 cents.

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Options over equity instruments granted as compensation (continued)

All options refer to options over ordinary shares of Sacgasco Limited, which are exercisable on a one-for-one basis.

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period are as follows:

	Number of options and rights granted during 2015	Grant date	Fair value per option or right at grant date cents	% vested in year (A)	% forfeited in year	Exercise price per option cents	Expiry date	Number of options and rights vested during 2015
Executive directors								
Gary Jeffery	3,000,000	26-Oct-15	1.59	-	-	10	30-Sep-19	-
Non-executive directors								
Andrew Childs	3,000,000	26-Oct-15	1.59	-	-	10	30-Sep-19	-
Keith Martens	3,000,000	26-Oct-15	1.59	-	-	10	30-Sep-19	-
Aqeel Virk	1,000,000	26-Oct-15	1.59	-	-	10	30-Sep-19	-

(A) The percentage vested in the year represents the number of options that become unconditional due to the recipient satisfying specified vesting conditions;

SACGASCO LIMITED
DIRECTORS' REPORT

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Consequences of performance on shareholder wealth

The overall level of key management personnel compensation takes into account the performance of the Company over a number of years, although no remuneration is directly linked with financial performance.

Performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns	12 months to	6 months to	12 months to 30 June		
	31 December	31 December	2014	2013	2012
	2015	2014			
Net (loss) / profit attributable to equity holders (\$)	(2,337,230)	(506,823)	321,234	(1,176,066)	(2,172,773)
Basic (loss) / earnings per share EPS (cents)	(2.34)	(0.55)	0.38	(1.50)	(3.10)
Share price at year end (cents)	3.90	8.00	12.00	4.00	5.00
Market capitalisation (\$)	4,176,736	7,384,901	10,975,901	2,774,993	n/a
Net tangible (liabilities) / assets (NTA) (\$)	(471,472)	(247,614)	981,167	74,765	n/a
NTA Backing (cents)	(0.44)	(0.27)	1.07	0.94	n/a

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

(c) Service contracts

On appointment to the Board, all non-executive directors enter into a letter of appointment with the Company specifying their functions and duties as a Director.

Executive and Key Management Personnel (KMP) remuneration and other terms of employment are formalised in service agreements. The service agreements outline the components of compensation paid to the Executives and key management personnel (KMPs) but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account any change in the scope of the role performance by KMPs and any changes required to meet the principles of the compensation policy. The major provisions of the agreement relating to remuneration are set out below. Remuneration packages are inclusive of superannuation.

SACGASCO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(c) Service contracts (continued)

Name	Term of agreement	Employee notice period	Employer notice period	Base salary **	Termination Benefit ***
Gary Jeffery *	Ongoing from 1 November 2013	three months	six months	\$200,000	six months base salary

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

** Base salary is inclusive of superannuation 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 5 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.

(d) Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Remuneration and Nomination Committee.

The current base fees were last reviewed with effect from 25 July 2014. The fees approved by the Board are inclusive of the statutory superannuation amount.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per annum and was approved by shareholders at a General Meeting in 2005.

Non-executive directors' base fees are currently \$30,000 (including superannuation) per annum and they do not receive cash performance related compensation. Directors' fees cover all main board activities and memberships of sub-committees.

The Non-executive Chairman's fees are determined independently to the fees paid to the non-executive directors, based on comparative roles in the external market. Having regard to the current economic climate, non-executive Chairman's fees are \$40,000 (including superannuation) per annum.

Pursuant to a share plan approved by shareholders at a general meeting on 25 July 2014, 50% of non-executive director fees are satisfied through the issue of shares on a quarterly basis on the same basis as the Executive Director, and were issued as follows:

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(d) Non-executive director remuneration (continued)

	Tranche	Value of services rendered (A) \$	Fair value of shares on grant date (B) \$	No. of Plan Shares issued	Date of Issue
Executive directors					
Gary Jeffery	1	25,000	54,825	438,596	8-Apr-15
	2	25,000	28,302	471,698	13-Jul-15
	3	25,000	30,612	510,204	5-Oct-15
Non-executive directors					
Keith Martens	1	3,750	8,224	65,789	8-Apr-15
	2	3,750	4,245	70,755	13-Jul-15
	3	3,750	4,592	76,531	5-Oct-15
Andrew Childs	1	5,000	5,660	94,340	13-Jul-15
	2	5,000	6,122	102,041	5-Oct-15

(A) Reflects the contractual salary amounts that have been settled by the company in shares; and

(B) Reflects the fair value of shares at the date the share plan was approved by shareholders on 25 July 2014 (12.5 cents each) and 27 May 2015 (6 cents each).

Shares to be issued in lieu of accrued director fees as at 31 December 2015

	Value of services rendered (A) \$	Fair value of shares on grant date (B) \$	No. of plan shares to be issued (D)
Executive directors			
Gary Jeffery	25,000	40,540	675,676
Non-executive directors			
Keith Martens	3,750	6,081	101,351
Andrew Childs	5,000	8,108	135,135
Aqeel Virk (C)	7,216	10,325	172,084

(A) Reflects the contractual salary amounts that have been settled by the company in shares;

(B) Reflects the fair value of shares at the date the share plan was approved by shareholders on 27 May 2015 (6 cents each);

(C) Reflects the value of services rendered since appointment on 8 July 2015; and

(D) Shares were issued on 7 January 2016.

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.

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(e) Key management personnel remuneration

Name		Short-term employee benefits			Share based payments		Total \$
		Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Shares \$	Options (C) \$	
Executive directors							
Gary Jeffery	2015	100,000	4,683	104,683	154,279	47,700	306,662
	2014	50,000	1,039	51,039	44,918	-	95,957
Non-executive directors							
Andrew Childs	2015	25,000	4,684	29,684	19,891	47,700	97,275
	2014	20,000	1,039	21,039	-	-	21,039
Keith Martens	2015	15,000	4,684	19,684	23,142	47,700	90,526
	2014	7,500	1,039	8,539	6,738	25,000	40,277
Aqeel Virk ⁽¹⁾	2015	7,216	2,258	9,474	10,325	15,900	35,699
	2014	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	2015	47,216	11,626	58,842	53,358	111,300	223,500
	2014	27,500	2,078	29,578	6,738	25,000	61,316
Total key management Personnel remuneration	2015	147,216	16,309	163,525	207,637	159,000	530,162
	2014	77,500	3,117	80,617	51,656	25,000	157,273

