SACGASCO LIMITED

ABN 83 114 061 433

FINANCIAL REPORT

For the year ended 31 December 2020

CONTENTS

CHAIRMAN'S REPORT

Dear Shareholder,

The past twelve months has been a very active and productive period for Sacgasco Limited, and I am pleased to be writing to you following the execution of a number of exciting operational developments. The COVID -19 pandemic has caused a change in the way we manage our business; however, it has provided many attractive opportunities as a result of its mid-year impact on oil prices.

First and foremost, the Board has remained steadfast in its approach towards consolidating the Company's position in one of the leading onshore natural gas development plays in the Sacramento Basin, whilst continuing to pursue assets that will provide Sacgasco with a solid operating platform.

The Board and management team have demonstrated their commitment to progressing corporate and operational objectives in order to expand the Company's business in California and elsewhere as opportunities present. Combined with Sacgasco's low operating costs, the potential for enhanced returns from increasing oil and gas production is compelling.

As an exploration company, the commencement of the drilling of Borba 1-7 Prospect well post year end has been one of the most exciting developments in the history of the company. The drilling coincides with improvement of natural gas prices on the USA West Coast which have averaged around A$5/MMBtu in recent months.

Oil and Natural gas are important components of the world's energy system. In California natural gas supplies about one-third of the state's primary energy demand. Even as California covets a move away from fossil fuels to meet its climate goals, natural gas-fired electricity is playing an important role in integrating increasing amounts of renewables into the electricity grid. Natural Gas is the enabler of renewable energy, not its enemy!

California receives about 90 percent of its natural gas from supply basins outside the state, through the integrated North American natural gas market. A local source of natural gas has many benefits, and this construct underpins Sacgasco's strategy in California.

World oil consumption has reduced with the reduction in travel, but the world is still consuming over 90 million barrels of oil per day. This will increase as vaccinations are rolled out worldwide. However, we as an industry are not replacing that oil through exploration and development. Oil and Natural Gas are not going to be replaced as a primary energy source overnight and I foresee improved prices in the future. As a company we are positioning ourselves in California and Alberta, Canada to benefit from improved oil and gas prices and moreover to provide shareholders with attractive investment returns.

Yours faithfully,

Andrew Childs
Chairman

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Sacgasco Limited (referred to hereafter as the Company') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

DIRECTORS

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

Gary Jeffery	Managing Director	
Andrew Childs	Non-executive Chairman	
David McArthur	Non-executive Director	Appointed 17 August 2020
Greg Channon	Non-executive Director	Resigned 17 August 2020

PRINCIPAL ACTIVITIES

During the financial year the principal activity of the Group was oil and gas exploration with associated natural gas flows as a by-product.

OPERATING RESULTS

The loss for the financial year ended 31 December 2020 attributable to members of Sacgasco Limited after income tax was $1,734,221 (2019: $1,316,441).

The Group has not reached a stage in its development where it is generating an operating profit. The Group has a working capital surplus of $757,866 (2019: deficit of $237,633) and had net cash inflows of $1,458,928 (2019: net cash outflows of $665,947).

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 31 December 2020 (2019: Nil).

REVIEW OF OPERATIONS

Overview

Sacgasco Limited is listed on the Australian Securities Exchange (ASX: SGC), classified as an oil and gas exploration entity, and has approximately 477 million shares on issue at the date of this report.

Strategy

Sacgasco's strategy is to find and drill oil and gas exploration and production opportunities in recently overlooked, but prospective sedimentary basins close to under supplied oil and gas markets.

As an explorer Sacgasco uses it assets to facilitate exploration activities to grow the company.

Sacgasco's Focus is on activity that provides attractive returns for investors.

OPERATIONS HIGHLIGHTS

- **Preparations that led to the commencement of drilling of Borba 1-7 well in February 2021. Drilling is progressing ahead with very encouraging results.**
- **Fund raising efforts provided a solid base for expanding operations and exploratory drilling.**
- **Sacgasco acquired 20% working interest in 500 BOEPD from the Alberta Plains Producing Oil Fields in Southern Alberta, Canada.**
- **Sacgasco acquired 30% working interest in 1,000 BOPD from Producing Oil Fields in Northern Alberta, Canada.**
- **California Natural Gas prices continue to be at a premium to the USA Henry Hub benchmark.**
- **Leases and well bores over and in mapped high potential prospects continue to be held for drilling, gas flow rework, appraisal and exploration.**
- **Continuing to review new opportunities and prospects to add resilience and sustainability to the strong Sacramento Basin portfolio of projects.**

SACRAMENTO BASIN - Onshore Northern California

Exploration, appraisal and new ventures

SGC has established a portfolio of large conventional natural gas prospects in the Sacramento Basin, close to under-filled Natural Gas pipelines connecting to the attractive Californian gas market.

SGC's growth strategy, based on funding drilling through a combination of capital raising and farmout processes, represents an opportunity to achieve 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 sourced gas production only amounting to less than 10% and declining.

Sacgasco has identified workover and equipment relocation and refurbishment activities in its portfolio that provide opportunities for increases in production in the near future. While scaling up production from the Company's portfolio of 31 wells is a business fundamental, Sacgasco recognises that shareholder rewards are driven by bringing larger potential projects into production across its gas fields and exploration acreage.

Production facilities provide ready access points for future exploration success from Sacgasco's appraisal and exploration activities.

Borba 1-7 Prospect

Borba Natural Gas Prospect Drilling (Sacgasco 66.67% Working Interest ("WI"))

During 2020 the Company carried out operations to prepare for drilling the multi-target, Tcf-play-opening well at Borba 1-7 in Glenn County, onshore Sacramento Basin during.

The company farmed out a 9.33% Working Interest in the Borba AMI in return for a funding contribution equal to 13.5% of the cost of drilling the Borba 1-7 well.

The Borba 1-7 well will be drilled to test multiple stacked 3D seismic anomalies in the interval from 3,200 feet (975 metres) to 9,500 feet (2,800 metres) depth and finish in Basement rocks. The prospective interval covers around 6,300 feet (1,920 metres).

The well will be drilled from an all-weather drilling and production pad, with a small directional component to optimise the intersection of the multiple seismic anomalies on 3D seismic. The well is expected to take some 25-35 days to drill. The well was spudded on 21 February 2021.

Fig.1: Borba rig assembly

At the time of publication the Borba 1-7 well was driling ahead in $8^{1/2}$" diameter hole below the $9^{5/8}$" casing shoe at 8,827 feet (2,690 metres).

The well has intersected 92 feet of log pay in the Kione with possible pay of 137 feet in total. This zone will be tested after the lower formations in the well are evaluated. This zone is safely protected behind the $9^{5/8}$" casing.

The well has also recorded high natural gas shows in 25 feet of sandstone 120 feet up-dip on the same structure from a historical well with 9 feet of log pay in the upper Guinda Formation. The Lower Guinda Formation in the Borba 1-7 well recorded high gas shows including Methane and Ethane in a blocky sandstone. Numerous other zones of apparent porosity totalling over 880 feet exhibited high levels of Natural Gas, including Methan eand Ethane. Ethane adds heating value and hence sales value to the gas when sold.

The interval below the Casing shoe at 5493 feet will be petrophysically logged and evaluated further once drilling is completed.

