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ABN 83 114 061 433*

**Announcement to ASX**

**9 December 2016**

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**NOTICE OF MEETING**

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Saggasco Limited attaches a copy of a notice of meeting today sent to shareholders of the company.

**For and on behalf of the Board of Saggasco Limited**

Gary Jeffery  
Managing Director  
+61 8 9388 2654

**Saggasco Limited Company Background:**

Saggasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration in the Sacramento Basin, onshore California. SGC has an extensive portfolio of oil and gas prospects at both exploration and appraisal stages, including a number of multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and the evolving LNG export market from North America. SGC is of the view that the size of the prospects it has already leased and has further identified in the Sacramento Basin have the potential to supply both the domestic Californian gas market and export LNG markets.

[www.saggasco.com](http://www.saggasco.com)

**Twitter: @SacGasCo**



**SAGGASCO LIMITED**

ABN 83 114 061 433

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**NOTICE OF GENERAL MEETING**

**PROXY FORM**

**AND**

**EXPLANATORY MEMORANDUM**

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*Date of Meeting*

**Wednesday 11 January 2017**

*Time of Meeting*

**10:00 am (WST)**

*Place of Meeting*

**Level 2, 55 Carrington Street  
Nedlands, Western Australia**

# SACGASCO LIMITED

ABN 83 114 061 433

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of shareholders of Saccgasco Limited ("**Company**") will be held at 10:00 am (WST) on Wednesday 11 January 2017, at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 4:00 pm (WST) on Monday 9 January 2017.

An Explanatory Statement containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

### AGENDA

To consider and, if thought fit, to pass the following Resolutions.

### ORDINARY BUSINESS

#### **ORDINARY RESOLUTION 1: APPROVAL FOR THE ISSUE OF SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 32,000,000 fully paid ordinary shares on the terms and condition set out in the Explanatory Memorandum."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy declares.

#### **ORDINARY RESOLUTION 2: RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 17,397,546 fully paid ordinary Shares and 8,698,773 Options on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 2 by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy declares.

### **ORDINARY RESOLUTION 3: ADOPTION OF EMPLOYEE INCENTIVE OPTION PLAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled “Employee Incentive Option Plan” and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

### **ORDINARY RESOLUTION 4: ISSUE OF OPTIONS TO RELATED PARTY – ANDREW CHILDS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 5,000,000 Director Options to Andrew Childs (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Andrew Childs, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **ORDINARY RESOLUTION 5: ISSUE OF OPTIONS TO RELATED PARTY – GARY JEFFERY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 5,000,000 Director Options to Gary Jeffery (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Gary Jeffery, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **ORDINARY RESOLUTION 6: ISSUE OF OPTIONS TO RELATED PARTY – KEITH MARTENS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 5,000,000 Director Options to Keith Martens (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Keith Martens, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **ORDINARY RESOLUTION 7: ISSUE OF OPTIONS TO RELATED PARTY – DAVID McARTHUR**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 3,000,000 Director Options to David McArthur (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by David McArthur, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**By Order of the Board**



D M McARTHUR  
**Company Secretary**

Dated: 5 December 2016

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## **ENTITLEMENT TO ATTEND AND VOTE**

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The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 4:00 pm (WST) on 9 January 2017 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### **VOTING IN PERSON**

To vote in person, attend the Meeting at the time, date and place set out above.

### **VOTING BY PROXY**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one- half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

### **CORPORATE REPRESENTATIVE**

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

### **ENQUIRIES**

Shareholders are invited to contact the Company Secretary, Mr David McArthur on +61 8 9423 3200 if they have any queries in respect of the matters set out in this document.

# SACGASCO LIMITED

ABN 83 114 061 433

## EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

### **ORDINARY RESOLUTION 1: APPROVAL FOR ISSUE OF SHARES**

#### **1.1 General**

On 31 October 2016, the Company announced the acquisition of a further 35% Working Interest ("WI") in the Dempsey project and the Alvares project. The acquisition is to be structured as follows:

- Sacgasco will acquire a 100% interest in Peregrine Limited ("Peregrine") from Mobfi (Overseas) S.A. Peoco LLC is a wholly owned subsidiary of Peregrine, and holds a 35% working interest in each of the Dempsey and Alvares projects.

The total consideration for the acquisition is the issue 32 million shares in the capital of Sacgasco, such shares to be issued at a deemed price of 5 cents each.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 32,000,000 shares pursuant to the above agreement.

#### Regulatory requirements

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

If Shareholders approve Resolution 1, the shares will be issued without using the Company's placement capacity, in relation on the exception in ASX Listing Rule 7.2(4).

#### **1.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) a total of 32,000,000 fully paid ordinary shares are to be issued, at a deemed price of \$0.05 each.
- (b) the issues of Shares will occur at one time, and will be issued no later than 3 months after the date of the meeting;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued to Mobfi (Overseas) S.A.
- (e) None of these subscribers are related parties of the Company.
- (f) No funds are being raised from the issue of the shares.