⁽¹⁾ Appointed 8 July 2015

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(e) Key management personnel remuneration (continued)

Notes in relation to the table of directors' remuneration

(A) During the reporting period certain key management persons were paid for commercial, arms-length consulting services. The total quantum of these transactions as disclosed in note 6.3 of the notes to the consolidated financial statements was:

- Andrew Childs \$22,775 (six months ended 31 December 2014: \$22,500)
- Keith Martens \$15,750 (six months ended 31 December 2014: \$28,500)
- Aqeel Virk \$5,012 (six months ended 31 December 2014: nil)

(B) Comprises Directors and Officers insurance premiums;

(C) The fair value of options granted was determined using the Black-Scholes simulation pricing model

(f) Other KMP disclosures

KMP option holdings

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

	Held at 1 January 2015	Granted as compensation	Expired	Held at 31 December 2015	Vested during the year	Vested and exercisable at 31 December 2015
Executive directors						
Gary Jeffery	5,000,000	3,000,000	(5,000,000)	3,000,000	-	-
Non-executive directors						
Andrew Childs	2,000,000	3,000,000	(2,000,000)	3,000,000	-	-
Keith Martens	3,500,000	3,000,000	(3,000,000)	3,000,000	-	500,000
Aqeel Virk	-	1,000,000	-	1,000,000	-	-

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

14. REMUNERATION REPORT - AUDITED (continued)

(f) Other KMP disclosures

KMP shareholdings

	Held at 1 January 2015	Issued in lieu of Director fees	Held at 31 December 2015
Executive directors			
Gary Jeffery	1,655,147	1,586,061	3,241,208
Non-executive directors			
Andrew Childs	4,257,336	196,381	4,453,717
Keith Martens	2,390,481	237,909	2,628,390

(g) Voting and comments at the Company's 2015 Annual General Meeting

The Company received 91.16% of "yes" votes on its remuneration report for the 31 December 2014 financial year. The Company did not receive any specific feedback at the annual general meeting or throughout the year on its remuneration practices.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

**SACGASCO LIMITED
DIRECTORS' REPORT**

For the year ended 31 December 2015

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in the Directors' Report for the financial year ended 31 December 2015.

This report is made in accordance with a resolution of the Directors.



GARY JEFFERY

Director

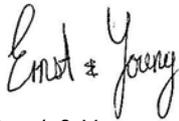
Dated at Perth, Western Australia this 22nd day of March 2016.

Auditor's Independence Declaration to the Directors of Sargasco Limited

As lead auditor for the audit of Sargasco Limited for the year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sargasco Limited and the entities it controlled during the financial period.



Ernst & Young



R J Curtin
Partner
22 March 2016

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The 2015 Corporate Governance Statement is dated as at 31 December 2015 and reflects the corporate governance practices in place throughout the 2015 financial year.

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

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year and they comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

Board Of Directors

Role of the Board

The primary responsibilities of the Board of Directors are set out in a written policy and include:

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

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the Directors' skills, experience and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. To maintain this, the Group's policy is that Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Board composition (continued)

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

- Industry Experience
- Commercial Experience
- Public Company Experience
- Analytical
- Financial
- Risk Management
- Strategic Planning
- Strategic Leadership
- Corporate Governance
- Communications
- Inter personal

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

Details of the Directors are set out in the Directors' Report.

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

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

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

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

Retirement and re-election of directors

The Constitution of the Group requires one third of Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

Independence of directors

The Board has reviewed the position and association of each of the Directors in the office at the date of this report and considers that two Directors are independent. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Independence of directors (continued)

The Board considers that Mr Andrew Childs and Mr Aqeel Virk meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as directors, and no conflicts which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Director education

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

Independent professional advice

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

Board performance review

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

The Directors conducted an internal performance evaluation of the Members of the Board during the reporting period.

Director remuneration

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

- (a) Non-Executive Directors will be remunerated by cash benefits (including statutory superannuation) and will not be provided with any benefits for ceasing to be a Director. Non executive directors may be offered performance based remuneration by way of options or Incentive share rights. The Board acknowledges the grant of options or incentive share rights to non- executive directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however the Board considers the grant of such options and share rights is reasonable in the circumstances for the following reasons:
- (i) the grant of options or incentive shares to non- executive directors will align the interests of the non executive directors with those of Shareholders;
 - (ii) the grant of the options or incentive shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the non-executive directors; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the non executive directors options or incentive shares.
- (b) Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration. A reasonable period of notice of termination will be required and will be detailed in the Executive's employment contract.

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Managing Business Risk

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

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Group's business plan;
- corporate strategy guidelines and procedures to review and approve the Group's strategic plans; and
- insurance and risk management programs which are reviewed by the Board

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

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director (or in his absence the Chairman) and Chief Financial Officer (or someone who fulfills the role that would otherwise be performed by a CFO) annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

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

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these risks.

Due to its size and activities the Company does not have an internal audit function.

Internal Controls

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

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

Audit and Risk Management Committee

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

The primary role of the Audit and Risk Management Committee is to:

- Assist the Board in fulfilling its overview of the audit process;
- Assist the Board in overseeing financial reporting;
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;
- Monitor, review and recommend the adoption of the financial statements of the Company;
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company;
- Review the financial report and other financial information distributed externally;

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee (continued)

- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- Monitor the establishment of appropriate ethical standards;
- Monitor the procedures in place to ensure compliance with the *Corporations Act 2001* and Australian Securities Exchange Listing Rules and all other regulatory requirements;
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Securities Exchange and financial institutions; and
- Improve the quality of the accounting function.

The Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr K Martens – non-executive director (Chair)
- Mr A Childs – independent non-executive chairman
- Mr A Virk – independent non-executive director

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee. The Committee met two times during the year.

Remuneration and Nomination Committee

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

- Determine remuneration policies and remuneration of Directors;
- Determine remuneration and incentive policies of Key Executives;
- Determine the Group recruitment, retention and termination policies and procedures for senior management;
- Determine and review incentive schemes;
- Determine and review superannuation arrangements of the Group;
- Determine and review professional indemnity and liability insurance for Directors and senior management; and
- Identify potential new directors as and when required.

The Committee consists of the following Non-Executive Directors:

- Mr A Virk – independent non-executive director (Chair)
- Mr A Childs – independent non-executive chairman
- Mr K Martens – non-executive director

The Committee did not meet formerly during the year.

Ethical Standards

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. Unethical behaviour is to be reported to the Group's Managing Director (or in his absence, the Chairman) as soon as possible.