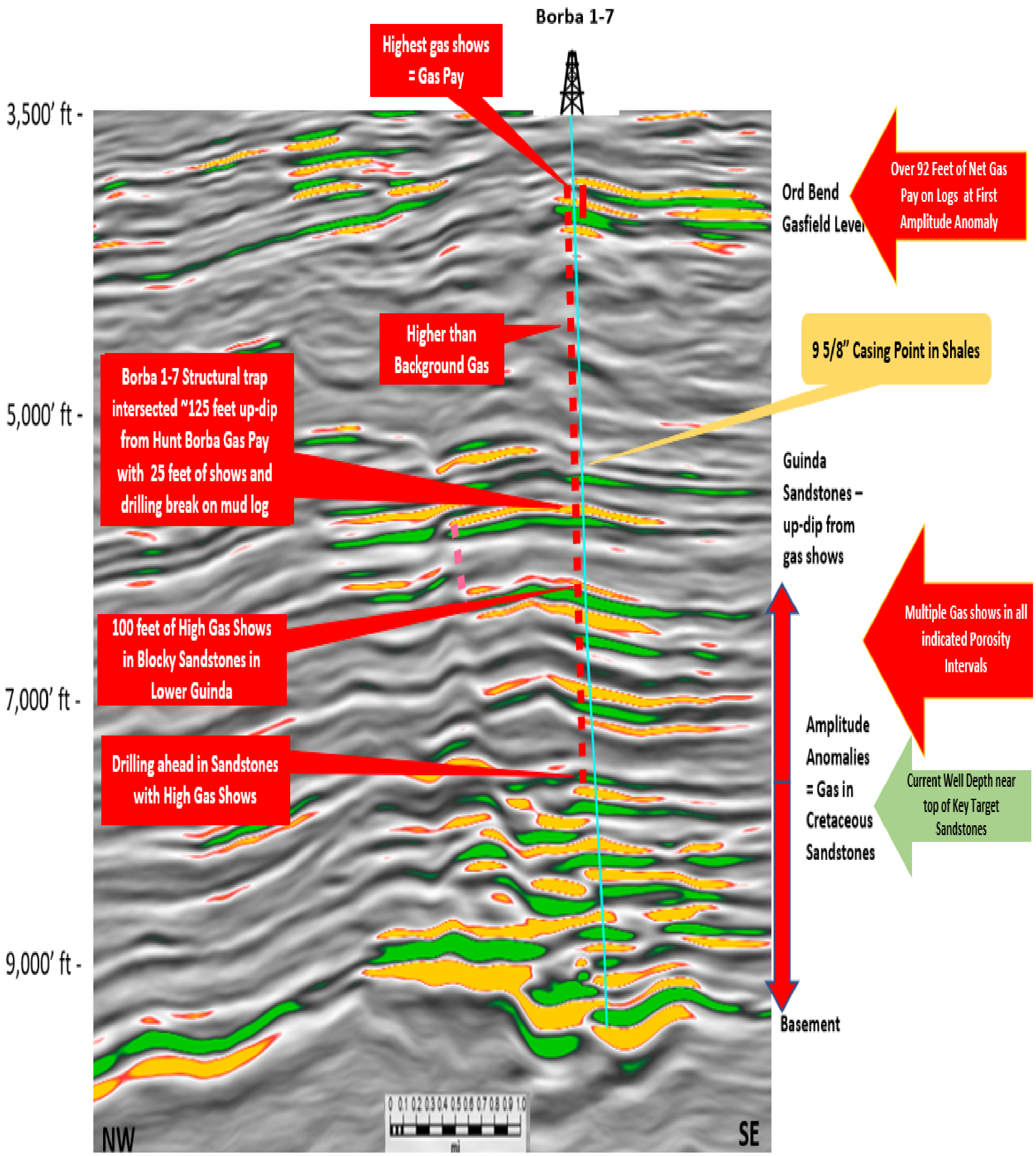

Fig. 2: Schematic of Borba 1-7 well along 3D Seismic Line

The Borba Prospect is located in 'Big Gas Country', just north of the Willows Gas Field (650 Bcf produced) on an extensive prospective Sandstone trend for Natural Gas that produces from Princeton Canyon, Kione, Forbes, Dobbins and Guinda sand reservoirs in the North Eastern Sacramento Basin. The potential traps mapped by Sacgasco along this trend range from Channel Sands wrapping around structural highs to stratigraphic traps created by isolated bodies and sandstones onlapping onto structural highs. The interpretation of the 3D seismic data reveals traps that are significantly larger than the Borba Prospect with multi-Tcf-potential. Success at Borba 1-7 is expected to open-up these plays for follow-up evaluation within the Borba Area of Mutual Interest ('AMI') and within JV AMI on trend with Borba.

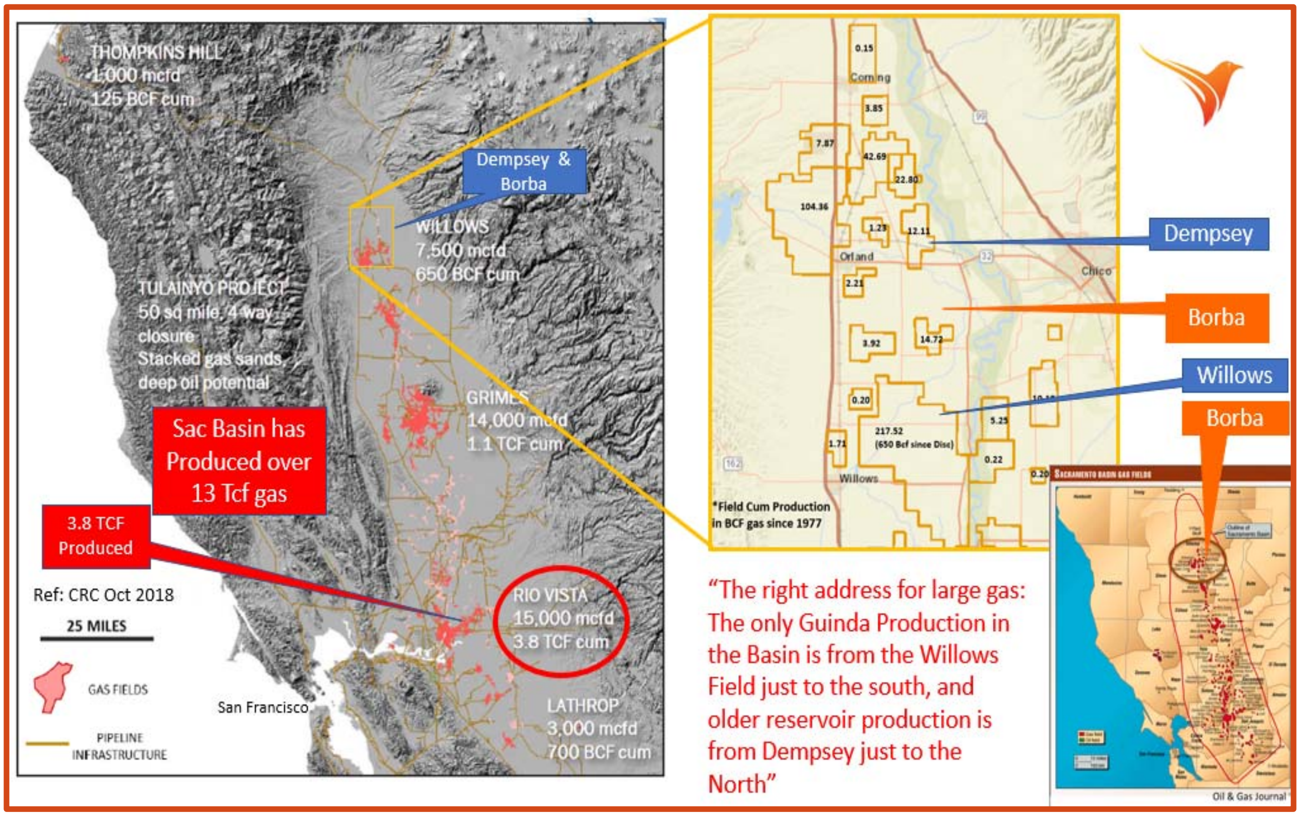

Fig.3: Borba 1-7 Located in 'Big Gas Country'

GAS FLOW UPDATE

Gas flows were impacted by somewhat restricted operating conditions during the COVID 19 pandemic.

Production	Full Year 2020	Full Year 2019
Gross mcf * (100%)	**166,937**	**231,489**
SGC WI mcf	**92,205**	**130,451**
***mcf – Thousand Cubic feet gas**		

Sacgasco's portfolio of operated wells, provides opportunities to bring additional wells back into gas flowing conditions.

SACGASCO WELLS – WORKİNG INTEREST AND STATUS

Field and Well Name	Working Interest (WI)* (Approx.)	Well Status
Rancho Capay Gas Field: (Operated)		
Rancho Unit 1	41%	Active
Rancho Unit 2	57%	Active
Rio Grande	60%	Active
Big Jake	60%	Idle
Stoney Creek 3	60%	Active
Stoney Creek 2	60%	Idle
Dempsey 1-15	60%	Active -Intermittent
Rice Creek East Gas Field: (Operated)		
OPI Bettencourt Unit	60%	Idle
Bettencourt Unit B	60%	Idle
Nareco Slade #1B	60%	Idle
Malton Gas Field: (Operated)		
Canfield 2	61%	Idle
MU #1	44%	Idle
Santa Clara #1	41%	Idle
Unit #7	35%	Idle
VBC #1	47%	Active
VBC #2	47%	Active
VBC #3	47%	Active
Dutch Slough Gas Field: (Operated)		
SCOPESI #3	69%	Idle
Reedy #1	69%	Idle
Reedy #2	69%	Idle
Reedy #3	69%	Idle
Reedy #4	69%	Idle
Denverton Creek Gas Field: (Operated)		
Lambie Felenco 3-4	70%	Active-Intermittent
Los Medanos Gas Field: (Operated)		
Neely 1	90%	Idle
Neely 2	90%	Active
Willows Gas Field: (Non-Operated)		
MJ Line	10%	Active
Rio Vista Gas Field (Operated)		
Rec Board #5	100%	Idle
Rec Board #7	100%	Active
Rec Board #8	100%	Active
Example Key Plugged Wells (available for re-entry)		
Alvares	49%	Plugged
Reedy #5	69%	Plugged

Note: WI* – Approximate numbers represent post farmout working interests

PROJECT SUMMARY

Sacgasco's current focus in California is on unlocking the underlying value from its natural gas prospects in the Sacramento Basin.

