



# **SAGGASCO LIMITED**

**ABN 83 114 061 433**

## **INTERIM FINANCIAL REPORT**

**For the six months ended 30 June 2016**

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## **CORPORATE DIRECTORY**

### **Directors**

Mr Andrew Childs  
Mr Gary Jeffery  
Mr Keith Martens

### **Secretary**

Mr David McArthur

### **Registered Office**

Level 2, 55 Carrington Street  
Nedlands WA 6009

Telephone: +61 8 9423 3200  
Facsimile: +61 8 9389 8327

### **Principal Office**

Level 2, 210 Bagot Road  
Subiaco WA 6008

Telephone: +61 8 9388 2654

### **Postal Address**

PO Box 985  
Nedlands WA 6909

### **Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

### **Bankers**

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

### **Share Registry**

Advanced Share Registry Services Limited  
110 Stirling Highway  
Nedlands WA 6009

### **ASX Code**

Shares: SGC

### **Country of Incorporation and Domicile**

Australia

### **Website and Email**

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

**SACGASCO LIMITED  
DIRECTORS' REPORT**

**For the six months ended 30 June 2016**

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**DIRECTORS' REPORT**

The Directors present their report together with the financial statements of the Group, comprising Saccgasco Limited ("the Company") and its controlled entities (together referred to as "the Group" and individually as "Group Entities") for the six months ended 30 June 2016 and the auditor's report thereon.

**1. DIRECTORS**

The directors of the Company at any time during or since the end of the interim period are:

| <b>Name</b>                             | <b>Period of directorship</b>             |
|---|---|
| <b>Executive</b>                        |   |
| Gary Jeffery<br>Managing Director       | Director since 24 October 2013            |
| <b>Non-executive</b>                    |   |
| Andrew Childs<br>Non-executive Chairman | Director since 25 November 2008           |
| Keith Martens                           | Director since 14 June 2011               |
| Aqeel Virk                              | Director from 8 July 2015 to 31 July 2016 |

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**Board and management**

Mr Aqeel Virk resigned as a Director of the Company effective 31 July 2016 due to an increased work load associated with his appointment to a Business Development role with a North American listed E&P company. In line with the Company's strategy to minimise ongoing operating costs, the Company will not fill the vacancy created by this resignation at this time.

**Executive Director and Non-executive directors' remuneration**

At the Annual General Meeting on 20 May 2016 shareholders approved the issue of up to 7,500,000 plan shares at no less than 2.0 cents each, totalling a value of \$150,000, in satisfaction of Directors' fees under the Incentive Share Plan approved by shareholders on 25 July 2014. The shares are to be issued on a quarterly basis within a period of 12 months from 20 May 2016. The issue price is the average of the 5 days VWAP for the first and last 5 days of the respective quarter.

# SACGASCO LIMITED DIRECTORS' REPORT

For the six months ended 30 June 2016

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## 2. OPERATING AND FINANCIAL REVIEW

### Overview

Sacgasco Limited is listed on the Australian Securities Exchange (ASX: SGC) and has approximately 112 million shares on issue. The Group is primarily involved in the exploration and development of oil and gas interests onshore in California, USA.

There was no significant change in the activity of the Group during the reporting period.

### Significant events during the period

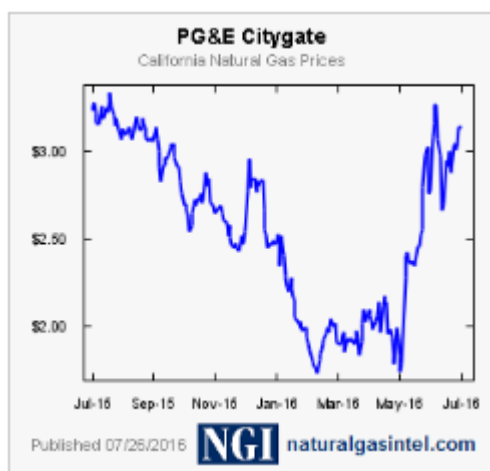
On 22 January 2016, Alamo Creek Oil LLC, an associate company in California, USA, was dissolved.

## REVIEW OF OPERATIONS

### Summary of Strategy

- Targeting development of potential multi-reservoir, 1+Tcf Dempsey and 2.4+Tcf Alvares conventional gas prospects in Sacramento Gas Basin, onshore California.
- Positive outlook for gas prices bodes well for near term development of SGC's conventional gas assets.
- Planned conventional gas production from Dempsey prospect to supply 2.5 Tcf per year Californian domestic gas market.
- Short-term focus on funding drilling at Dempsey to supplement conventional gas production through existing critical infrastructure.
- Approvals for drilling of Dempsey prospect progressing on schedule.
- Discussions underway with a number of potential funding partners for drilling of Dempsey prospect in calendar 2016.

The strong recovery of California (as represented by the PG&E Citygate chart below) gas prices from their lows in the June Quarter has underpinned an optimistic outlook for clean, natural gas in the USA.



PG&E Citygate California Natural Gas Prices

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**SACGASCO LIMITED  
DIRECTORS' REPORT**

**For the six months ended 30 June 2016**

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**2. OPERATING AND FINANCIAL REVIEW (continued)**

**REVIEW OF OPERATIONS (continued)**

Sacgasco has a number of distinct competitive advantages as an onshore, conventional gas exploration and development company, and the Company is encouraged by increased investor interest in our natural gas assets.

Californian-focused conventional gas developer Sacgasco Limited (ASX: SGC) ("the Company") is pleased to provide shareholders with its half yearly review of operations for the period ended 30 June 2016.

SGC has established a robust portfolio of large-scale conventional gas prospects in the Sacramento Basin, located close to under-filled gas trunklines connecting to the Californian gas market.