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Ethical Standards (continued)

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

Trading in the Company's Securities by Directors and Employees

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

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

Continuous Disclosure

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

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

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

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

Shareholders

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

- As the Group is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the Australian Securities Exchange Listing Rules;
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group; and
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

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

SACGASCO LIMITED

CORPORATE GOVERNANCE STATEMENT

Diversity Policy

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

The Group strives to:

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

The Board is committed to workplace diversity and has developed measurable objectives and strategies to support the framework and objectives of the Diversity Policy, and the Nomination Committee is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms. For the 2015 financial year the Boards' objectives were met by the Group. The Nomination Committee reports annually to the Board on the progress and achievement of the objectives.

Pursuant to Recommendation 1.5, the Group policy discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and Men employed within the Group	20%	80%
Women and Men at senior management level	-	100%
Women and Men employed at Board level	-	100%
Women and Men employed by Corporate services provider	75%	25%

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

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it does not follow recommendation 8.3 of the ASX *"Corporate Governance Principles and Recommendations (Third Edition)"* for reasons stated above.

This statement is current as at 31 December 2015 and has been approved by the Board.



Director – Andrew Childs



Managing Director - Gary Jeffery

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Assets			
Cash and cash equivalents	4.1	70,972	118,644
Trade and other receivables	4.2	214,709	223,185
Prepayments		27,018	27,236
Available for sale financial assets		-	173
Interest bearing assets	5.2	45,123	-
Total current assets		357,822	369,238
Exploration and evaluation expenditure	3.1	1,624,913	2,509,826
Trade debtors and other receivables	4.2	7,536	3,678
Total non-current assets		1,632,449	2,513,504
Total assets		1,990,271	2,882,742
Liabilities			
Trade and other payables	4.3	403,071	143,570
Employee entitlements		23,401	68,750
Interest bearing liabilities	5.2	59,920	-
Liability to carry joint venture		-	78,546
Total current liabilities		486,392	290,866
Site restoration	3.3	350,438	329,664
Total non-current liabilities		350,438	329,664
Total liabilities		836,830	620,530
Net assets		1,153,441	2,262,212
Equity			
Issued capital	5.1	11,477,843	10,689,003
Reserves		769,272	707,888
Accumulated losses		(11,093,674)	(9,134,679)
Total equity attributable to equity holders of the Company		1,153,441	2,262,212

The accompanying notes are an integral part of these financial statements.

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Revenue from continuing operations			
Finance income	2.5	1,549	646
Other operating income	2.3	370,588	91,420
Expenses			
Other operating expenses	2.3	(242,961)	(72,221)
Exploration expenditure impaired	3.1	(1,584,040)	-
Site restoration		(5,232)	(85,765)
Personnel expenses	2.4	(541,605)	(157,273)
Administrative expenses		(93,845)	(69,914)
Professional fees		(189,556)	(143,121)
Other expenses		(29,098)	(39,755)
Finance expenses	2.5	(8,506)	-
Foreign exchange loss		(4,983)	(6,808)
Loss on disposal of subsidiary		(3,706)	-
Impairment of investment in associate		(4,618)	(22,321)
Results from operating activities		(2,336,013)	(505,112)
Loss before income tax		(2,336,013)	(505,112)
Income tax expense	2.6	(1,217)	(1,711)
Loss for the year / period from continuing operations		(2,337,230)	(506,823)
Loss for the year / period		(2,337,230)	(506,823)

The accompanying notes are an integral part of these financial statements.

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015 (continued)

	Note	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Other comprehensive income			
<i>Items that may be classified subsequent to profit or loss</i>			
Foreign currency translation difference of foreign operations		223,572	254,198
Changes in fair value on equity instruments measured at fair value		(108)	-
Total items that may be classified subsequently to profit or loss		223,464	254,198
Total comprehensive loss for the year		(2,113,766)	(252,625)
Loss attributable to owners of the Company		(2,337,230)	(506,823)
Total comprehensive profit / (loss) attributable to owners of the Company		(2,113,766)	(252,625)
Loss per share (cents per share)			
Basic and diluted (cents per share)	2.7	(2.34)	(0.55)

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital	Investment revaluation reserve	Translation reserve	Share-based Payments reserve	Options reserve	Accumulated losses	Total
	\$		\$	\$	\$	\$	\$
Balance at 1 January 2015	10,689,003	108	280,745	23,800	403,235	(9,134,679)	2,262,212
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(2,337,230)	(2,337,230)
Other comprehensive income for the year							
Revaluation of available for sale financial Assets	-	(108)	-	-	-	-	(108)
Foreign exchange translation difference on foreign operations	-	-	223,572	-	-	-	223,572
Total other comprehensive loss for the year	-	(108)	223,572	-	-	-	223,464
Total comprehensive loss for the year	-	(108)	223,572	-	-	(2,337,230)	(2,113,766)
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Issue of ordinary shares	804,591	-	-	(23,800)	-	-	780,791
Share-based payment transactions	-	-	-	65,055	174,900	-	239,955
Transfer to accumulated losses on lapse of options	-	-	-	-	(378,235)	378,235	-
Capital raising costs	(15,751)	-	-	-	-	-	(15,751)
Total contributions by and distributions to owners	788,840	-	-	41,255	(203,335)	378,235	1,004,995
Total transactions with owners	788,840	-	-	41,255	(203,335)	378,235	1,004,995
Balance at 31 December 2015	11,477,843	-	504,317	65,055	199,900	(11,093,674)	1,153,441

The accompanying notes are an integral part of these financial statements.

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2014

	Share capital	Investment revaluation reserve	Translation reserve	Share-based Payments reserve	Options reserve	Accumulated losses	Total
	\$		\$	\$	\$	\$	
Balance at 1 July 2014	10,586,555	108	26,547	77,820	687,235	(8,936,856)	2,441,409
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(506,823)	(506,823)
Other comprehensive income for the period							
Foreign exchange translation difference on foreign operations	-	-	254,198	-	-	-	254,198
Total other comprehensive loss for the period	-	-	254,198	-	-	-	254,198
Total comprehensive loss for the period	-	-	254,198	-	-	(506,823)	(252,625)
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Issue of ordinary shares	105,677	-	-	(77,820)	-	-	27,857
Share-based payment transactions	-	-	-	23,800	25,000	-	48,800
Transfer to accumulated losses on lapse of options	-	-	-	-	(309,000)	309,000	-
Capital raising costs	(3,229)	-	-	-	-	-	(3,229)
Total contributions by and distributions to owners	102,448	-	-	(54,020)	(284,000)	309,000	73,428
Total transactions with owners	102,448	-	-	(54,020)	(284,000)	309,000	73,428
Balance at 31 December 2014	10,689,003	108	280,745	23,800	403,235	(9,134,679)	2,262,212

The accompanying notes are an integral part of these financial statements.