The Company has working interests in eight gas fields in the Northern Sacramento Basin and is the operator of wells in seven of these fields. The fields are Rancho-Capay, Rice Creek East, Malton, Dutch Slough, Denverton Creek, Los Medanos, Rio Vista and Willows.

PROJECT NAMES *All located in the Sacramento Basin* *Onshore northern California*	LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL	PROJECT TYPE	TOTAL GAS WELLS	WORKING INTEREST (WI)*
Dempsey Area Project	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases Oil and Gas Mineral Leases	Exploration, Appraisal and Rework	10	40-60%
Borba Project	Oil and Gas Mineral Leases	Exploration	1	66.67%
Los Medanos Project	Los Medanos Gas Field HBP Leases	Appraisal and Rework	2	90%
Malton Project	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal and Rework	7	45-70%
Dutch Slough Gas Project	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal and Rework	5	70%
Denverton Creek Gas Project	Denverton Creek Gas Field HBP Leases	Gas flow and Rework	1	70%
Rio Vista Gas Project	Rio Vista Field Wells HBP Leases	Gas flow, development and Rework	3	100%
Willows Gas Field (Non-operated)	Willows Gas Fields HBP Leases	Gas flow and Rework	1	10%
Alvares Project	Oil and Gas Mineral Leases Alvares 1 well (P&A Re-entry)	Exploration and Appraisal	1	50%

Note: WI* – Approximate numbers represent post farmout working interests

Changes in Tenement / Project List Reporting Period:

Significant Working Interest changes have been reported above.
Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect local and industry conditions. Working interest may vary across individual projects and leases and WI above reflects the WI in the relevant well bores or majority of leased lands.

Leases:

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 firm work commitments associated with the leases. Some leases are 'Held By Production' and royalties are paid to mineral right owners in lieu of rentals. SGC has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional natural gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to SGC shareholders.

NEW VENTURES AND ACQUISITIONS

ONSHORE CANADA

Sacgasco announced on 20 November 2020 that it was acquiring a 30% Working interest (WI) in an oil producing asset in Northern Alberta, Canada. The Red Earth asset consists of 6 oilfields and associated infrastructure, located 450 km north of Edmonton is currently producing over 1000 Barrels of Sweet Light (39ºAPI) oil per day (~300 BOPD net to SGC WI). The vendor is Blue Sky Resources Limited which has recently acquired the Red Earth assets. This asset purchase closed on 25 March 2021 with the same effective date.

The Red Earth Asset Joint Venture parties are:

Sacgasco Limited (ASX: SGC) 30%
Blue Sky Resources Ltd (Private) 55% Operator
Xstate Resources Limited (ASX:XST) 15%

Fig.4: Red Earth and Alberta Plains Locations

Cumulative oil production over 30 years to date has been around 63 million barrels with a low 10% base decline rate. Approximately 160 producing wells are included in the assets. Current gross production is around 1,000 BOPD. Opportunities exist to return currently idled wells to production with the potential for an additional 300 BOPD in the short term.

At Alberta Plains (assets acquired in January 2021) production is being restored, initially to some 500+ BOEPD and then two more tranches of 300 BOEPD as production restoration activities are implemented. Current Production is 459 BOEPD

Fig.5: Oil well Pump Jack at a Red Earth oilfield

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. Mr Jeffery is a qualified geophysicist and member of the American Association of Petroleum Geologists with over 48 years of oil and gas Industry experience. He has worldwide 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.

Corporate

On 6 May 2020, the Company signed agreements with shareholders who are sophisticated investors (Section 708) for the subscription and issue of unsecured convertible notes **("Notes")** to raise $400,500. These notes and accrued interest were converted to fully paid shares on 2 February 2021.

On 1 December 2020, the Company successfully raised $2,335,951 to fund its acquisition of the Red Earth assets.

Sacgasco held its Annual General Meeting of shareholders on 21 July 2020 where all resolutions were passed.

Public Presentations

Managing Director Gary Jeffery updated shareholders through three InvestorStream webinars between June 2020 and November 2020, and by interview with the Market Herald in November 2020. Further interviews were conducted in 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

As disclosed in note 6.8 of the notes to the consolidated financial statements and in the Review of Operations, the Group has signed agreements with a Canadian operator to earn a working interest in its oil and gas assets.

ENVIRONMENTAL REGULATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 6.8 of the notes to the consolidated financial statements, there have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

INFORMATION ON DIRECTORS

Information on Directors	
Name: Title: Qualifications:	Andrew Childs Non-Executive Chairman BSc.
Experience and expertise:	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 Range Oil Australia (later named Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Mr Childs is also Principal of Resource Recruitment.
Other current public directorships:	Non-executive Director of ADX Energy Limited
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Interests in shares: Interests in options:	7,478,598 15,224,769
Name: Title: Qualifications:	Gary Jeffery Managing Director BSc.
Experience and expertise:	Mr Jeffery has over 48 years of project development, operations and exploration experience in the oil, gas and mining and energy utilities industries, having worked for both large and small organisations in over thirty countries worldwide. He is an experience director of public companies in Australia, Uganda and Canada, and has broad international experience in resources, and provides consulting services on energy and resource related matters. Mr Jeffery graduated with a BSc in Geology and Geophysics from the University of New England. He is a WA Energy Research Alliance (WAERA) Industry Advisory Group participant.
Other current public directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	None
Interests in shares: Interests in options:	20,792,275 27,823,485

INFORMATION ON DIRECTORS (continued)

Name	Experience, qualifications and other directorships
Name: Title: Qualifications:	David McArthur Non-Executive Director CA, BCom.
Experience and expertise:	Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia. 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. Mr McArthur has been actively involved in the financial and corporate management of numerous public listed companies over the past 30 years. Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.
Other current public directorships:	Interim Managing Director of Xstate Resources Limited Appointed: 3 September 2013 Resigned: 15 July 2019 Reappointed: 26 November 2019 Non-Executive Director of Lodestar Minerals Limited Appointed: 3 September 2018 *Executive Director from 13 August 2007 to 3 September 2018*
Former directorships (past 3 years):	Non-Executive Director of Harvest Technology Limited (formerly Smart Marine Systems Limited) from 29 January 2016 until 3 September 2019.
Special responsibilities:	Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Interests in shares: Interests in options:	2,000,000 2,000,000

On 18 August 2020, David McArthur joined the Board as a Non-Executive Director when Greg Channon resigned his position due to other work commitments.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships' quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARIES

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 24 October 2013. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies and has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint Company Secretary on 28 February 2020. Mr McArthur has 10 years' corporate and financial experience in Australia and the United Kingdom.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 31 December 2020, and the number of meetings attended by each director was:

	Full Board		Audit and Risk Management Committee	
	Attended	Held	Attended	Held
Andrew Childs	2	2	2	2
Gary Jeffery	2	2	2	2
David McArthur	1	1	1	1
Greg Channon	1	1	1	1

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

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

The audit and risk management, finance and environmental functions are handled by the full board of the Company.

In addition to the meetings held above, a number of decisions of the Board are undertaken via circular resolution (10).

INDEMNITY AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all Directors and Company Secretaries against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is $41,670 (2019: $52,410) to insure the Directors and Company Secretaries of the Company.

SHARES UNDER OPTION

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

Grant date	Expiry date	Exercise price cents	Number under option
31-May-2019	31-Dec-2021	4	16,000,000
15-Oct-2019	31-Dec-2021	4	131,915,719
22-Jan-2021	30-Dec-2022	6	18,000,000
			165,915,719

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

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Sacgasco Limited were issued during the year ended 31 December 2020, and up to the date of this report, on the exercise of options granted:

Date options granted	Exercise price cents	Number of shares issued
15-Oct-2019	4	1,514,219
31-May-2019	4	3,000,000
22-Jan-21	6	2,000,000

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 24.