### 1.3 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

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### ORDINARY RESOLUTION 2: RATIFICATION OF ISSUE OF SHARES

**2.1** ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12 month period any equity securities which, when aggregated with the number of other securities issued within that 12 month period, exceeds 15% of the number of ordinary shares on issue at the beginning of that 12 month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

ASX Listing Rule 7.1A provides that the Company can issue a further 10% of the number of ordinary shares at the beginning of the 12 month period under Listing Rule 7.1.

**2.2** The Placement was made as follows:

Listing Rule 7.1 – 6,344,868 shares and 8,698,773 options.

Listing Rule 7.1A- 11,052,678 shares.

Listing Rule 7.4 provides that an issue made within the 15% limit or the 10% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 and Listing Rule 7.1A if subsequently approved by shareholders, thereby 'refreshing' the company's ability to issue shares within the 15% limit and the 10% limit, respectively, and restoring the company's ability to make placements within those limits (if that is thought desirable) without the need for shareholder approval.

While the shares and options described in this Resolution 2 have been issued within the 15% limit and the 10% limit, the Company seeks Shareholder ratification of the issue of those securities for the purpose of Listing Rule 7.4 so that the Company's ability to issue securities will be refreshed and it will have the flexibility to issue further securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the shares and options the subject of this Resolution 2:

- (a) the total number of Shares issued by the Company was 17,397,546 and the total number of options issued was 8,698,773;
- (b) the Shares were issued for \$0.025 per Share;
- (c) the options are exercisable at 3 cents each on or before 30 September 2017 on terms and conditions as reflected in Appendix 4 to this notice.
- (d) the Shares issued rank pari passu with the Company's existing Shares;
- (e) the Shares were issued to sophisticated investors.
- (f) the funds raised were for working capital purposes; and
- (g) a voting exclusion statement for Resolution 2 is included in the Notice of General Meeting preceding this Explanatory Statement.

### 2.3 Board Recommendation

The Board unanimously recommends that Shareholders vote on favour of Resolution 2.

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## ORDINARY RESOLUTION 3: APPROVAL OF EMPLOYEE INCENTIVE OPTION PLAN

### 3.1 General

Resolution 3 seeks Shareholders approval for the adoption of the employee incentive scheme titled Employee Incentive Option Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to issue Options under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

The Company's Shareholders have not previously approved the Company's adoption of the Plan and, as such, no securities have been issued under the Plan to date.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Appendix 3 to this notice. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary ((08) 9423 3200. Shareholders are invited to contact the Company if they have any queries or concerns.

### 3.2 Board Recommendation

The Board unanimously recommends that Shareholders vote on favour of Resolution 3.

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## ORDINARY RESOLUTIONS 4 TO 7: ISSUE OF OPTIONS TO RELATED PARTIES

The Company has agreed, subject to shareholder approval, to issue a total of 18,000,000 Options (**Director Options**) to its Directors (and a former Director) as set out below. Keith Martens resigned as a Director on 15 November 2016 and the Board wish to issue options to Mr Martens in his capacity as an ongoing consultant to the Company. Pursuant to the Listing Rules as Mr Martens has been a director of the Company in the last 6 months, shareholder approval is required to issue the options.

- (a) Andrew Childs - 5,000,000 Director Options;
- (b) Gary Jeffery - 5,000,000 Director Options.
- (c) Keith Martens - 5,000,000 Director Options
- (d) David McArthur - 3,000,000 Director Options

(together, the **Related Parties**) on the terms and conditions set out in Appendix 1.

For a public company to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Director Options constitutes giving a financial benefit, and Mr Childs, Mr Jeffery, Mr Martens and Mr McArthur are Related Parties of the Company by virtue of being Directors or a Director in the last 6 months in the case of Mr Martens.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person who has been a related party in the last 6 months), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

### **Section 195 of the Corporations Act**

Section 195(1) of the Corporations Act provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

If there is not a quorum of directors who are eligible to vote on a matter because of the operation of Section 195(1) of the Corporations Act, one or more directors may call a general meeting and the general meeting may deal with the matter.

The voting prohibition in section 195(1) of the Corporations Act does not apply to a proposal to call a general meeting to consider a matter in which one or more directors have a material personal interest—that is, a director with a material personal interest may consider and vote on such a proposal.

Each of the Directors (and a former Director), being Andrew Childs, Gary Jeffery, Keith Martens and David McArthur have a material personal interest in the outcome of Resolutions 4 to 7 because they will be receiving Director Options.

The Directors have exercised their right under section 195(4) of the Corporations Act to call the Meeting and put the matters the subject of Resolutions 4 to 7 to Shareholders.