SACGASCO LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

		12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
	Note		
Cash flows from operating activities			
Cash paid to suppliers and employees		(292,476)	(288,265)
Interest received		27	646
Interest paid		(5,011)	-
Income taxes paid		(1,217)	(1,711)
Net cash used in operating activities	4.1b	(298,677)	(289,330)
Cash flows from investing activities			
Payments for exploration, evaluation and development		(329,515)	(763,793)
Payments to associates		(4,576)	(22,321)
Net cash used in investing activities		(334,091)	(786,114)
Cash flows from financing activities			
Repayment of borrowings	5.2	(155,000)	-
Proceeds from borrowings	5.2	155,000	-
Loans to joint venture partner	5.2	(43,601)	-
Proceeds from issue of shares and options	5.1	638,209	-
Capital raising costs		(15,751)	(3,229)
Net cash from / (used in) financing activities		578,857	(3,229)
Net decrease in cash and cash equivalents		(53,911)	(1,078,673)
Cash and cash equivalents at beginning of year / period		118,644	1,199,527
Effect of exchange rate fluctuations on cash held		6,239	(2,210)
Cash and cash equivalents at 31 December	4.1a	70,972	118,644

The accompanying notes are an integral part of these financial statements.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2015

SECTION 1 BASIS OF PREPARATION

Sacgasco Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2015 financial statements, we have grouped notes into sections under six key categories:

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

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

1.1 GENERAL INFORMATION

Sacgasco Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 2, 55 Carrington Street, Nedlands, WA, 6009.

The Company was formerly known as Australian Oil Company Limited. At a general meeting on 29 October 2015, shareholders approved the change of name to Sacgasco Limited. The name change became official on 4 November 2015.

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 22 March 2016. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency. Sacgasco LLC functional currency is United States dollars;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2015. Refer to note 6.9 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.10 for further details.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2 GOING CONCERN

The directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The group has minimal debt obligations. The Group has a working capital deficit of \$128,570 and net cash outflows for the 31 December 2015 financial year of \$53,911 (six months ended 31 December 2014: \$1,078,673). The Group incurred a loss for the year of \$2,337,230 (six months ended 31 December 2014: \$506,823), including \$1,584,040 (six months ended 31 December 2014: \$nil) of exploration expenditure written off in the period.

The Group is focused on securing further land leases in California and pursuing and assessing new venture opportunities which are complementary with its existing asset position. The directors are aware that additional funds will need to be sourced for the Group to continue its business as budgeted, including meeting its exploration and development activities. The Group's cash flow forecast for the period to 31 March 2017 reflects that the Group will need to raise additional funds immediately to enable it to meet its working capital requirements and its committed and planned development expenditure in connection with its exploration and evaluation assets. The ability of the Group to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is dependent on the Group successfully securing further working capital from one or more of the following alternatives:

- Capital market raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties
- Farming out assets to reduce exploration expenditures

Given the financial position of the Group and its demonstrated ability to raise funds through the satisfactory raising of \$638,209 through a Share Purchase Plan in June 2015 (refer note 5.1), the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. If necessary, the Group has the capacity to delay or cancel a number of expenses that are discretionary in nature, including administrative costs, exploration programmes and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities.

In addition, the directors have provided written undertakings to provide working capital to the Group (on a needs basis) to enable it to settle its debts as and when they fall due from the date of this financial report until such time the Group has raised capital which, in the opinion of the Board, is sufficient for a period of 12 months. The undertaking will expire should the current board composition change or in the event of a change in control of the Company.

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment there is significant uncertainty regarding the outcomes of the future funding alternatives.

In the event that the Group is unable to raise additional funds to meet the Group's planned development expenditure when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.3 BASIS OF CONSOLIDATION

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associated is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition charges in the Group's share of net assets of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where a joint arrangement is classified as a joint operation the Group recognises its proportionate share of revenue, expenditure, assets and liabilities.

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

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

1.5 IMPAIRMENT

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.5 IMPAIRMENT (continued)

Non-financial assets

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cost generating unit (CGU).

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

1.6 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- *Note 1.2* - *Going concern*
- *Note 2.6* - *Income tax expense*
- *Note 3.1* - *Capitalised exploration and evaluation costs*
- *Note 6.1* - *Share-based payments plans*

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 2 RESULTS FOR THE YEAR

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

Key estimates and assumptions in this section

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, the tax asset has not yet been recognised.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being oil and gas exploration and appraisal.

Reportable segments disclosed are based on aggregating tenements where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same petroleum resource or type of petroleum resource; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating tenements, are determined in accordance with *AASB 8 Operating Segments*.

Reconciliation of reportable segment loss, assets and liabilities and other material items

	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Loss before income tax		
Total loss for reportable segments	(1,469,969)	(88,887)
Central administration and directors' remuneration	(859,087)	(416,871)
Finance expense	(8,506)	-
Finance income	1,549	646
Consolidated loss before income tax	(2,336,013)	(505,112)
	31 December 2015	31 December 2014
Assets		
Total assets for reportable segments	1,801,125	2,622,217
Cash and cash equivalents	70,972	118,644
Other assets	118,174	141,881
Consolidated total assets	1,990,271	2,882,742

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 OPERATING SEGMENTS (continued)

Reconciliation of reportable segment loss, assets and liabilities and other material items (continued)

	31 December 2015 \$	31 December 2014 \$
Liabilities		
Total liabilities for reportable segments	(350,438)	(408,210)
Employee benefits	(23,401)	(68,750)
Other liabilities	(462,991)	(143,570)
Consolidated total liabilities	(836,830)	(620,530)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2014.

2.2 REVENUE

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

The policy relating to interest income is set out in note 2.5.

2.3 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.