AUDITOR

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

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the Directors of Sacgasco Limited for the year ended 31 December 2020. There were no other key management personnel during the year. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001* and its Regulations.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

Remuneration philosophy

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

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

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

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

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

Remuneration structure

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

Non-Executive Directors' Remuneration

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

ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held in 2005, where the shareholders approved a maximum annual aggregate remuneration of $150,000.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of statutory superannuation and membership of sub-committees:

- Non-Executive Directors $30,000 p.a. inclusive of statutory superannuation
- Chairman $40,000 p.a. inclusive of statutory superannuation

Pursuant to the share-plan approved by shareholders at a general meeting on 31 May 2020, 50% of Mr Childs fee is paid through the issue of shares on a quarterly basis. These shares were issued as follows:

Quarter ended	Contractual value of services rendered	Market value of shares on grant date	No. of Plan Shares issued	Date of issue	Share price on grant date
	$	$			cents
31-Dec-19	-	-	156,250	22-Jan-20	2.50
31-Mar-20	5,000	4,032	161,290	02-Apr-20	2.50
30-Jun-20	5,000	7,353	294,118	22-Jul-20	2.50
30-Sep-20	5,000	3,472	138,889	01-Oct-20	2.50
	15,000	14,857	750,547		
31-Dec-20	5,000	2,155	86,207	15-Jan-21	2.50
	20,000	17,012	836,754		

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.

David McArthur does not receive a directors' fee.

Executive Directors' Remuneration

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

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

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

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

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Nomination and Remuneration Committee has access to external, independent advice where necessary.

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

Short-term incentive scheme

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

Long-term incentive scheme

The long-term incentives ("LTIs") include long-service leave and share-based payments. Share options are awarded to executives and other key management in a manner that aligns this element of remuneration with the creation of shareholder wealth.

The Company has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Company eligible employees and consultants to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however, the Board determines appropriate vesting periods to provide rewards over time.

Options granted as compensation

At the date of this report, share options granted to the Directors of the Company as part of their remuneration are:

	Number of options granted	Grant date	Value per option at grant date	Value of options at grant date	Vesting and first exercise date	Exercise Price Per option	Expiry date
			cents	$		cents	
Gary Jeffery	10,000,000	22-Jan-21	5.21	521,000	29-Jan-21	6.0	31-Dec-22
Andrew Childs	6,000,000	22-Jan-21	5.21	312,600	29-Jan-21	6.0	31-Dec-22
David McArthur	4,000,000	22-Jan-21	5.21	208,400	29-Jan-21	6.0	31-Dec-22

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

The cost of these options will form part of the 31 December 2021 remuneration report.

Options granted as compensation (continued)
No options granted as compensation in the current or prior years were exercised, forfeited, lapsed, or cancelled (2019: nil).

Group performance and link to remuneration
The remuneration of the Group's key management personnel, including any component of remuneration that consists of securities in the Company, is not formally linked to the prior performance of the Group. The rationale for this approach is that the Group is in the exploration phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

	2020	**2019**	**2018**	**2017**	**2016**
Other operating income	437,155	782,243	1,250,989	404,632	183,646
Loss before income tax ($)	(1,730,534)	(1,314,164)	(1,972,174)	(6,714,764)	(1,134,923)
Net loss attributable to equity holders ($)	(1,734,221)	(1,316,441)	(1,974,367)	(6,720,095)	(1,137,120)
Share price at year end (cents)	6.30	4.50	2.50	7.80	6.50
Number of listed ordinary shares	341,258,491	268,513,742	261,780,949	243,989,884	130,110,984
Weighted average number of shares	277,329,705	266,085,375	204,386,845	204,386,845	115,477,089
Basic loss per share EPS (cents)	(0.63)	(0.49)	(0.78)	(3.29)	(0.98)
Listed options	133,429,938	133,429,948	-	-	-
Unlisted options	19,000,000	19,000,000	43,000,000	37,500,000	19,698,773
Market capitalisation ($)	21,499,285	12,083,118	7,591,648	19,024,191	8,457,214
Net tangible assets / (liabilities) (NTA) ($)	844,695	(133,437)	561,307	1,517,627	(,007,577)
NTA Backing (cents)	0.25	(0.05)	0.21	0.62	(0.77)

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

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

Voting and comments made at the Company's 2020 Annual General Meeting ("AGM")
At the 2020 AGM, 100% of the votes received, supported the adoption of the remuneration report for the year ended 31 December 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Employment contracts

Remuneration and other terms of employment of the Managing Director is formalised in an employment contract. The major provisions of the agreement related to remuneration are set out below.

Name	Terms of agreement	Employee notice period	Employer notice period	Base salary **	Termination Benefit ***
Gary Jeffery *	Ongoing from 1 November 2013	Three months	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 the superannuation guarantee charge rate applicable at the time (currently 9.50%) and comprises $100,000 cash and $100,000 in shares for 50% of Mr Jeffery's time. Shares are issued on a calendar quarterly basis with shareholder approval. The issue price of the shares is the mathematical average of the VWAP for the first and the last five trading days in the calendar quarter.

*** Termination benefits are payable upon early termination by the Company, other than for gross misconduct. They are equal to base salary for the notice period.

At a general meeting on 21 July 2020, a share plan was approved by shareholders to satisfy 50% of the Executive Director fees payable to Mr Jeffery through the issue of shares on a quarterly basis. These shares were issued as follows:

Quarter ended	Contractual value of services rendered $	Market value of shares on grant date $	No. of Plan Shares issued	Date of issue	Share price on grant date cents
31-Dec-19	-	-	781,250	22-Jan-20	2.50
31-Mar-20	25,000	20,161	806,452	02-Apr-20	2.50
30-Jun-20	25,000	36,765	1,470,588	22-Jul-20	2.50
30-Sep-20	25,000	17,361	694,444	01-Oct-20	2.50
	75,000	74,287	3,752,734		
31-Dec-20	25,000	10,776	431,034	15-Jan-21	2.50
	100,000	85,063	4,183,768		

Details of remuneration

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

	Short-term benefits		Share-based payments		Total
2020	**Cash salary and fees** **$**	**D&O insurance premiums** **$**	**Shares** **$**	**Equity-settled options (A)** **$**	**$**
Non-executive Directors					
Andrew Childs	20,000	13,890	17,012	-	**50,902**
David McArthur	-	5,161	-	-	**5,161**
Executive Directors					
Gary Jeffery	100,000	13,890	85,063	-	**198,953**
Former Directors					
Greg Channon [(B)]	18,952	8,729	-	-	**27,681**
	138,952	41,670	102,075	-	**282,697**
2019					
Non-executive Directors					
Andrew Childs	20,000	17,470	20,043	34,800	**92,313**
Greg Channon	30,000	17,470	-	17,400	**64,870**
Executive Directors					
Gary Jeffery	100,000	17,470	100,213	58,000	**275,683**
	150,000	**52,410**	**120,256**	**110,200**	**432,866**

(A) The fair value of options granted was determined using the Black-Scholes option pricing model,

(B) Greg Channon was appointed on 3 December 2018 and resigned on 17 August 2020.

No proportion of Directors' remuneration was linked to performance for the year ended 31 December 2020 (2019: nil).

No cash bonuses were granted during the year (2019: Nil).

Additional disclosures relating to key management personnel

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

	Held on 31 December 2019	In lieu of fees	Held on resignation	Held on 31 December 2020
Andrew Childs	6,641,844	750,547	-	7,392,391
David McArthur	-	-	-	-
Greg Channon	2,051,977	-	(2,051,977)	-
Gary Jeffery	16,608,507	3,752,734	-	20,361,241
	25,302,328	4,503,281	(2,051,977)	27,753,632

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

	Held on 31 December 2019	Held on appointment / resignation	Held on 31 December 2020	Vested and exercisable on 31 December 2020
Andrew Childs	9,224,769	-	9,224,769	9,224,769
David McArthur	-	-	-	-
Greg Channon	3,977,239	(3,977,239)	-	-
Gary Jeffery	17,823,485	-	17,823,485	17,823,485
	31,025,493	(3,977,239)	27,048,254	27,048,254

Share-based remuneration granted as compensation
For details of share-based payments granted during the year, refer note 6.1.

Other transactions with key management personnel
Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 6.4.