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

SGC's development strategy in the Sacramento Basin represents an opportunity to achieve near-term gas supply to a domestic market with a significant energy supply deficit. California's average gas demand is approximately 7 billion cubic feet per day, with Californian gas production amounting to only around 10%.

Californians rely on natural gas for around one third of their energy needs.

During the period, SGC's management team continued to progress a number of corporate and operational objectives towards the anticipated drilling of the Company's flagship Dempsey conventional gas prospect in 2016.

**Sacramento Basin - Onshore Northern California**

**Exploration, Appraisal and New Ventures**

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

Review of reprocessed seismic and additional geologic information has reinforced SGC's belief that both Dempsey and Alvares are potentially world-class, multi-Tcf prospects, and the improved technical data has also been used to identify additional prospects for exploration drilling.

Mapping completed to date has resulted in the identification of a portfolio of easy accessible gas prospects, with best estimate recoverable prospective resources of gas ranging from 100 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. Permitting activities are being finalised in preparation for commencement of drilling in 2016.

The Dempsey prospect has a Proposed Total Depth ('PTD') of 3,200 metres and is anticipated to take around 50 days to drill with costs estimated to be between US\$3 and US\$4 million.

The total (100%) unrisked recoverable prospective resource, from seven interpreted conventional sandstone 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)). \*Further details were included in SGC's ASX release dated 4 September 2014.

**SACGASCO LIMITED  
DIRECTORS' REPORT**

**For the six months ended 30 June 2016**

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**2. OPERATING AND FINANCIAL REVIEW (continued)**

**REVIEW OF OPERATIONS (continued)**

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

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. Final well permitting is estimated to take less than 45 days.

Upon discovery of commercial quantities of gas, these existing production facilities with capacity of up to 20 mmcf/gpd, 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\$60,000 per day of gross well production revenue if gas prices were similar to today's prices. Operating costs are relatively low for gas wells in the area.

**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 which is based on the Shell James-1 well drilled in 1947 for oil. The James well intersected multiple sandstone reservoirs with extensive gas shows and a flow of gas to the surface. The Tulainyo well drilled 6 miles away in early 2015, intersected multiple stacked, gas bearing conventional reservoirs on the same 50 square mile anticline as the James-1 well.

Sacgasco's Alvares prospect contains a total (100%) unrisks recoverable prospective 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 considered. \*Further details were included in SGC's ASX release dated 4 September 2014.

**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 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.

| <i>Production for half year ending:</i> | <i>June 2016</i> | <i>June 2015</i> |
|---|------------------|------------------|
| <b>Gross mcf * (100%)</b>               | 25,165           | 41,744           |
| <b>Net SGC mcf (after Royalty)</b>      | 9,384            | 15,613           |

\*mcf – Thousand Cubic feet gas

**SACGASCO LIMITED  
DIRECTORS' REPORT**

**For the six months ended 30 June 2016**

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**2. OPERATING AND FINANCIAL REVIEW (continued)**

**REVIEW OF OPERATIONS (continued)**

Gas production for the first half of 2016 was reduced due to natural depletion, and further reduced as wells were shut-in as a result of low gas prices and third party pipeline operational issues. Recent higher gas prices have meant a return to production for a number of wells.



**SGC's oil and gas assets, onshore California**



# SACGASCO LIMITED DIRECTORS' REPORT

For the six months ended 30 June 2016

## 2. OPERATING AND FINANCIAL REVIEW (continued)

### REVIEW OF OPERATIONS (continued)

#### 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, particularly the early monetisation of the Dempsey prospect.

| SACGASCO LIMITED – Tenement / Project List   |   |                  |
|--|---|------------------|
| 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 Project  | Santa Maria Basin (Huasna Sub-Basin) Onshore<br>Southern California | 35%              |
| <b>Changes in Reporting Period: There have been no changes in the Projects or Working Interests in the reporting period Subsequent to the end of the period SGC relinquished its working interest in the Arnaudo Prospect.</b> |   |                  |

#### Leases:

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

#### Competent Persons Statement

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

# SACGASCO LIMITED DIRECTORS' REPORT

For the six months ended 30 June 2016

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## 2. OPERATING AND FINANCIAL REVIEW (continued)

### Financial position

For the six months ended 30 June 2016 the Group incurred a loss after income tax of \$399,028 (six months ended 30 June 2015: loss of \$353,292).

The Company had a net cash outflow of \$35,655 (six months ended 30 June 2015: inflow of \$502,530).

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

During April 2016, loans totalling \$57,500 were sourced from third parties. These loans are unsecured, for a term of 6 months with interest payable at 10% per annum.

### Placement of Shares

On 13 January 2016 the Company issued 1,503,871 fully paid shares – 1,084,246 shares at 6 cents each with a value of \$65,055 in satisfaction of directors' fees as approved by shareholders on 27 May 2015; and 419,625 shares at 4 cents each with a value of \$16,785 in satisfaction of services provided by a vendor.

On 7 April 2016 the Company issued 1,481,251 fully paid shares – 1,171,876 shares at 6 cents each with a value of \$70,313 in satisfaction of directors' fees as approved by shareholders on 27 May 2015; and 309,375 shares at 3.2 cents each with a value of \$9,900 in satisfaction of services provided by a vendor.

On 5 July 2016 the Company issued 1,481,251 fully paid shares – 1,171,876 shares at 3.2 cents each with a value of \$37,500 in satisfaction of directors' fees as approved by shareholders on 20 May 2016; and 309,375 shares at 3.2 cents each with a value of \$9,900 in satisfaction of services provided by a vendor.

## 3. DIVIDENDS

The directors recommend that no dividend be provided for the six months ended 30 June 2016. (Six months ended 30 June 2015: Nil).