		12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Other operating income	(i)	292,042	91,420
Reversal of liability to carry joint venture	(ii)	78,546	-
		370,588	91,420

- (i) A by-product of exploration leases acquired in the Capay and Los Medanos gas fields is a working interest in minor gas production rights in the Sacramento Basin onshore California.
- (ii) On 12 July 2011, Saccgasco, formerly AOC, sold its wholly owned subsidiary Calog LLC ("Calog") to Bombora Energy Pty Ltd. As part of the transaction, Saccgasco agreed to give Calog a free carry with respect to its pro-rata share of geological and seismic evaluation expenditure prior to drilling in the Porter Ranch project (held in Alamo Creek Oil LLC). Following management's decision to withdraw from the Porter Ranch project and dissolve Alamo Creek Oil LLC, the \$78,546 liability to carry joint venture partner has been reversed through profit or loss.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short-term employee benefits are 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 as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

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

Share-based payments

The policy relating to share-based payments is set out in note 6.1.

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

	Note	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Directors remuneration	6.3	530,162	157,273
Other wages and salaries		6,425	-
Contributions to defined contribution plans		610	-
Other associated personnel expenses		4,408	-
Total Directors remuneration		541,605	157,273

2.5 NET FINANCE COSTS

Accounting Policy

Net finance costs comprise income on funds invested and interest expense on borrowings. Interest income and interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

	Note	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Interest income on bank deposits		27	646
Other interest income	5.2	1,522	-
		1,549	646
Interest expense on financial liabilities measured at amortised cost			
Interest expense on borrowings	5.2	(8,506)	-
Net finance (expense) / income recognised in profit or loss		(6,957)	646

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.6 INCOME TAX EXPENSE

Accounting Policy

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(a) Amounts recognised in profit or loss

	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Current tax expense / (benefit)		
Adjustment for prior periods	1,217	1,711
Total income tax expense	<u>1,217</u>	<u>1,711</u>

(b) Reconciliation of effective tax rate

Loss for the period	(2,337,230)	(506,823)
Total income tax expense	1,217	1,711
Profit / (Loss) excluding income tax	<u>(2,336,013)</u>	<u>(505,112)</u>
Income tax using the Group's domestic tax rate of 30% (six months ended 31 December 2014: 30%)	(700,804)	(151,534)
Non-deductible expense	613,373	31,768
Timing differences not brought to account	(4,639)	43,944
Tax losses not brought to account	92,070	75,822
	<u>-</u>	<u>-</u>

All unused tax losses were incurred by Australian entities.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.6 INCOME TAX EXPENSE (continued)

Potential future income tax benefits of up to \$1,596,749 (31 December 2014:\$1,487,101) attributed to tax losses have not been brought to account.

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

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

(c) Unrecognised deferred tax assets and liabilities

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

	2015	2014
	\$	\$
Deferred tax assets (DTAs)		
Black hole deductible costs	18,557	31,530
Trade and other payables	6,300	6,300
Employee benefits	7,020	20,625
Carry forward tax losses	1,596,749	1,487,101
DTAs not brought to account	1,628,626	1,545,556

There were no unregistered deferred tax liabilities.

The Group does not recognise deferred tax.

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7 LOSS PER SHARE

(a) Basic loss per share

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

The calculation of basic loss per share at 31 December 2015 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

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

Loss per share attributable to ordinary shareholders

	12 months to 31 December 2015	6 months to 31 December 2014
Net loss attributable to ordinary shareholders - \$	(2,337,230)	(506,823)
Issued ordinary shares at 1 January	92,311,257	91,465,838
Effect of shares issued	7,769,374	639,086
Weighted average number of ordinary shares at 31 December	100,080,631	92,104,924
Basic loss per share (cents)	(2.34)	(0.55)
Diluted loss per share (cents) *	(2.34)	(0.55)

* At 31 December 2015, 11,500,000 options (31 December 2014: 12,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 3 ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION

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

Key estimates and assumptions in this section

Indicators of impairment for exploration and evaluation assets

The Group has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that impairment indicators did not exist at year end. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

Site restoration

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

3.1 EXPLORATION AND EVALUATION EXPENDITURE

Accounting Policy

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the consolidated statement of financial position where it is expected that the expenditure may be recovered through the successful development and exploitation of an area of interest, or by its sale, or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. Such triggering events are defined in AASB 6 'Exploration for and Evaluation of Mineral Resources' in respect of exploration and evaluation assets and includes consideration of commercial viability and technical feasibility.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.5.

Site restoration

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

	2015	2014
	\$	\$
Costs carried forward in respect of areas of interest		
Exploration and evaluation expenditure	1,624,913	2,509,826

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 EXPLORATION AND EVALUATION EXPENDITURE (continued)

	Note	2015 \$	2014 \$
Movements for the year:			
Exploration and evaluation expenditure			
Opening balance		2,509,826	1,460,241
Acquisitions		352,338	187,040
Additions		102,998	582,890
Written off	(i)	(1,584,040)	-
Effects of foreign exchange		243,791	279,655
		1,624,913	2,509,826

- (i) During the 2015 financial year, in consultation with its joint venture partners, management decided to withdraw from its investment in the Coalinga water injection well, to not negotiate new oil and gas leases at Porters Ranch and consequently to dissolve its associate company Alamo Creek LLC. Consequently, assets and liabilities allocable to the Coalinga water injection well and Alamo Creek LLC were written off.

Oil and gas leases over the Group's various exploration projects are in the name of the relevant Sacgasco Limited subsidiary company or are held by the operator of the projects with the operator recognising that the relevant Sacgasco Limited subsidiary company has a beneficial interest in the project whilst they continue to meet the pro-rata share of costs.

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The ultimate recovery of capitalised exploration and evaluation expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

3.2 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed or ready for use.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 PROVISIONS

Accounting Policy

Provisions

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

Site restoration

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

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

The non-current site restoration provision of \$350,438 (2014: \$329,664) is in respect of the Group's on-going obligation for the plugging and abandonment of producing wells and general rehabilitation of well sites in the Sacramento Basin onshore California area of interest. The timing of rehabilitation expenditure is dependent on the life of the gas field which may vary in the future. The nature of restoration activities include well-plugging, restoration, reclamation and revegetation of affected areas. The Company continues to work with the Californian authorities and landowners with regards to the planning and timing of the rehabilitation.