END OF AUDITED REMUNERATION REPORT

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

GARY JEFFERY
Managing Director

31 March 2021
Perth, WA

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Sacgasco Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
31 March 2021

N G Neill
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 $	2019 $
Other operating income	2.2	437,155	782,243
Government grants - PAYG cash flow boost		20,000	-
Other gains	2.6	8,383	3,722
Other operating expenses	2.2	(731,769)	(949,468)
Exploration expenditure		(311,313)	(156,392)
Site restoration expense		(6,794)	-
Personnel expenses	2.4	(309,593)	(505,003)
General and administrative expenses		(123,078)	(167,775)
Professional fees		(309,938)	(296,372)
Marketing and business development expense		(85,660)	(7,002)
Depreciation and amortisation		(3,214)	(4,136)
Foreign exchange (losses) / gains	2.6	(14,959)	6,210
Provision for lifetime expected credit losses	2.6	(273,420)	-
Results from operating activities		**(1,704,200)**	**(1,293,973)**
Finance income	2.3	1,134	-
Finance expenses	2.3	(27,468)	(20,191)
		(26,334)	(20,191)
Loss before income tax		(1,730,534)	(1,314,164)
Income tax expense	2.5	(3,687)	(2,277)
Loss for the year		**(1,734,221)**	**(1,316,441)**
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation difference of foreign operations		31,030	(2,233)
Total items that may be classified as subsequently to profit or loss		31,030	(2,233)
Total comprehensive loss for the period		(1,703,191)	(1,318,674)
Loss per share (cents per share)			
Basic and diluted	2.8	(0.63)	(0.49)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	4.1	1,735,573	282,454
Trade and other receivables	4.2	260,964	536,599
Prepayments		18,150	61,933
Interest bearing assets	4.3	66,709	-
Other financial assets	4.4	142,952	-
Total current assets		**2,224,348**	**880,986**
Other financial assets	4.4	264,509	290,138
Property, plant and equipment		4,857	7,952
Intangible assets		106	289
Total non-current assets		**269,472**	**298,379**
Total assets		**2,493,820**	**1,179,365**
Liabilities			
Trade and other payables	4.5	(1,140,746)	(888,000)
Employee entitlements	2.4	(6,313)	(17,350)
Borrowings	5.2	(319,423)	(213,269)
Total current liabilities		**(1,466,482)**	**(1,118,619)**
Site restoration provision	3.1	(182,537)	(193,894)
Total non-current liabilities		**(182,537)**	**(193,894)**
Total liabilities		**(1,649,019)**	**(1,312,513)**
Net assets / (liabilities)		**844,801**	**(133,148)**
Equity			
Issued capital	5.1	23,635,092	21,304,674
Reserves		675,916	294,164
Accumulated losses		(23,466,207)	(21,731,986)
Total equity / (deficiency) attributable to equity holders of the Company		**844,801**	**(133,148)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Issued capital	Equity component of convertible note	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance on 1 January 2019	**20,785,593**	**-**	**162,759**	**1,583,445**	**28,500**	**(21,998,990)**	**561,307**
Loss for the period	-	-	-	-	-	(1,316,441)	(1,316,441
Foreign exchange translation difference on foreign operations	-	-	(2,233)	-	-	-	(2,233)
Total comprehensive loss for the period	-	-	(2,233)	-	-	(1,316,441)	(1,318,674)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	519,081	-	-	-	-	-	519,081
Transfer to accumulated losses on expiry of options	-	-	-	(1,583,445)	-	1,583,445	-
Share-based payment transactions	-	-	-	110,200	(5,062)	-	105,138
Balance on 31 December 2019	21,304,674	-	160,526	110,200	23,438	(21,731,986)	(133,148)
Loss for the period	-	-	-	-	-	(1,734,221)	(1,734,221)
Foreign exchange translation difference on foreign operations	-	-	31,030	-	-	-	31,030
Total comprehensive loss for the period	-	-	31,030	-	-	(1,734,221)	(1,703,191)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	2,330,418	-	-	-	-	-	2,330,418
Issue of convertible notes	-	361,229	-	-	-	-	361,229
Share-based payment transactions	-	-	-	-	(10,507)	-	(10,507)
Balance on 31 December 2020	23,635,092	361,229	191,556	110,200	12,931	(23,466,207)	844,801

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		3,025	-
Government grants		20,000	-
Cash paid to suppliers and employees		(692,363)	(551,584)
Payments for exploration and evaluation		(409,967)	(309,675)
Interest paid		(21,601)	(26,290)
Interest received		48	-
Income taxes paid		(3,687)	(2,277)
Net cash used in operating activities	4.1(b)	(1,104,545)	(889,826)
Cash flows from investing activities			
Payments for property, plant and equipment		(198)	-
Net cash used in investing activities		(198)	-
Cash flows from financing activities			
Proceeds from issue of shares and options		2,335,951	400,290
Proceeds from issue of convertible notes		400,500	-
Repayment of premium funding facility		(38,984)	(56,882)
Loan to joint venture partner		(65,681)	-
Proceeds from related party loans		270,000	50,000
Repayment of related party loans		(170,000)	(100,000)
Payment of capital raising costs		(168,115)	(69,529)
Net cash from financing activities		2,563,671	223,879
Net increase / (decrease) in cash and cash equivalents		1,458,928	(665,947)
Cash and cash equivalents on 1 January		282,454	956,365
Effect of exchange rate fluctuations on cash held		(5,809)	(7,964)
Cash and cash equivalents on 31 December	4.1(a)	1,735,573	282,454

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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2020

SECTION 1 ABOUT THESE FINANCIAL STATEMENTS

The financial statements of Sacgasco Limited (the Company) and its controlled entities (collectively known as "the Group") for the year ended 31 December 2020 were authorised for issue on 31 March 2021 in accordance with a resolution of the Directors. The directors have the power to amend and reissue the financial statements.

The Company is:

- a company limited by shares.
- incorporated and domiciled in Australia.
- publicly traded on the Australian Securities Exchange (ASX code: SGC).
- a for-profit entity for the purpose of preparing the financial statements.

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

Its registered office is located at Level 1, 31 Cliff Street, Fremantle, WA, 6160.

The financial report is a general-purpose financial report, which:

- has been prepared in accordance, and complies, with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- has been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.
- is presented in Australian dollars ($).
- presents reclassified comparative information if required for consistency with the current year's presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective from reporting periods beginning on or before 1 January 2020. Refer to note 6.9 for further details.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

1.1 PRINCIPLES 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.2 PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 6.6.

1.3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. On 31 December 2020, the Group had net assets of $844,801, a working capital surplus of $757,866 and cash at bank of $1,735,573.

The Directors are aware that the Group’s ability to continue as a going concern is contingent on securing further working capital to continue funding its operational and exploration activities. Prior to, and since the year-end, the Group has acquired working interests in several production assets in Alberta, Canada which are anticipated to recommence operations mid-2021.

On 11 February 2021, the Company announced that it had placed 76,973,072 shares to sophisticated investors at 6.5 cents each to raise $5,003,250 before costs to be utilised for drilling activities at the Borba well, and for further investment activities.

The Directors are of the opinion that given the capital raised post year end, the Group is in a position to carry on operations for the foreseeable future and that it will be able to realise its assets and discharge its liabilities in the normal course of business.

1.4 FOREIGN CURRENCIES

The functional currency of each of the Group’s entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

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 statement of profit or loss. 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 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Coronavirus (COVID-19) pandemic

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 6.1.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumption on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date. Refer note 6.2.

Fair value of non-financial assets

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

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 2.5.

1.6 CURRENT AND NON-CURRENT CLASSIFICATION

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

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

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

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

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 loss, tax and loss per share.

2.1 OPERATING SEGMENTS

Accounting Policy

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

The Group is organised into one operating segment, being oil and gas exploration and appraisal. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the CODM) in assessing performance and determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a quarterly basis.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2019.

2.2 NET OPERATING EXPENSES

Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

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

	Note	2020 $	2019 $
Other operating income	(i)	437,155	782,243
Other operating expenses		(731,769)	(949,468)
Net operating expenses		**(294,614)**	**(167,225)**

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

2.3 NET FINANCE COSTS

Accounting Policy

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

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

	Note	2020 $	2019 $
Interest income on deposits		(104)	-
Interest income on loans to joint venture partner		(1,030)	-
Total finance income		**(1,134)**	**-**
Interest expense on financial liabilities measured at amortised cost			
Interest expense on loans received from related parties	5.2	22,915	18,041
Interest expense on premium funding	5.2	1,188	2,150
Interest on convertible notes	5.2	3,365	-
Total finance costs		**27,468**	**20,191**
Net finance costs		**26,334**	**20,191**

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

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

	Note	2020 $	2019 $
Directors' remuneration	6.4	282,697	432,866
Other wages and salaries		24,182	65,572
Contributions to defined contribution plans		2,241	6,230
Other associated personnel expenses		473	335
		309,593	505,003

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

	2020 $	2019 $
Current		
Salary accrual	5,900	17,146
Statutory superannuation contributions	413	204
	6,313	**17,350**

2.5 INCOME TAX EXPENSE

Accounting Policy

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

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

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

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

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

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

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

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

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

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

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

2.5 INCOME TAX EXPENSE (continued)

(a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense	3,687	2,277
Deferred tax expense	-	-
Income tax expense	3,687	2,277
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax	(1,730,534)	(1,314,164)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(475,897)	(361,395)
Non-deductible expenses	53,498	161,786
Non-assessable income	(237,919)	(59,188)
Non-assessable non-exempt overseas subsidiaries expense	519,266	171,121
Overseas minimum income tax	3,687	2,277
Adjustment for prior years	1,900	-
Timing differences	(4,692)	(11,282)
Tax losses foregone on dissolution of group entities	-	(1,759)
Tax losses not brought to account	143,844	100,717
Income tax expense	3,687	2,277
Tax losses		
Potential future income tax benefits attributed to tax losses, not brought to account	1,541,328	1,404,560

All unused tax losses were incurred by Australian entities.