## 4. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Saggasco Limited support, and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained in the 31 December 2015 Annual Report and can be viewed on the Company's website.

## 5. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 July 2016, an unsecured loan totalling \$100,000 initially advanced by a director to the Company for six months with interest payable at 10% per annum, was extended for a further six months.

On 5 July 2016 the Company issued 1,481,251 fully paid shares – 1,171,876 shares in satisfaction of directors' fees as approved by shareholders on 20 May 2016; and 309,375 shares in satisfaction of debt.

Effective 31 July 2016, Mr Aqeel Virk resigned as a Director of the Company due to an increased work load associated with his appointment to a Business Development role with a North American Listed E&P company. In line with the Company's strategy to minimise ongoing operating costs, the Company will not fill the vacancy created by this resignation at this time.

**SACGASCO LIMITED  
DIRECTORS' REPORT**

**For the six months ended 30 June 2016**

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**5. EVENTS SUBSEQUENT TO REPORTING DATE (continued)**

On 10 August 2016, the Company entered into an agreement to farm out part of its working interest in the onshore California Area of Mutual Interest held by Sacgasco ("SGC") and its partner Xstate Resources ("XST") Limited (the "AMI") to private company Bombora Natural Energy Pty Ltd ("BNE"). BNE will fund the licensing of additional oil and gas leases over highly prospective prospects in the Northern Sacramento Basin.

BNE will earn a 20% Working Interest ("WI") in up to 9 natural gas prospects that have already been mapped in the AMI by providing staged funding of up to A\$400,000.

Sacgasco has agreed to sell down a 14% WI, with the remaining 6% interest provided by Xstate Resources Limited.

BNE will provide funding in two stages, with funds being utilised by the AMI partners to acquire additional acreage of highly prospective leases containing prospects and leads identified from seismic. SGC anticipates making progress announcements after material leases have been secured.

Initial funding of A\$200,00 from BNE will focus on securing 3 Prospects in which Bombora will earn 20%.

BNE will have the option to fund a further A\$200,000 of leasing to earn a 20% interest in an additional 6 prospects (14% from Sacgasco and 6% from Xstate).

Upon Bombora funding up to A\$400,000 in lease costs, the Working Interests in the AMI will be:

| <b>Entity</b>                       | <b>Before</b> | <b>After</b> |
|-------------------------------------|---------------|--------------|
| Sacgasco Limited (ASX: SGC)         | 70%           | 56%          |
| Xstate Resources Limited (ASX: XST) | 30%           | 24%          |
| Bombora Natural Energy Pty Ltd      | 0%            | 20%          |

On 12 September 2016, the Company announced it has completed the placement of 17,397,547 fully paid ordinary shares at 2.5 cents each to raise \$434,938 (before costs) in working capital. The Company has also issued 8,698,772 free-attaching options, exercisable at 3 cents each, on or before 30 September 2017.

Other than the matters 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.

**6. 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.

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



**GARY JEFFERY**

Director

Dated at Perth, Western Australia this 13<sup>th</sup> day of September 2016.

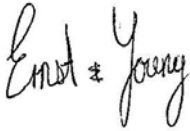
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## Auditor's Independence Declaration to the Directors of Saggasco Limited

As lead auditor for the review of Saggasco Limited for the half-year ended 30 June 2016, 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 Saggasco Limited and the entities it controlled during the financial period.



Ernst & Young



R J Curtin  
Partner  
13 September 2016

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

|   | Note | 30 June<br>2016<br>\$ | 31 December<br>2015<br>\$ |
|---|------|-----------------------|---------------------------|
| <b>Assets</b>   |      |                       |                           |
| Cash and cash equivalents   |      | 28,600                | 70,972                    |
| Trade and other receivables                                       |      | 38,809                | 214,549                   |
| Prepayments   |      | 29,771                | 27,018                    |
| Interest bearing assets   |      | -                     | 45,123                    |
| <b>Total current assets</b>                                       |      | <b>97,180</b>         | <b>357,662</b>            |
| Exploration and evaluation expenditure                            | 3.2  | 1,737,413             | 1,624,913                 |
| Trade debtors and other receivables                               |      | 7,391                 | 7,536                     |
| <b>Total non-current assets</b>                                   |      | <b>1,744,804</b>      | <b>1,632,449</b>          |
| <b>Total assets</b>   |      | <b>1,841,984</b>      | <b>1,990,111</b>          |
| <b>Liabilities</b>  |      |                       |                           |
| Trade and other payables  |      | 441,458               | 402,911                   |
| Employee entitlements   |      | 67,003                | 23,401                    |
| Interest bearing liabilities                                      | 4.2  | 104,836               | 59,920                    |
| Convertible note interest bearing liability                       | 4.3  | 54,995                | -                         |
| Site restoration provision  | 3.1  | 312,438               | -                         |
| <b>Total current liabilities</b>                                  |      | <b>980,730</b>        | <b>486,232</b>            |
| Site restoration provision  | 3.1  | -                     | 350,438                   |
| <b>Total non-current liabilities</b>                              |      | <b>-</b>              | <b>350,438</b>            |
| <b>Total liabilities</b>  |      | <b>980,730</b>        | <b>836,670</b>            |
| <b>Net assets</b>   |      | <b>861,254</b>        | <b>1,153,441</b>          |
| <b>Equity</b>   |      |                       |                           |
| Issued capital  | 4.1  | 11,636,587            | 11,477,843                |
| Reserves  |      | 717,369               | 769,272                   |
| Accumulated losses  |      | (11,492,702)          | (11,093,674)              |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>861,254</b>        | <b>1,153,441</b>          |