	2015	2014
	\$	\$
Site restoration provision	350,438	329,664
Movement in carrying amounts		
Opening balance	329,664	204,374
Additional provisions recognised	-	85,765
Amounts transferred to profit or loss	(17,441)	-
Effects of foreign exchange	38,215	39,525
Closing balance	350,438	329,664

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 4 WORKING CAPITAL DISCLOSURES

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

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(a) Reconciliation of cash and cash equivalents

	2015 \$	2014 \$
Cash and cash equivalents in the statement of cash flows	70,972	118,644

(b) Reconciliation of cash flows from operating activities

	Note	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Cash flows from operating activities			
Loss for the period		(2,337,230)	(506,823)
Adjustments for:			
Bad debts		2,500	-
Equity-settled share-based payment transactions	6.1	382,537	76,656
Finance expense		1,973	-
Exploration expenditure written off	3.1	1,584,040	-
Net (profit) / loss on foreign exchange translation		(7,191)	1,773
Impairment of investment in subsidiary		(74,840)	-
Impairment of investment in associate		4,618	22,321
Provision for site rehabilitation		5,232	85,765
Change in other receivables		(55,458)	(21,458)
Change in prepayments		218	(26,826)
Change in trade and other payables		240,273	10,512
Change in provisions and employee benefits		(45,349)	68,750
Net Cash used in operating activities		(298,677)	(289,330)

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 OTHER RECEIVABLES

Accounting Policy

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the consolidated statement of profit or loss.

	2015	2014
	\$	\$
Continuing operations		
GST and PAYG receivable	37,333	30,634
Net production receivable	176,212	112,391
Deposits and bonds	7,536	3,678
Other receivables	1,164	80,160
	222,245	226,863
Current	214,709	223,185
Non-current	7,536	3,678
	222,245	226,863

Information about the Group's exposure to credit and market risks is included in note 6.2.

4.3 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables 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 at the end of the month following date of recognition.

	2015	2014
	\$	\$
Current		
Trade payables	381,911	107,323
Non-trade payables and accrued expenses	21,160	36,247
	403,071	143,570

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 6.2.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 EQUITY AND FUNDING

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

5.1 CAPITAL AND RESERVES

Accounting Policy

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

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2015	2014	2015	2014
On issue at 1 January / 1 July	92,311,257	91,465,838	10,689,003	10,586,555
<i>Shares issued and expensed during the period:</i>				
Issue of shares at 12.5 cents each in lieu of directors' fees	694,782	845,419	86,848	105,677
Issue of shares at 6 cents each in lieu of Directors' fees	1,325,569	-	79,534	-
Placement of shares at 5 cents each	12,764,175	-	638,209	-
Capital raising costs	-	-	(15,751)	(3,229)
On issue at 31 December	107,095,783	92,311,257	11,477,843	10,689,003

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

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

All issued shares are fully paid.

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

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued.

Translation reserve

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

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 LOANS AND BORROWINGS

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

	2015	2014
	\$	\$
Current		
Loan to joint venture partner for cash calls	45,123	-
Loan from joint venture partner for cash calls	(59,920)	-
	(14,797)	-

During the year, joint venture partners mutually agreed to fund reciprocal cash calls. At year end these amounts had not been offset or repaid and are recorded as unsecured loans accruing interest at 7% per annum.

In addition, two directors of the company provided cash loans to the Company repayable within 6 months, accruing interest at 10% per annum, pro rata. These loans were repaid during the year.

	2015	2014
	\$	\$
Loan to joint venture partner		
Opening balance	-	-
Cash calls paid on behalf of joint venture partner	43,601	-
Interest charged at 7%	1,522	-
	45,123	-
Loan from joint venture partner		
Opening balance	-	-
Cash calls paid by joint venture partner	(56,425)	-
Interest charged at 7%	(3,495)	-
	(59,920)	-
Loans from directors		
Opening balance	-	-
Loans advanced by directors of the Company	(155,000)	-
Interest charged at 10%	(5,011)	-
Less repaid	160,011	-
	-	-

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 6 OTHER DISCLOSURES

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

Key estimates and assumptions in this section

Share-based payments

The fair value of share options is measured using the binomial options pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

6.1 SHARE-BASED PAYMENT PLANS

Accounting Policy

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

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

The share-based payment expense included within the consolidated statement of comprehensive profit or loss can be broken down as follows:

	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Expensed in personnel expenses (director remuneration)		
Options issued to directors	159,000	25,000
Shares issued to directors	142,582	27,856
Shares to be issued to directors	65,055	23,800
Expensed in professional fees		
Options issued to Company Secretary	15,900	-

Equity-settled share option programme

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

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

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

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

At 31 December 2015, a summary of the Group options issued and not exercised 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-Nov-13	29-Nov-13	31-Dec-15	25	11,500,000	-	-	(11,500,000)	-	-
31-Jul-14	31-Jul-14	31-Dec-16	25	500,000	-	-	-	500,000	500,000
26-Oct-15	26-Oct-15	30-Sep-19	10	-	11,000,000	-	-	11,000,000	-
Total				12,000,000	11,000,000	-	(11,500,000)	11,500,000	500,000
Weighted Average Exercise Price (cents)				25.0	10.0	-	25.0	10.65	

During the year ended 31 December 2015, 11,500,000 (six months ended 31 December 2014: 16,500,000) options were forfeited or expired. At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 3.63 years (31 December 2014: 1.04 years). The weighted average exercise price of outstanding shares at the end of the reporting period was 10.65 cents (31 December 2014: 25 cents).

At 31 December 2014, a summary of the Group options used and not exercised are as follows:

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
14-Nov-11	14-Nov-11	31-Dec-14	25	6,000,000	-	-	(6,000,000)	-	-
11-Dec-12	11-Dec-12	31-Dec-14	25	10,500,000	-	-	(10,500,000)	-	-
29-Nov-13	29-Nov-13	31-Dec-15	25	11,500,000	-	-	-	11,500,000	11,500,000
31-Jul-14	31-Jul-14	31-Dec-16	25	-	500,000	-	-	500,000	500,000
Total				28,000,000	500,000	-	(16,500,000)	12,000,000	12,000,000
Weighted Average Exercise Price (cents)				25.0	25.0	-	25.0	25.0	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

Key valuation assumptions made at valuation date are summarised below:

Key value assumptions	2015	2014
Exercise price (cents)	10	25
Grant date	26-Oct-15	31-Jul-14
Expiry date	30-Sep-19	31-Dec-16
Life of the options (years)	3.93	2.42
Volatility	90%	105%
Risk free rate	1.8%	2.53%

6.2 FINANCIAL RISK MANAGEMENT

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 139 *Financial Instruments*:

- Loans and receivables – separately disclosed as cash and cash equivalents and trade and other receivables;
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$70,972 at 31 December 2015 (31 December 2014: \$118,644). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

At 31 December 2015, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2015	2014
	\$	\$
Australia	38,497	110,794
USA	183,748	116,069
	222,245	226,863

Presently, the Group undertakes exploration and evaluation activities exclusively in California, USA. As the Group is not trading there are no financial assets past due and there is no management of credit risk through performing an aging analysis; therefore an aging analysis has not been disclosed.