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

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised,

ii) the conditions for deductibility imposed by tax legalisation continue to be complied with,

iii) no changes in tax legislation adversely affect the Group in realising the benefit, and

iv) satisfaction of either the continuity of ownership or the same business test.

2.5 INCOME TAX EXPENSE (continued)

(b) Unrecognised deferred tax assets and liabilities

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

	2020 $	2019 $
Deferred tax liabilities		
Prepaid expenditure	(2,294)	(14,798)
Deferred tax assets		
Capital raising costs – s40-880	23,229	40,459
Borrowing costs – s25-25	2,017	-
Property, plant and equipment	84	118
Trade and other payables	6,600	6,600
Employee benefits	114	56
Carry forward tax losses	1,541,328	1,404,560
	1,573,372	1,451,793
Net unrecognised deferred tax assets	1,571,078	1,436,995

2.6 OTHER GAINS OR LOSSES

	Note	2020 $	2019 $
Other income		8,383	-
(Loss) / gain on foreign exchange transactions		(14,959)	6,210
Gain on disposal of subsidiaries		-	3,722
Provision for lifetime expected credit losses	4.2	(273,420)	-
		(279,996)	9,932

2.7 EXPLORATION AND EVALUATION EXPENDITURE

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

2.8 LOSS PER SHARE

Accounting Policy

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

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

	2020 $	2019 $
Basic and diluted loss per share		
Loss after income tax attributable to owners of Sacgasco Limited	(1,734,221)	(1,316,441)
	Cents	**Cents**
Basic loss per share	(0.63)	(0.49)
Diluted loss per share	(0.63)	(0.49)
	Number	**Number**
Weighted average number of ordinary shares		
Issued ordinary shares on 1 January	268,513,742	261,780,949
Effect of shares issued	8,815,963	4,307,426
Weighted average number of ordinary shares on 31 December	277,329,705	266,088,375

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

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

3.1 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 $182,537 (2019: $193,894) 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 plugging gas wells, restoration, reclamation and revegetation of affected areas. The Company continues to work within the regulations of the Californian authorities with regards to the planning and timing of the rehabilitation, such rehabilitation subject to the Company's share of the DoGGR bond of US$200,000 for up to fifty wells.

	2020 $	2019 $
Site restoration provision	(182,537)	(193,894)
Movement in carrying amounts		
Opening balance	(193,894)	(192,765)
Additional provisions recognised	(6,794)	-
Effects of foreign exchange	18,151	(1,129)
Closing balance	(182,537)	(193,894)

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

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

	2020 $	2019 $
Cash and cash equivalents in the statement of cash flows	1,735,573	282,454

(b) Reconciliation of cash flows from operating activities

	2020 $	2019 $
Cash flows from operating activities		
Loss for the period	(1,734,221)	(1,316,441)
Adjustments for:		
Equity-settled share-based payment transactions	152,075	243,457
Depreciation	3,031	3,885
Amortisation	183	251
Profit on disposal of subsidiaries	-	(2,296)
Provision for expected credit losses	273,420	
Net loss on foreign exchange translations	17,414	9,898
Net finance income	(259)	-
Change in other receivables	(12,117)	(131,931)
Change in prepayments	42,771	6,178
Change in other financial assets	(142,971)	(5,000)
Change in trade and other payables	295,274	249,865
Change in interest bearing liabilities	5,098	42,301
Change in employee benefits	(11,037)	10,007
Change in site restoration provision	6,794	-
Net cash used in operating activities	(1,104,545)	(889,826)

4.1 CASH AND CASH EQUIVALENTS (continued)

(c) Changes in liabilities arising from financing activities

	Related party loans $	Convertible notes $	Premium funding $	Total $
Balance on 1 January 2019	230,384	-	47,466	277,850
Net cash used in financing activities	(50,000)	-	(56,882)	(106,882)
Premium funding facility	-	-	48,400	48,400
Interest on related party loans	(6,099)	-	-	(6,099)
Balance on 31 December 2019	174,285	-	38,984	213,269
Net cash from / (used in) financing activities	100,000	-	(38,984)	61,016
Interest on convertible notes	-	42,636	-	42,636
Interest on related party loans	2,502	-	-	2,502
Balance on 31 December 2020	276,787	42,636	-	319,423

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

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

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

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

	2020 $	2019 $
Current		
Trade debtors	365,974	373,096
Less: Provision for expected credit losses	(273,420)	-
Effects of foreign exchange	28,536	-
	121,090	**373,096**

4.2 TRADE AND OTHER RECEIVABLES (continued)

	2020 $	2019 $
Current		
Trade debtors	121,090	373,096
Due from authorised government agencies	91,265	85,584
Other receivables	48,609	77,919
	260,964	**536,599**

The Group has provided $273,420 of expected credit losses (ECL) for the period ended 31 December 2020. The ECL includes an amount of $213,229 due from subsidiaries of California Resources Corporation (CRC). CRC filed for Chapter 11 bankruptcy reorganisation in July 2020. The Group will continue to seek payment of these amounts. The remaining balance is due from other working interest parties. The Group has assessed the recoverability of these amounts due for well expenses on exploratory wells, accounting for factors such as oil and gas prices and historical recovery and determined that an ECL of $60,191 for the year ended 31 December 2020 is appropriate. Should the exploratory wells for which costs are due move from exploration to production in the future, the Group intends to recover the amounts owing prior to releasing net revenues to the working interest parties.

Other receivables are non-interest bearing.

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

4.3 INTEREST BEARING ASSETS

	2020 $	2019 $
Current		
Opening balance	-	-
Cash calls paid on behalf of joint venture partner	65,681	-
Interest charged at 10%	1,028	-
	66,709	**-**

During the year, joint venture partners mutually agreed to fund reciprocal cash calls. At year end these amounts had not been repaid and are recorded as unsecured loans accruing interest at 10% per annum. The unsecured loans including interest were settled in two tranches on 15 January 2021 and 29 January 2021.

4.4 OTHER FINANCIAL ASSETS

Accounting Policy

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

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

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

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

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

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

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

		2020 $	2019 $
Current:	Deposit for Canadian oil and gas investment	142,952	-
Non-current:	Deposits and bonds	264,509	290,138
		407,461	**290,138**

4.4 OTHER FINANCIAL ASSETS (continued)

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

	Deposit [1] $	DoGGR Bond [2] $	ANZ Term Deposit $
Balance on 1 January 2019		283,477	5,000
Effects of foreign exchange	-	1,661	-
Balance on 31 December 2019	**-**	**285,138**	**5,000**
Deposit for Canadian oil and gas asset investment	142,952	-	-
Interest income re-invested	-	-	20
Effects of foreign exchange	-	(25,649)	-
Balance on 31 December 2020	**142,952**	**259,489**	**5,020**

1. On 12 November 2020, the Company signed a term sheet to acquire a 30% working interest in oil and gas properties in Red Earth, Alberta Canada for:
   1.1. $645,000 (C$600,000) cash, of which $142,952 (C$133,000) was paid on execution of the agreement, and
   1.2. the issue of Sacgasco shares equivalent to $354,000 (C$333,333), at a deemed price equal to the five-trading day VWAP closing price of SGC on the Australian Securities Exchange.
2. includes $259,489 (US$200,000) DoGGR bond required to work within the regulations of the Californian authorities with regards to the planning and timing of site rehabilitation.

Refer to note 6.2 for further information on fair value measurement.

4.5 TRADE AND OTHER PAYABLES

Accounting Policy

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

	2020 $	2019 $
Current		
Trade payables	842,184	726,484
Accrued expenses	298,562	161,516
	1,140,746	888,000

Refer to Note 6.2 for further information on financial instruments.

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, as are payments made for options.