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 SIX MONTHS ENDED 30 JUNE 2016**

|   | Note | 30 June<br>2016<br>\$ | 30 June<br>2015<br>\$ |
|---|------|-----------------------|-----------------------|
| <b>Revenue from continuing operations</b>   |      |                       |                       |
| Finance income  | 2.2  | 1,443                 | 27                    |
| Other operating income  |      | 142,223               | 196,429               |
| <b>Expenses</b>   |      |                       |                       |
| Other operating expenses  |      | (202,001)             | (141,943)             |
| Exploration expenditure impaired  |      | (7,234)               | -                     |
| Personnel expenses  |      | (206,997)             | (184,712)             |
| Administrative expenses   |      | (36,654)              | (54,029)              |
| Professional fees   |      | (80,156)              | (92,744)              |
| Finance expenses  | 2.2  | (9,578)               | (3,663)               |
| Other expenses  |      | -                     | (2,194)               |
| Share of loss of associate  |      | -                     | (6,698)               |
| Other gains and (losses)  | 2.3  | 2,137                 | (72,097)              |
| <b>Results from operating activities</b>  |      | <b>(396,817)</b>      | <b>(361,624)</b>      |
| <b>Loss before income tax</b>   |      | <b>(396,817)</b>      | <b>(361,624)</b>      |
| Income tax expense  |      | (2,211)               | (1,037)               |
| <b>Loss from continuing operations</b>  |      | <b>(399,028)</b>      | <b>(362,661)</b>      |
| <b>Discontinued operations</b>  |      |                       |                       |
| Gain on dissolution of a subsidiary   |      | -                     | 9,369                 |
| <b>Loss for the period</b>  |      | <b>(399,028)</b>      | <b>(353,292)</b>      |
| <b>Other comprehensive income</b>   |      |                       |                       |
| <b>Items that may be reclassified subsequently to profit or loss</b>                                  |      |                       |                       |
| Changes in fair value on equity instruments measured at fair value through other comprehensive income |      | -                     | (108)                 |
| Net change in fair value of derivative financial liabilities  |      | 2,505                 | -                     |
| Foreign currency translation difference of foreign operations   |      | (31,540)              | 206,953               |
| <b>Total items that may be reclassified subsequently to profit or loss</b>                            |      | <b>(29,035)</b>       | <b>206,845</b>        |

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 SIX MONTHS ENDED 30 JUNE 2016 (continued)**

|  | <b>30 June<br/>2016<br/>\$</b> | <b>30 June<br/>2015<br/>\$</b> |
|--|--------------------------------|--------------------------------|
| <b>Other comprehensive (loss) / income for the period, net of income tax</b> | (29,035)                       | 206,845                        |
| <b>Total comprehensive loss for the period</b>                               | (428,063)                      | (146,447)                      |
| <b>Loss for the period is attributable to:</b>                               |                                |                                |
| Owners of the Company  | (399,028)                      | (353,292)                      |
| <b>Total comprehensive loss for the period is attributable to:</b>           |                                |                                |
| Owners of the Company  | (428,063)                      | (146,447)                      |
| <b>Loss per share</b>  |                                |                                |
| Basic and diluted (cents per share)  | (0.37)                         | (0.38)                         |

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

|   | Share<br>Capital | Translation<br>reserve | Fair<br>Value<br>Reserve | Options<br>reserve | Share-<br>based<br>payments<br>reserve | Accumulated<br>losses | Total     |
|---|------------------|------------------------|--------------------------|--------------------|--|-----------------------|-----------|
|   | \$               | \$                     | \$                       | \$                 | \$                                     | \$                    | \$        |
| Balance at 1 January 2016                                     | 11,477,843       | 504,317                | -                        | 199,900            | 65,055                                 | (11,093,674)          | 1,153,441 |
| <b>Total comprehensive loss for the period</b>                |                  |                        |                          |                    |  |                       |           |
| Loss for the period   | -                | -                      | -                        | -                  | -                                      | (399,028)             | (399,028) |
| <b>Other comprehensive loss for the period</b>                |                  |                        |                          |                    |  |                       |           |
| Fair value of derivative financial liability                  |                  |                        | 2,505                    |                    |  |                       | 2,505     |
| Foreign exchange translation difference on foreign operations | -                | (31,540)               | -                        | -                  | -                                      | -                     | (31,540)  |
| Total other comprehensive loss for the period                 | -                | (31,540)               | 2,505                    | -                  | -                                      | -                     | (29,035)  |
| <b>Total comprehensive loss for the period</b>                | -                | (31,540)               | 2,505                    | -                  | -                                      | (399,028)             | (428,063) |

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



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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016 (continued)**

|   | Share<br>Capital | Translation<br>reserve | Fair<br>Value<br>Reserve | Options<br>reserve | Share-<br>based<br>payments<br>reserve | Accumulated<br>losses | Total   |
|---|------------------|------------------------|--------------------------|--------------------|--|-----------------------|---------|
|   | \$               | \$                     | \$                       | \$                 | \$                                     | \$                    | \$      |
| <b>Transactions with owners, recorded directly in equity:</b> |                  |                        |                          |                    |  |                       |         |
| <b>Contributions by and distributions to owners</b>           |                  |                        |                          |                    |  |                       |         |
| Issue of ordinary shares                                      | 162,052          | -                      | -                        | -                  | (65,055)                               | -                     | 96,997  |
| Share-based payment transactions                              | -                | -                      | -                        | -                  | 42,187                                 | -                     | 42,187  |
| Capital raising costs   | (3,308)          | -                      | -                        | -                  | -                                      | -                     | (3,308) |
| <b>Total contributions by and distributions to owners</b>     | 158,744          | -                      | -                        | -                  | (22,868)                               | -                     | 135,876 |
| <b>Total transactions with owners</b>                         | 158,744          | -                      | -                        | -                  | (22,868)                               | -                     | 135,876 |
| <b>Balance at 30 June 2016</b>                                | 11,636,587       | 472,777                | 2,505                    | 199,900            | 42,187                                 | (11,492,702)          | 861,254 |