At 31 December 2015, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2015	2014
	\$	\$
Authorised banking institutions and government agencies	37,333	30,634
Net income from operations	176,212	112,391
Other receivables	1,164	80,160
Security bonds	7,536	3,678
	222,245	226,863

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	12 months or less
	\$	\$	\$
31 December 2015			
Non-derivative financial liabilities			
Trade and other payables	403,071	403,071	403,071
Employee entitlements	23,401	23,401	23,401
Interest bearing liabilities	59,920	61,988	61,988
	486,392	488,460	488,460
31 December 2014			
Non-derivative financial liabilities			
Trade and other payables	143,570	143,570	143,570
Employee entitlements	68,750	68,750	68,750
Liability to carry joint venture	78,546	78,546	78,546
	290,866	290,866	290,866

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the manner in which the Group manages market risk from the previous year.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2015	2014	2015	2014
	\$	\$	\$	\$
US dollar	265,452	134,112	-	-

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2015	2014
	\$	\$
Variable rate instruments		
Cash and cash equivalents	70,972	118,644
Interest bearing assets	45,123	-
	116,095	118,644

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 31 December 2014.

	Profit or loss	
	100 bp increase	100 bp decrease
	\$	\$
31 December 2015 (12 months ending)		
Variable rate instruments	1,307	(599)
Cash flow sensitivity	1,307	(599)
31 December 2014 (6 months ending)		
Variable rate instruments	1,138	(54)
Cash flow sensitivity	1,138	(54)

At the reporting date the Group did not hold any variable rate financial liabilities.

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors, accruals and employee entitlements have been excluded from the above analysis as their fair values are equal to the carrying values. The carrying value of interest bearing borrowings approximate its fair value.

6.3 RELATED PARTIES

Key management personnel compensation included in 'personnel expenses' (note 2.4) and 'share-based payments' (note 6.1), comprises the following:

		12 months to 31 December 2015	6 months to 31 December 2014
	Note	\$	\$
Short term employee benefits		163,525	80,617
Share-based payments – shares issued	6.1	142,582	27,856
Share-based payments – shares to be issued	6.1	65,055	23,800
Share-based payments – options	6.1	159,000	25,000
	2.4	530,162	157,273

SACGASCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 RELATED PARTIES (continued)

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' report in section 14.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Other key management personnel transactions

A number of 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.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Note	Transactions value		Balance outstanding as at 31 December	
			12 months to 31 December	6 months to 31 December	2015	2014
			2015	2014	2015	2014
			\$	\$	\$	\$
Key management	Transaction					
Andrew Childs	Consulting fees	(i)	22,775	22,500	42,167	-
Keith Martens	Consulting fees	(ii)	15,750	28,500	30,525	-
Aqeel Virk	Consulting fees	(iii)	5,012	-	2,917	-
					75,609	-

Other key management personnel transactions (continued)

Key to table

- (i) The Group used the consulting services and offices of Resource Recruitment, a company associated with Andrew Childs, in relation to advice on certain exploration and management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;
- (ii) The Group used the consulting services of Martens Petroleum Pty Ltd, a company associated with Keith Martens, in relation to advice on certain management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;
- (iii) The Group used the consulting services of Blue Sky Management Group Inc., a company associated with Aqeel Virk, in relation to advice on certain management activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.4 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2015 %	2014 %
AOC No. 2 Pty Ltd	Corporate	Australia	31 December	100	100
AOC No. 3 Pty Ltd	Corporate	Australia	31 December	100	100
AOC Investments Pty Ltd	Corporate	Australia	31 December	100	100
Sacgasco LLC	Oil and gas exploration	USA	31 December	100	100
Los Alamos Oil LLC	Oil and gas Exploration	USA	31 December	-	100

6.5 JOINT ARRANGEMENTS

Details of the Group's material associates at the end of the reporting period are as follows:

Name of associatey	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2015 %	2014 %
Alamo Creek Oil LLC	Oil and gas exploration	California, USA	50	50
Excelaron LLC	Oil and gas exploration	California, USA	35	35
Cal LNG LLC	Oil and gas exploration	California, USA	42	42

The above associates are accounted for using the equity method in these consolidated financial statements.

Alamo Creek Oil LLC was dissolved on 22 January 2016.

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.6 PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 31 December 2015, the parent entity of the Group was Sacgasco Limited.

	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Result of the parent entity		
Loss for the year	(2,792,120)	(349,799)
Other comprehensive income	-	-
Total comprehensive loss for the year	(2,792,120)	(349,799)
Financial position of parent entity at year end		
Current assets	181,481	244,908
Total assets	835,717	2,450,846
Current liabilities	486,392	290,737
Total liabilities	486,392	290,737
Total equity of the parent entity comprising of:		
Share capital	11,477,843	10,689,003
Reserves	264,955	427,143
Accumulated losses	(11,393,473)	(8,956,037)
Total equity	349,325	2,160,109

6.7 SUBSEQUENT EVENTS

On 5 January 2016, a loan totalling \$100,000 was advanced to the Company by a director. The term of the loan is for six months with interest payable at 10% per annum.

On 6 January 2016, 1,503,871 fully paid ordinary shares were issued in lieu of director fees as approved by shareholders.

On 22 January 2016, Alamo Creek Oil LLC, an associate company in California USA, was dissolved.

Other than as disclosed above, 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.

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.8 AUDITORS' REMUNERATION

	12 months to 31 December 2015 \$	6 months to 31 December 2014 \$
Ernst & Young Australia:		
<i>Auditors and other assurance services</i>		
Audit and review of financial reports	30,900	21,630
Total remuneration of Ernst & Young Australia	30,900	21,630
TOTAL AUDITORS' REMUNERATION	30,900	21,630

It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young's expertise and experience with the Group are important. These assignments are principally tax advice, or where Ernst & Young is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

6.9 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in the notes to the consolidated financial statements to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

- (a) AASB 2014-1 (Part C) *Further amendments to Australian Accounting Standards to delete their references to AASB 1031, prior to final withdrawal of the standard*
- (b) Annual Improvements (2010 – 2012): Related Party Disclosures AASB 124 - *Clarifies where KMP is an entity (e.g. Responsible Entity / Trustee) and disclose total remuneration paid to KMP, not individual of KMP*
- (c) Annual Improvements (2010 – 2012): Operating Segments AASB 8 – *An entity is only required to provide a reconciliation of segments' assets to the entity's assets when assets are reported to CODM*
- (d) Annual Improvements (2010 – 2012): Share Based Payments AAASB 2 – *Amends the definition of vesting and market conditions and adds definitions for performance and service conditions*

The adoption of these standards and interpretations did not have a material impact on the Group.