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

Issued Capital

	Ordinary shares			
	Number of shares		Amount in $	
	2020	2019	2020	2019
Balance on 1 January	**268,513,742**	**261,780,949**	**20,904,384**	**20,785,593**
Issue of fully paid shares for cash	66,741,458	-	2,335,951	-
Issue of fully paid shares on exercise of options	10	-	-	-
Issue of shares in lieu of directors' fees	4,503,281	4,232,793	112,582	125,320
Issue of shares in satisfaction of service provider fees	1,500,000	500,000	50,000	13,000
Issue of shares to Raven Energy to acquire BNG's share of Sacramento Basin	-	2,000,000	-	50,000
Capital raising costs	-	-	(168,115)	(69,529)
Balance on 31 December	**341,258,491**	**268,513,742**	**23,234,802**	**20,904,384**

Options issued for cash	Options			
	Number of options		Amount in $	
	2020	2019	2020	2019
Balance on 1 January	133,429,948	-	400,290	-
Issue of listed options exercisable at 4 cents each, Expiring on 31 December 2021	-	133,429,948	-	400,290
Exercise of options	(10)	-	-	-
Balance on 31 December	**133,429,938**	**133,429,948**	**400,290**	**400,290**
Total capital			**23,635,092**	**21,304,674**

5.2 LOANS AND BORROWINGS

Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

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

	Book value 2020 $	Fair value 2020 $	Book value 2019 $	Fair value 2019 $
Current				
Loans received from a related party	276,787	276,787	174,285	174,285
Convertible notes	42,636	42,636	-	-
Premium funding	-	-	38,984	38,984
Balance	**319,423**	**319,423**	**213,269**	**213,269**

	Convertible notes $	Loans from a director [(2)] $	Premium funding $
Balance on 1 January 2019		230,384	47,466
Loans and borrowings received	-	50,000	-
Financing of premium funding facility	-	-	48,400
Interest charged	-	18,041	2,150
Less: repaid	-	(124,140)	(59,032)
Balance on 31 December 2019	**-**	**174,285**	**38,984**
Loans and borrowings received	400,500	270,000	-
Equity component of convertible notes	(361,229)	-	-
Interest charged	3,365	22,915	1,188
Less repaid [(1)]	-	(190,413)	(40,172)
Balance on 31 December 2020	**42,636**	**276,787**	**-**

(1) amounts repaid include interest and loan establishment costs
(2) refer to note 6.4 for further details.

5.2 LOANS AND BORROWINGS (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2020 $	2019 $
Total facilities		
Related party loans	270,000	170,000
Used at the reporting date		
Related party loans	270,000	170,000
Unused at the reporting date		
Related party loans	-	-

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus 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.

6.1 SHARE-BASED PAYMENTS

Accounting Policy

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

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

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

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

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

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

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

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

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

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

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

6.1 SHARE-BASED PAYMENTS (continued)

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

	2020 $	2019 $
Expensed in personnel expenses (director remuneration)		
Shares issued to directors	89,144	96,818
Shares to be issued to directors	12,931	23,438
Options issued to directors	-	110,200
Capital raising costs within equity		
Shares issued to a consultant	-	50,000

Share-based payment programme
The Company has adopted an Employee Share Option Scheme ("ESOS"). Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

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

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

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

On 31 December 2020, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
31-May-19	13-Jun-19	31-Dec-21	4	19,000,000	-	-	-	19,000,000	19,000,000
Total				**19,000,000**	**-**	**-**	**-**	**19,000,000**	**19,000,000**
Weighted average exercise price (cents)				4.00	-	-	-	4.00	

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

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	Exercise Price (cents)	Grant date	Expiry Date	Life of the Options (years)	Volatility	Risk free Rate	Fair value at grant date (cents)	Share price at grant date (cents)
Tranche 1	19,000,000	4	31-May-19	31-Dec-21	2.59	72.51%	1.23%	0.6	2.1

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)
On 31 December 2019, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
26-Oct-15	26-Oct-15	30-Sep-19	10	10,000,000	-	-	(10,000,000)	-	-
11-Jan-17	27-Jan-17	31-Dec-19	15	17,500,000	-	-	(17,500,000)	-	-
19-Jan-17	27-Jan-17	31-Dec-19	15	4,000,000	-	-	(4,000,000)	-	-
07-Apr-17	13-Apr-17	31-Dec-19	15	500,000	-	-	(500,000)	-	-
31-May-17	14-Jun-17	31-Dec-19	15	5,000,000	-	-	(5,000,000)	-	-
21-Aug-18	21-Aug-18	30-Dec-19	5	6,000,000	-	-	(6,000,000)	-	-
31-May-19	13-Jun-19	31-Dec-21	4	-	19,000,000	-	-	19,000,000	19,000,000
Total				**43,000,000**	**19,000,000**	**-**	**(43,000,000)**	**19,000,000**	**19,000,000**
Weighted average exercise price (cents)				12.44	4.00	-	12.44	4.00	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was two years.

6.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition
Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets
<u>Financial assets at amortised cost</u>
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

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

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

6.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Impairment of financial assets
AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments
Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

6.2 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's Board of Directors who 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 on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner it manages and measures the risk from the previous period.

Foreign currency exchange rate risk management

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency, cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group is predominantly exposed to US Dollars (USD).

As of 31 December 2020, the Group's net exposure to foreign exchange risk was as follows:

	Assets		Liabilities	
	2020 $	**2019 $**	**2020 $**	**2019 $**
US Dollar	392,242	933,848	(265,528)	(177,818)

6.2 FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD). The following table details the Group's sensitivity to a 10% (2019: 1%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% (2019: 1%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

	Impact on profit or loss	
	2020	**2019**
	$	**$**
If AUD strengthens by 10% (2019: 10%)		
USD	(12,671)	(107,787)
If AUD weakens by 10% (2019: 10%)		
USD	12,671	107,787

Fluctuation in the US Dollar during the current financial year strengthened by 9.91% compared with the previous year where it weakened by 0.60%.

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

Interest rate risk management

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

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

Interest rate risk sensitivity analysis

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

At balance date, if interest rates had been 10 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by $1,648 / (Nil).

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

6.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Non-derivative financial liabilities

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months $	6 months to 1 year $	1 – 5 years $
31 December 2020				
Trade and other payables	n/a	1,147,059	-	-
Borrowings	10	276,787	-	-
		1,423,846	**-**	**-**
31 December 2019				
Trade and other payables	n/a	268,516	-	636,834
Borrowings	10	33,523	9,746	170,000
		302,039	9,746	806,834

6.2 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

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

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

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

Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 31 December 2020.

Not measured at fair value

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

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

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

6.3 CAPITAL AND OTHER COMMITMENTS

	2020 $	2019 $
Office rent		
Less than one year (1)	15,600	15,600

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

Contingent liabilities

Pursuant to the acquisition of Peregrine Limited, a cash bonus totalling in aggregate $3,000,000 may be payable out of the net proceeds of sales of gas (after deducting operating costs) from any reservoir below the Forbes Zone and attributable to the 17.5% working interest in the Dempsey 1-15 well.

At the reporting date the Group has not achieved the conditions which will crystalise this payment requirement.

6.4 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

		2020 $	2019 $
Short-term employee benefits		180,622	202,410
Share-based payments – shares issued	6.1	89,144	96,818
Share-based payments – shares to be issued	6.1	12,931	23,438
Share-based payments – options	6.1	-	110,200
	2.4	282,697	432,866

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

Andrew Childs

Resource Recruitment Pty Ltd, a company for which Mr Childs is a Director, received $31,200 (2019: $31,200) in repayment for office rent and outgoings. The balance outstanding on 31 December 2020 was nil (2019: nil).

Greg Channon

Ruby Lloyd Pty Ltd, a company for which Mr Channon was a Director, received nil (2019: $13,000) in repayment for consultancy services. The balance outstanding on 31 December 2020 was nil (2019: nil).

David McArthur

Broadway Management (WA) Pty Ltd, a company for which Mr McArthur is a Director, received $36,387 (2019: $nil) in repayment for commercial, arms-length consulting services. The balance outstanding on 31 December 2020 was $nil (2019: nil).

DAS (Australia) Pty Ltd, a company for which Mr McArthur is a Director, received $4,548 (2019: nil) in repayment for company secretarial services. The balance outstanding on 31 December 2020 was nil (2019: nil).

6.4 RELATED PARTIES (continued)

(c) Loans from key management personnel

The following is based on standard commercial terms and conditions.

Gary Jeffery

Dungay Resources Pty Ltd, a company for which Mr Jeffery is a Director and shareholder, provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months if, and when, the company was in a financial position to do so. Interest expense to 31 December 2020 was $7,000 (2019: $18,041) and the balance outstanding was $71,760 (2019: $174,185).

Gary Jeffery provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months if, and when, the company was in a financial position to do so. Interest expense to 31 December 2020 was $15,915 (2019: $18,041) and the balance outstanding was $205,027 (2019: $174,185).

On 12 February 2021, all loans and accrued interest were repaid in full.

6.5 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiary in accordance with the accounting policy described in note 1.1:

Name of subsidiary	Place of incorporation	Equity Interest	
		2020 %	2019 %
Sacgasco CA Inc	United States of America	100	100
PEOCO LLC	United States of America	100	100

As disclosed in note 6.8, Sacgasco AB Ltd. was incorporated in Alberta, Canada on 4 February 2021.

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

6.6 PARENT COMPANY DISCLOSURES

Accounting Policy

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

As at, and throughout the financial year ended 31 December 2020, the parent entity of the Group was Sacgasco Limited.