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

**SACGASCO LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|   | Attributable to equity holders of the Company |                                |                     |                 |                              |                    | Total     |
|---|---|--------------------------------|---------------------|-----------------|------------------------------|--------------------|-----------|
|   | Share Capital                                 | Investment revaluation reserve | Translation reserve | Options reserve | Share-based payments reserve | Accumulated losses |           |
|   | \$  | \$                             | \$                  | \$              | \$                           | \$                 | \$        |
| Balance at 1 January 2015                                     | 10,689,003                                    | 108                            | 280,745             | 403,235         | 23,800                       | (9,134,679)        | 2,262,212 |
| <b>Total comprehensive loss for the period</b>                |   |                                |                     |                 |                              |                    |           |
| Loss after income tax for the period                          | -   | -                              | -                   | -               | -                            | (353,292)          | (353,292) |
| <b>Other comprehensive loss for the period</b>                |   |                                |                     |                 |                              |                    |           |
| Revaluation of available for sale financial assets            | -   | (108)                          | -                   | -               | -                            | -                  | (108)     |
| Foreign exchange translation difference on foreign operations | -   | -                              | 206,953             | -               | -                            | -                  | 206,953   |
| Total other comprehensive income / (loss) for the period      | -   | (108)                          | 206,953             | -               | -                            | -                  | 206,845   |
| Total comprehensive income / (loss) for the period            | -   | (108)                          | 206,953             | -               | -                            | (353,292)          | (146,447) |

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015 (continued)**

|   | Attributable to equity holders of the Company |                                |                     |                 |                              |                    | Total     |
|---|---|--------------------------------|---------------------|-----------------|------------------------------|--------------------|-----------|
|   | Share Capital                                 | Investment revaluation reserve | Translation reserve | Options reserve | Share-based payments reserve | Accumulated losses |           |
|   | \$  | \$                             | \$                  | \$              | \$                           | \$                 | \$        |
| <b>Transactions with owners, recorded directly in equity:</b> |   |                                |                     |                 |                              |                    |           |
| <b>Contributions by and distributions to owners</b>           |   |                                |                     |                 |                              |                    |           |
| Issue of 694,782 shares in lieu of directors' fees            | 86,848  | -                              | -                   | -               | 14,407                       | -                  | 101,255   |
| Issue of share capital  | 638,210                                       | -                              | -                   | -               | -                            | -                  | 638,210   |
| Capital raising costs   | (12,444)                                      | -                              | -                   | -               | -                            | -                  | (12,444)  |
| Total contributions by and distributions to owners            | 712,614                                       | -                              | -                   | -               | 14,407                       | -                  | 727,021   |
| Total transactions with owners                                | 712,614                                       | -                              | -                   | -               | 14,407                       | -                  | 727,021   |
| <b>Balance at 30 June 2015</b>                                | 11,401,617                                    | -                              | 487,698             | 403,235         | 38,207                       | (9,487,971)        | 2,842,779 |

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

|   | Note | 30 June<br>2016<br>\$ | 30 June<br>2015<br>\$ |
|---|------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                       |      |                       |                       |
| Receipts from customers   |      | 81,904                | -                     |
| Payments to suppliers and employees                               |      | (82,715)              | (105,213)             |
| Interest received   |      | -                     | 27                    |
| Interest paid   |      | -                     | (3,663)               |
| Income taxes paid   |      | (2,211)               | (1,037)               |
| <b>Net cash used in operating activities</b>                      |      | <b>(3,022)</b>        | <b>(109,886)</b>      |
| <b>Cash flows from investing activities</b>                       |      |                       |                       |
| Investment in associates  |      | (1,233)               | (4,774)               |
| Payments for exploration expenditure                              |      | (167,495)             | (167,238)             |
| <b>Net cash used in investing activities</b>                      |      | <b>(168,728)</b>      | <b>(172,012)</b>      |
| <b>Cash flows from financing activities</b>                       |      |                       |                       |
| Proceeds from issue of share capital                              |      | -                     | 638,209               |
| Proceeds from issue of convertible notes                          |      | 57,500                | -                     |
| Proceeds from related party loans                                 | 4.2  | 100,000               | 158,663               |
| Proceeds from settlement of loan to JV partner                    |      | 46,566                | -                     |
| Payment of capital raising costs                                  |      | (3,308)               | (12,444)              |
| Payment of transaction costs related to loans                     |      | (2,875)               | -                     |
| Repayment of loans from / payment on behalf of JV Partner         |      | (61,787)              | -                     |
| <b>Net cash from financing activities</b>                         |      | <b>136,096</b>        | <b>784,428</b>        |
| <b>Net (decrease) / increase in cash and cash equivalents</b>     |      | <b>(35,654)</b>       | <b>502,530</b>        |
| Cash and cash equivalents at 1 January                            |      | 70,972                | 118,644               |
| Effect of exchange rate fluctuations on cash and cash equivalents |      | (6,718)               | 901                   |
| <b>Cash and cash equivalents at 30 June</b>                       |      | <b>28,600</b>         | <b>622,075</b>        |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**SECTION 1 BASIS OF PREPARATION**

In preparing the consolidated financial statements, Saccgasco Limited has made a number of changes in structure, layout and wording in order to make the financial statements less complex and more relevant for shareholders and other users. We have grouped notes into sections under five key categories:

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

Saccgasco Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in oil and gas exploration in California, USA,

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 December 2015, which is available upon request from the Company's registered office at Level 2, 55 Carrington Street, Nedlands, Western Australia 6009 and on the Company's website at [www.saccgasco.com](http://www.saccgasco.com).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at the year ended 31 December 2015.