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2015.

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 2014-3	Accounting for Acquisitions of Interests in Joint Operations	Business combination accounting required to be applied to acquisitions of interests in a joint operation that meets the definition of a 'business' under AASB 3 <i>Business Combinations</i> .	1 January 2016	1 January 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation	Introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. Limited opportunity for presumption to be overcome. Clarifies that revenue-based depreciation for property, plant and equipment cannot be used.	1 January 2016	1 January 2016
AASB 2014-9	Equity Method in Separate Financial Statements	Allows the use of the equity method in separate financial statements in the accounting for associates, joint ventures and subsidiaries	1 January 2016	1 January 2016
AASB 2014-10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a 'business' under AASB 3 <i>Business Combinations</i> (whether housed in a subsidiary or not).	1 January 2016	1 January 2016
AASB 2015-2	Disclosure Initiative: <i>Amendments to AASB 101</i>	The amendments do not require any significant change to current practice, but should facilitate improved reporting, including emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.	1 January 2016	1 January 2016
AASB 1057	Application of Australian Accounting Standards	Majority of AASB standards and interpretations have been reissued for editorial changes. However, there is no technical application impact from reissue of standards and interpretations. A new standard, AASB 1057 has been issued as part of the reorganisation process.	1 January 2016	1 January 2016

SACGASCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 2015-1	Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	<p>Amendments to existing accounting standards, particularly in relation to:</p> <ul style="list-style-type: none"> • AASB 5 – guidance on changes in methods of disposal; • AASB 7 – clarifies ‘continuing involvement’ for servicing contracts; • AASB 7 – clarifies offsetting disclosures are not necessarily required in interim financial statements, but may be included under the general requirements of AASB 134; • AASB 119 – clarifies that discount rates used should be in the same currency as the benefits are to be paid; and • AASB 134 – clarifies that disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report. 	1 January 2016	1 January 2016
AASB 9	Financial Instruments	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hed accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010).	1 January 2018	1 January 2018
AASB 15 *	Revenue from Contracts with Customers	<p>This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue:</p> <ul style="list-style-type: none"> • at a point in time; or • over time. <p>The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p>	1 January 2018	1 January 2018

* Assumes that the AASB will also agree to defer the effective date of AASB 15

SACGASCO LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Saccgasco Limited (the "Group"):
 - (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) as set out in note 1.2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 22nd day of March 2016.



GARY JEFFERY
Managing Director

Independent auditor's report to the members of Sacgasco Limited

Report on the financial report

We have audited the accompanying financial report of Sacgasco Limited, which comprises the consolidated statement of financial position as at 31 December 2015 the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

1. the financial report of Sacgasco Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.1.

Emphasis of Matter

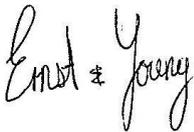
Without qualifying our opinion, we draw attention to Note 1.2 in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2015. 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.

Opinion

In our opinion, the Remuneration Report of Sacgasco Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin
Partner
Perth
22 March 2016

SACGASCO LIMITED STOCK EXCHANGE INFORMATION

STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 29 February 2016:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	65	5,938	0.01
1,001 - 5,000	45	181,127	0.16
5,001 - 10,000	71	647,003	0.60
10,001 - 100,000	248	11,378,369	10.48
100,001 and over	151	96,387,217	88.75
Total	580	108,599,654	100.00

There were 210 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

The substantial shareholders are set out below:

Shareholders	Number of Shares
HSBC Custody Nominees (Australia) Limited	8,453,828

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.

SACGASCO LIMITED STOCK EXCHANGE INFORMATION

4. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
31-Jul-14	500,000	1	31-Dec-16	25
26-Oct-15	11,000,000	5	30-Sep-19	10

There are 11,500,000 options issued to 6 holders under the Sacgasco long-term option plan to take up ordinary shares.

5. Twenty largest shareholders

Shareholders	Ordinary shares	
	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	8,453,828	7.784
NEFCO Nominees (Australia) Limited	5,239,000	4.824
Brazell Pty Ltd	3,645,334	3.357
Queensland M M Pty Ltd	3,000,000	2.762
Talex Investments Pty Ltd	3,000,000	2.762
Pemberley Group Pty Ltd	2,683,616	2.471
Glennbrown Pty Ltd	2,610,065	2.403
Mrs Kerry Martens & Mr Keith Martens <Onslow Super Fund A/C>	2,578,390	2.374
Bond Street Custodians Limited <PNCORK – D00089 A/C>	2,259,306	2.080
Blue Sky International Holdings Limited	1,914,175	1.763
Hennessy Pacific Investments Limited	1,906,666	1.756
Warrangi Nominees Pty Ltd	1,700,000	1.565
Magaurite Pty Ltd	1,600,000	1.473
Hemsby Super Pty Ltd	1,500,000	1.381
Scott Investment Fund Pty Ltd <Scott Family Super Fund A/C>	1,500,000	1.381
Mr Benjamin William Jarvis	1,421,080	1.309
Mr Blair Evan Pedler	1,265,000	1.165
Mr Peter Cockcroft	1,262,501	1.163
Netwealth Investments Limited <Wrap Services A/C>	1,225,000	1.128
Mr Gary John Jeffery & Mrs Jane Elizabeth Jeffery <Dungay Super Fund A/C>	1,185,880	1.092

SACGASCO LIMITED STOCK EXCHANGE INFORMATION

6. Petroleum tenement interests

Project name	Location	Working interest
Alvares Prospect	Sacramento Basin Onshore Northern California	40%
Dempsey Prospect	Sacramento Basin Onshore Northern California	55%
California AMI Prospects	Sacramento Basin Onshore Northern California	70%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	55%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	55%
Mankins Ranch Oil Prospect	Santa Maria Basin (Huasna Sub-Basin) Onshore Southern California	35%