	2020 $	2019 $
Result of the parent entity		
Loss for the year	(1,413,573)	(1,865,812)
Total comprehensive loss for the year	**(1,413,573)**	**(1,865,812)**
Financial position of parent entity at year end		
Current assets	2,083,416	633,053
Total assets	**2,090,530**	**641,790**
Current liabilities	(1,121,973)	(940,801)
Total liabilities	**(1,121,973)**	**(940,801)**
Total equity of the parent entity comprising of:		
Share capital	23,656,342	21,304,674
Equity-settled benefits reserve	484,360	133,637
Accumulated losses	(23,150,895)	(21,737,322)
Total equity / (deficiency)	**968,557**	**(299,011)**

6.7 AUDITORS' REMUNERATION

	2020 $	2019 $
HLB Mann Judd		
Audit and other assurance services		
Audit and review of financial reports	37,669	40,580
Total Auditor's Remuneration	**37,669**	**40,580**

6.8 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 15 January 2021, the Company issued 517,241 shares in lieu of directors' fees, as approved by shareholders on 21 July 2020.

On 28 January 2021, the Company announced that it had signed a Binding Term Sheet to acquire a 20% working interest in oil and gas producing assets in Southern Alberta, Canada, (known as "Alberta Plains" Assets). Consideration for this purchase is $510,000 (C$500,000) cash plus the issue of 1,917,808 Sacgasco shares at $0.073 per share, based on the five-day VWAP price prior to the date of signing on 22 January 2021. This acquisition was completed on 9 February 2021.

On 29 January 2021, the Company issued 1,514,219 fully paid shares on conversion of 4 cent options issued on 30 September 2019 to raise $60,569.

On 29 January 2021, 20,000,000 options were issued to the Directors of the Company as approved by shareholders at a general meeting held on 22 January 2021. The options are exercisable at 6 cents each, on or before 31 December 2022.

On 2 February 2021, the Company issued 42,979,685 shares in full satisfaction of 801 convertible notes including interest at 10% p.a. which were issued on 11 May 2020.

On 2 February 2021, the Company issued 8,850,000 shares at 4 cents each as part consideration for a 30% working interest in the Red Earth oil and gas assets located in Alberta, Canada. A Binding Term Sheet was signed on 20 November 2020 to acquire a 30% working interest in producing oil fields in Alberta Canada. This acquisition was completed on 22 March 2021.

On 4 February 2021, Sacgasco AB Ltd. was incorporated in Alberta, Canada to manage the groups working interests in the Alberta, Canada production acquisitions.

On 11 February 2021, the Company placed 76,973,072 fully paid shares at 6.5 cents each to raise $5,003,250 (before costs) through the issue of 125,000,000 fully paid shares for the Borba drilling program and production growth.

On 11 February 2021, the Company issued 3,000,000 fully paid shares on conversion of 4 cent options issued on 31 May 2019 and 2,000,000 fully paid shares on conversion of 6 cent options issued on 22 January 2021 to raise $240,000.

6.9 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period on or after 1 January 2020. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia*

The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

6.10 ACCOUNTING STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however, further analysis will be performed when the relevant standards are effective.

DIRECTORS' DECLARATION

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

In the directors' opinion:

1. The financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in *Section 1 - 'About these financial statements'.*
3. The financial statements and notes give a true and fair view of the Group's financial position as of 31 December 2020 and of its performance for the financial year ended on that date; and
4. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2020.

On behalf of the Board

GARY JEFFERY
Managing Director

31 March 2021
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Sacgasco Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sacgasco Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Accounting for convertible notes Refer to Note 5.2	
Accounting for the convertible notes was considered a key audit matter due to: • The complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both; • Measurement at initial recognition of the individual components of the liability based on the terms and conditions of the agreement and the significant judgements in determining the fair value of the liability component; and • Measurement subsequent to initial recognition including the fair value measurement at balance date.	We performed the following audit procedures amongst others: • Obtaining an understanding of and assessing the terms and conditions of the convertible loan note agreements; • Considered the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standards; • Considered the reasonableness of the inputs into the valuation and amounts recognised; and • Assessed the adequacy of the disclosures in accordance with the applicable accounting standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Sacgasco Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
31 March 2021

SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable on 11 March 2021:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	93	10,839	-
1,001 – 5,000	100	437,772	0.59
5,001 – 10,000	359	2,808,171	0.59
10,001 – 100,000	1,008	40,138,263	8.41
100,001 and over	506	433,697,662	90.91
Total	**2,066**	**477,092,707**	**100.00**

There were 227 holders of less than a marketable parcel of ordinary shares.

2. Distribution of listed options

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	19	2,039	-
1,001 – 5,000	28	90,332	0.07
5,001 – 10,000	13	110,460	0.08
10,001 – 1,00,000	83	3,927,008	2.98
100,001 and over	118	127,785,880	96.87
Total	**262**	**131,915,719**	**100.00**

3. Voting rights

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

Options and rights
No voting rights.

4. Corporate Governance Statement

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

Refer to http://www.sacgasco.com/company/corporate-governance/

5. Listed options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
15-Oct-19	131,915,719	262	31-Dec-21	4

6. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
31-May-19	16,000,000	2	31-Dec-21	4
29-Jan-21	18,000,000	3	31-Dec-22	6

7. Twenty largest shareholders on 11 March 2021

	Ordinary shares	
Shareholders	Number held	% of issued shares
Gary John Jeffery related parties	20,792,275	4.36
BNP Parabis Nominees Pty Ltd	14,395,299	3.02
Kenneth James Baker	13,796,559	2.89
HSBC Custody Nominees (Australia) Limited	12,781,107	2.68
JP Morgan Nominees Australia Pty Ltd	10,463,104	2.19
Justine Davina Michel <Lambrecht Investment A/C>	10,369,198	2.17
Benjamin William Jarvis	10,006,000	2.10
Hemsby Super Pty Ltd <Hemsby Super Fund A/C>	9,703,846	2.03
Citicorp Nominees Pty Ltd	9,200,551	1.93
Robert John Wittenoom	8,921,979	1.87
Citicorp Nominees Pty Ltd	8,628,763	1.81
Talex Investments Pty Ltd	8,100,000	1.70
Blue Sky Resources Limited	8,073,000	1.69
Andrew Ross Childs	7,478,598	1.57
BNP Parabis Nominees Pty Ltd Six Sis Ltd <DRP A/C>	6,347,384	1.33
Great Eastern Holdings Pty Ltd <Nambung Unit A/C>	6,071,016	1.27
M & E Earthmoving Pty Ltd	6,036,457	1.27
Magaurite Pty Ltd <Peter Nelson Super Fund A/C>	5,369,452	1.13
Alan George Brooks & Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	5,169,837	1.08
Talex Investments Pty Ltd <AF Wylie Super Fund A/C>	5,100,000	1.07
Aivars Strazdins & Diane Jeanette Thorley <For Every Free S/Fund A/C>	4,503,921	0.94

8. Twenty largest option holders on 11 March 2021

Shareholders	Ordinary shares Number held	% of issued shares
M & E Earthmoving Pty Ltd	12,015,948	9.11
Benjamin William Jarvis	11,932,222	9.05
Talex Investments Pty Ltd <AF Wylie Super Fund A/C>	10,220,000	7.75
Whead Pty Ltd <CJ Holdings A/C>	7,997,468	6.06
Gary John Jeffery related parties	7,823,485	5.93
Alan George Brooks & Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	4,869,838	3.69
APNEA Holdings Pty Ltd <Kelly Family A/C>	3,849,618	2.92
BNP Parabis Nominees Pty Ltd <IB AU Noms Retail Client DRP>	3,444,000	2.61
Andrew Ross Childs	3,224,769	2.44
REBO Nominees Pty Ltd	3,000,000	2.27
Great Eastern Holdings Pty Ltd <Nambung Unit A/C>	2,888,140	2.19
Andrew Ian Stuart Boyd <The Boyd Trading A/C>	2,500,000	1.90
Brian Laurence Eibisch	2,313,280	1.75
Diana Lee Thompson	1,966,461	1.49
Hemsby Super Pty Ltd <Hemsby Super Fund A/C>	1,903,772	1.44
Talex Investments Pty Ltd	1,750,000	1.33
Heather Ann Timms	1,700,000	1.29
Kim Steven Wilhelm	1,537,500	1.17
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,500,000	1.14
Kyle Andrew Timms & Heather Ann Timms <KA & AH Timms S/F A/C>	1,500,000	1.14

CORPORATE DIRECTORY

Directors
Mr Andrew Childs
Mr Gary Jeffery
Mr David McArthur

Secretary
Mr David McArthur
Mr Jordan McArthur

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Subiaco WA 6008

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Level 4, 130 Stirling Street
Perth WA 6000

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

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110 Stirling Highway
Nedlands WA 6009

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Options: SGCOA

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