**1.1 STATEMENT OF COMPLIANCE**

The consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report was approved by the Board of Directors on 13 September 2016.

**1.2 SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied in its consolidated financial report as at and for the year ended 31 December 2015. The Group has adopted the following Amendments to Australian Accounting Standards with a date of initial application of 1 January 2016.

AASB 2013-9 – Conceptual Framework, Materiality and Financial Instruments – Part C

AASB 2014-3 – Accounting for Acquisitions of Interests in Joint Operations'

AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation'

AASB 2014-9 – Equity Method in Separate Financial Statements'

AASB 2015-1 – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

AASB 2015-2 – Disclosure Initiative: Amendments to AASB 101

AASB 2015-3 – Amendments arising from the Withdrawal of AASB 1031 Materiality'

AASB 2015-9 – Scope and application paragraphs

AASB 2015-10 – Effective date of amendments to AASB 10 and AASB 128

These changes do not impact the financial statements.

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## SACGASCO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 1.3 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 a working capital deficit of \$883,550 (six months ended 30 June 2015: surplus of \$312,858) and net cash outflows for the six months ended 30 June 2016 of \$35,654 (six months ended 30 June 2015: inflow of \$502,530). The Group recorded a loss for the period of \$399,028 (six months to 30 June 2015: loss \$353,292). The Group had cash and cash equivalents at 30 June 2016 and at 12 September 2016 of \$28,600 and \$30,189 respectively.

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 30 September 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

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.

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**

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**1.4 JUDGEMENTS AND ESTIMATES**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015

**1.5 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 yearend 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.

**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.

**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 currently operates in one operating segment being oil and gas exploration and evaluation.

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

|  | <b>30 June<br/>2016<br/>\$</b> | <b>30 June<br/>2015<br/>\$</b>     |
|--|--------------------------------|------------------------------------|
| <b>Loss before income tax</b>                      |                                |                                    |
| Total (loss) / profit for reportable segments      | (68,202)                       | 208,302                            |
| Central administration and directors' remuneration | (320,480)                      | (566,290)                          |
| Finance expense                                    | (9,578)                        | (3,663)                            |
| Finance income                                     | 1,443                          | 27                                 |
| Consolidated loss before income tax                | (396,817)                      | (361,624)                          |
|  | <b>30 June<br/>2016<br/>\$</b> | <b>31 December<br/>2015<br/>\$</b> |
| <b>Assets</b>                                      |                                |                                    |
| Total assets for reportable segments               | 1,762,554                      | 1,801,125                          |
| Cash and cash equivalents                          | 28,600                         | 70,972                             |
| Other assets                                       | 50,830                         | 118,014                            |
| Consolidated total assets                          | 1,841,984                      | 1,990,111                          |
|  |                                | <b>\$</b>                          |
| <b>Liabilities</b>                                 |                                |                                    |
| Total liabilities for reportable segments          | (431,901)                      | (375,688)                          |
| Employee benefits                                  | (67,003)                       | (23,401)                           |
| Other liabilities                                  | (481,826)                      | (437,581)                          |
| Consolidated total liabilities                     | (980,730)                      | (836,670)                          |

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2015.



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**FINANCIAL STATEMENTS**

**2.2 NET FINANCE COSTS**

|   | Note | 30 June<br>2016<br>\$ | 30 June<br>2015<br>\$ |
|---|------|-----------------------|-----------------------|
| Interest income on bank deposits  |      | -                     | 27                    |
| Interest received on loan to JV partner                                     |      | 1,443                 | -                     |
|   |      | 1,443                 | 27                    |
| <b>Interest expense on financial liabilities, measure at Amortised cost</b> |      |                       |                       |
| Interest expense on loans received from related parties                     |      | (4,836)               | (3,663)               |
| Interest paid on loan received from JV partner                              |      | (1,868)               | -                     |
| Other finance charges   |      | (2,875)               | -                     |
|   |      | (9,578)               | (3,663)               |
| Net finance (expense) / income recognised in profit or loss                 | 4.2  | (8,135)               | (3,636)               |

**2.3 OTHER GAINS AND (LOSSES)**

|                                       |  |         |          |
|---------------------------------------|--|---------|----------|
| Impairment of investment in associate |  | (1,190) | (82,414) |
| Net foreign exchange gain / (loss)    |  | 3,327   | 10,317   |
| Total other gains and (losses)        |  | 2,137   | (72,097) |

### **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 30 June 2016.

#### **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 period 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.

##### ***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. 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.

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.

#### **3.1 PROVISIONS**

The site restoration provision of \$312,438 (31 December 2015: \$350,438) is in respect of the Group's on-going obligation for the environmental rehabilitation of the Sacramento Basin onshore California area of interest. The timing of rehabilitation expenditure is dependent on the life of the gas field which may vary in the future. The nature of restoration activities includes 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 which is currently in progress.

|                            | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|----------------------------|-------------------------|-----------------------------|
|                            | <b>\$</b>               | <b>\$</b>                   |
| Site restoration provision | 312,438                 | 350,438                     |

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

**3.1 PROVISIONS (continued)**

|                                     | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|-------------------------------------|-------------------------|-----------------------------|
|                                     | \$                      | \$                          |
| <b>Movement in carrying amounts</b> |                         |                             |
| Opening balance                     | 350,438                 | 329,664                     |
| Additional provisions recognised    | -                       | 5,232                       |
| Amounts utilised                    | (31,709)                | (22,673)                    |
| Effects of foreign exchange         | (6,291)                 | 38,215                      |
| Closing balance                     | <b>312,438</b>          | <b>350,438</b>              |
| Current                             | 312,438                 | -                           |
| Non-current                         | -                       | 350,438                     |
|                                     | <b>312,438</b>          | <b>350,438</b>              |

**3.2 EXPLORATION AND EVALUATION EXPENDITURE**

|                                     | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|-------------------------------------|-------------------------|-----------------------------|
|                                     | \$                      | \$                          |
| Site restoration provision          | 1,737,413               | 1,624,913                   |
| <b>Movement in carrying amounts</b> |                         |                             |
| Opening balance                     | 1,624,913               | 2,509,826                   |
| Acquisitions                        | -                       | 352,338                     |
| Additions                           | 145,765                 | 102,998                     |
| Written off                         | -                       | (1,584,040)                 |
| Effects of foreign exchange         | (33,265)                | 243,791                     |
| Closing balance                     | <b>1,737,413</b>        | <b>1,624,913</b>            |

Oil and gas leases over the Group's various exploration projects are in the name of the relevant Saggasco Limited subsidiary company or are held by the operator of the projects with the operator recognising that the relevant Saggasco 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.

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

**SECTION 4 EQUITY AND FUNDING**

This section focuses on the share capital, options and debt funding available to the Group at period end.

**4.1 CAPITAL AND RESERVES**

**Share capital**

|   | Ordinary shares    |                    |                   |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | Number of shares   |                    | Amount in \$      |                   |
|   | 30 June<br>2016    | 30 June<br>2015    | 30 June<br>2016   | 30 June<br>2015   |
| <b>Movement in ordinary shares on issue:</b>                  |                    |                    |                   |                   |
| <b>On issue at 1 January</b>                                  | <b>107,095,783</b> | <b>92,311,257</b>  | <b>11,477,843</b> | <b>10,689,003</b> |
| <b><i>Shares issued and expensed during the period:</i></b>   |                    |                    |                   |                   |
| Issue of shares at 12.5 cents each in lieu of directors' fees | -                  | 694,782            |                   | 86,848            |
| Placement of shares at 5 cents each                           |                    | 12,764,175         |                   | 638,209           |
| Issue of shares at 6 cents each in lieu of directors' fees    | 2,256,122          | -                  | 135,367           | -                 |
| Issue of shares in satisfaction of service provider fees      | 729,000            | -                  | 26,685            | -                 |
| Capital raising costs   | -                  | -                  | (3,308)           | (12,443)          |
| <b>On issue at 30 June</b>                                    | <b>110,080,905</b> | <b>105,770,214</b> | <b>11,636,587</b> | <b>11,401,617</b> |

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

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.

**Options**

At the date of this report the Company has a total of 11,500,000 unissued ordinary shares under option with an exercise price of between 10 and 25 cents and an expiry date of 31 December 2016 and 30 September 2019.

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

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

No options expired during the reporting period (during the six months ended 30 June 2015: no options expired).

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

**4.2 INTEREST BEARING RECEIVABLES, LOANS AND BORROWINGS**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

|  | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|--|-------------------------|-----------------------------|
|  | <b>\$</b>               | <b>\$</b>                   |
| <b>Current</b>                                 |                         |                             |
| Loans received from a related party            | (104,836)               | -                           |
| Loan to joint venture partner for cash calls   | -                       | 45,123                      |
| Loan from joint venture partner for cash calls | -                       | (59,920)                    |
|  | <b>(104,836)</b>        | <b>(14,797)</b>             |

During the prior year, joint venture partners mutually agreed to fund reciprocal cash calls. At the reporting date these amounts had been offset and repaid.

|  | <b>Note</b> | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|--|-------------|-------------------------|-----------------------------|
|  |             | <b>\$</b>               | <b>\$</b>                   |
| <b>Loan to joint venture partner</b>               |             |                         |                             |
| Opening balance                                    |             | 45,123                  | -                           |
| Cash calls paid on behalf of joint venture partner |             | -                       | 43,601                      |
| Interest charged at 7%                             |             | 1,443                   | 1,522                       |
| Less repaid  |             | (46,566)                | -                           |
|  |             | <b>-</b>                | <b>45,123</b>               |
| <b>Loan from joint venture partner</b>             |             |                         |                             |
| Opening balance                                    |             | (59,920)                | -                           |
| Cash calls paid by joint venture partner           |             | -                       | (56,425)                    |
| Interest charged at 7%                             |             | (1,868)                 | (3,495)                     |
| Less repaid  |             | 61,788                  | -                           |
|  |             | <b>-</b>                | <b>(59,920)</b>             |
| <b>Loans from directors</b>                        |             |                         |                             |
| Opening balance                                    |             | -                       | -                           |
| Loans advanced by directors of the Company         |             | (100,000)               | (155,000)                   |
| Interest charged at 10%                            | 2.2         | (4,836)                 | (5,011)                     |
| Less repaid  |             | -                       | 160,011                     |
|  |             | <b>(104,836)</b>        | <b>-</b>                    |

#### **4.3 CONVERTIBLE NOTE INTEREST BEARING LIABILITY**

##### **Convertible Note**

On 15 April 2016 the Company entered into loan agreements with third parties for total proceeds of \$57,500. Interest is payable in arrears at a rate of 10% per annum based on the face value. The loan is unsecured. The Borrower may terminate the loan at any time by repayment of the loan amount plus accrued interest. At termination, the lender has the option to convert, subject to capacity, part or all of this loan into shares at the lowest share price used for any capital raising by issue of Company shares during the term of the loans.

|                                   | <b>30 June<br/>2016</b> | <b>31 December<br/>2015</b> |
|-----------------------------------|-------------------------|-----------------------------|
|                                   | <b>\$</b>               | <b>\$</b>                   |
| Fair value of liability component | (54,995)                | -                           |
| Fair value of equity component    | (2,505)                 | -                           |
|                                   | <b>(57,500)</b>         | <b>-</b>                    |

**SECTION 5 OTHER DISCLOSURES**

The disclosures in this section focus on share schemes in operation and financial risk management of the Group and other mandatory disclosures, such as details of related party transactions.

**5.1 SHARE BASED PAYMENT PLANS**

**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.

**(a) Description of the share-based payment arrangements**

At 30 June 2016 the Group has the following share-based payment arrangements:

|  | <b>30 June<br/>2016<br/>\$</b> | <b>30 June<br/>2015<br/>\$</b> |
|--|--------------------------------|--------------------------------|
| (i) Shares issued in lieu of deferred director fees        | 135,366                        | 86,848                         |
| (ii) Shares to be issued in lieu of deferred director fees | 42,188                         | 38,208                         |
| (iii) Shares issued in satisfaction of debt                | 26,685                         | -                              |

**(i) Shares issued in lieu of deferred director fees**

At a general meeting on 27 May 2015, shareholders approved the issue of up to 4,333,333 plan shares at no less than 3 cents each, totalling a value of \$130,000, in satisfaction of 50% of deferred director fees. At 30 June 2016, 50% of director fees had been satisfied in full by the issue of shares, as follows:

|                | <b>Tranche</b> | <b>Value of<br/>services<br/>rendered<br/>(A)<br/>\$</b> | <b>Fair value of<br/>shares on<br/>grant date<br/>6 cents each<br/>(B)<br/>\$</b> | <b>No. of Plan<br/>Shares<br/>issued</b> | <b>Date of<br/>Issue</b> |
|----------------|----------------|--|---|--|--------------------------|
| Gary Jeffery   | 1              | 25,000   | 40,540  | 675,676                                  | 13-Jan-16                |
|                | 2              | 25,000   | 46,875  | 781,250                                  | 07-Apr-16                |
| Andrew Childs  | 1              | 5,000  | 8,108   | 135,135                                  | 13-Jan-16                |
|                | 2              | 5,000  | 9,375   | 156,250                                  | 07-Apr-16                |
| Keith Martens  | 1              | 3,750  | 6,081   | 101,351                                  | 13-Jan-16                |
|                | 2              | 3,750  | 7,031   | 117,188                                  | 07-Apr-16                |
| Aqeel Virk (C) | 1              | 7,216  | 10,325  | 172,084                                  | 13-Jan-16                |
|                | 2              | 3,750  | 7,031   | 117,188                                  | 07-Apr-16                |

(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 (grant date).

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

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

**5.1 SHARE BASED PAYMENT PLANS (continued)**

**(ii) Shares to be issued in lieu of accrued director fees**

At a general meeting on 20 May 2016, shareholders approved the issue of up to 7,500,000 plan shares at no less than 2 cents each, totalling a value of \$150,000, in satisfaction of 50% of deferred director fees. At 30 June 2016, 50% of director fees had been satisfied in full by the issue of shares, as follows:

|               | 50% accrued at<br>30 June 2016<br>\$ | Number of shares<br>issued, approved<br>by shareholders | Fair value of shares<br>at grant date<br>3.6 cents each<br>\$ |
|---------------|--------------------------------------|---|---|
| Gary Jeffery  | 25,000                               | 781,250   | 28,125  |
| Andrew Childs | 5,000                                | 156,250   | 5,625   |
| Keith Martens | 3,750                                | 117,188   | 4,219   |
| Aqeel Virk    | 3,750                                | 117,188   | 4,219   |

**(iii) Shares issued to a consultant in satisfaction of debt**

A consultant advised the Company that it was prepared to accept payment of outstanding fees by the issue of shares. As this was in line with the Company's policy to conserve cash, on 12 January 2016 the board resolved to issue shares in satisfaction of the outstanding debt. It was mutually agreed to issue shares on a quarterly basis in satisfaction of ongoing fees.

|                             | Value of<br>services<br>rendered<br>\$ | Fair value of<br>shares on<br>grant date<br>\$ | No. of Plan<br>Shares<br>issued | Date of<br>Issue |
|-----------------------------|--|--|---------------------------------|------------------|
| Shares issued to consultant | 16,785                                 | 25,177   | 419,625                         | 13-Jan-16        |
|                             | 9,900                                  | 18,563   | 309,375                         | 07-Apr-16        |

**5.2 RELATED PARTIES**

On 5 January 2016, an unsecured loan totalling \$100,000 was advanced to the Company by Dungay Resources Pty Ltd, a company related to a director of the Company. The initial term of the loan was for six months with interest payable at 10% per annum (refer note 4.2). On 4 July 2016, the loan was extended for a further six months.

**5.3 SUBSEQUENT EVENTS**

Other than as disclosed in note 5 of the Directors' Report, there have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.



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

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**DIRECTORS' DECLARATION**

- 1 In the opinion of the directors of Sacgasco 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 30 June 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (b) subject to the matters set out in note 1.3, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Perth this 13<sup>th</sup> day of September 2016.



**GARY JEFFERY**  
Managing Director

## Independent review report to members of Sacgasco Limited

### Report on the half-year ended financial report

We have reviewed the accompanying half -year financial report of Sacgasco Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Group and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year ended financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, or on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Sacgasco Limited's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Sacgasco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year ended 30 June 2016 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

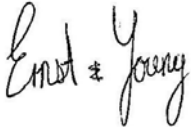
## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1.3 in the half-year 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.



Ernst & Young



R J Curtin  
Partner  
Perth  
13 September 2016