### **Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)**

Pursuant to, and in accordance with, the requirements of Sections 217 to 227 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Parties are Andrew Childs, Gary Jeffery, Keith Martens and David McArthur by virtue of being a Director or a Director in the last 6 months.
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties in the aggregate is 18,000,000 Director Options, being 5,000,000 Director Options to each of Mr Childs, Mr Jeffery and Mr Martens and 3,000,000 Director Options to Mr McArthur;
- (c) The Director options will be exercisable at \$0.15 per Option on or before 31 December 2019, on terms and conditions as reflected in Appendix 1 to this notice.;
- (d) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (e) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (f) the value of the Director Options is \$538,200 and the pricing methodology is set out in Appendix 2;
- (g) the relevant interest of the Related Parties in securities of the Company is set out below:

Andrew Childs - 5,109,557 shares  
- 3,000,000 unlisted options exercisable at 10 cents by 30 September 2019

Gary Jeffery - 6,120,410 shares

- 3,000,000 unlisted options exercisable at 10 cents by 30 September 2019

Keith Martens - 3,060,271 shares

- 500,000 unlisted options exercisable at 25 cents by 31 December 2016
- 3,000,000 unlisted options exercisable at 10 cents each by 30 September 2019

David McArthur - 1,000,000 unlisted options exercisable at 10 cents each by 30 September 2019

(h) the Related Parties receive the following director remuneration for the current financial as follows:

- (i) Andrew Childs - \$ 50,000
- (ii) Gary Jeffery - \$ 200,000
- (iii) Keith Martens - \$ 11,250 (up to date of resignation on 15 November 2016)
- (iv) David McArthur - \$18,750 (from date of appointment on 15 November 2016)

A Company associated with Mr McArthur also completes all the corporate and accounting functions for the Company for an annual fee of \$72,000. This amount is paid on a commercial, arms-length basis.

In the previous financial year, the Related Parties received the following from the Company (paid and payable):

- (i) Andrew Childs -\$ 40,000
- (ii) Gary Jeffery - \$ 200,000
- (iii) Keith Martens - \$ 30,000
- (iv) David McArthur - \$Nil.

During the previous financial year, payments were made to companies associated with Directors for services rendered on commercial arms-length terms as follows:

Andrew Childs - \$22,775

Keith Martens - \$ 15,750

(i) if the Director Options granted to the Related Parties are exercised, a total of 18,000,000 Shares would be issued. This will increase the number of Shares on issue from 130,111,124 to 148,111,124 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing shareholders would be diluted by 12.16%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time, any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

(j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	PRICE	DATE
HIGHEST	7.0	10/11/16
LOWEST	2.5	14/9/16
LATEST	6.8	5/12/16

(k) the primary purpose of the issue of the Director Options is to provide a market linked incentive to the Related Parties to motivate and reward their performance in their respective roles as Directors;

(l) the Board acknowledges the grant of Related Party Options to Directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however the Board considers the grant of Related Party Options to the Directors reasonable in the circumstances for the reason set out in paragraph (m);

(m) Andrew Childs declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 4 be passed. However, in respect of

Resolutions 5-7, Mr Childs recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Director Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
  - (ii) the grant of the Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the Director Options upon the terms proposed;
- (n) Gary Jeffery declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 5 be passed. However, in respect of Resolution 4, 6 and 7 Mr Jeffery recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (o) David McArthur declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 7 be passed. However, in respect of Resolution 4, 5 and 6 Mr McArthur recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);
- (p) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Director Options to be granted as well as the exercise prices and expiry dates of those Director Options; and
- (q) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolutions.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

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## GLOSSARY

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**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Sacgasco Limited - **ABN 83 114 061 433**

**Directors** means the current directors of the Company.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by this Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Shareholder** means a holder of a Share.

**WST** means Australian Western Standard Time (Perth, Western Australia).

## **SACGASCO LIMITED**

ABN 83 114 061 433

### **APPENDIX 1**

#### **TERMS AND CONDITIONS OF 31 DECEMBER 2019 OPTIONS**

- (a) The Options will be unlisted.
- (b) The Options are exercisable at 15 cents each at any time on or before 31 December 2019 ("Expiry Date").
- (c) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (d) The notice attached to the certificate has to be completed when exercising the Options ("Notice of Exercise").
- (e) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (f) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares.
- (g) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (h) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (i) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (j) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

## **SACGASCO LIMITED**

ABN 83 114 061 433

### **APPENDIX 2**

#### **VALUATION OF OPTIONS TO BE ISSUED TO DIRECTORS**

The Company has valued the Options to be issued to Directors ("Director Options") using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Director Options ascribed a value as follows:

***Assumptions:***

Value date:	17 November 2016
Share price:	\$0.065
Exercise price:	\$0.15
Term:	36 months
Volatility:	100%
Risk free interest rate:	2.5%
Indicative value per Option:	\$0.0299



# **SACGASCO LIMITED**

ABN 83 114 061 433

## **APPENDIX 3**

### **TERMS AND CONDITIONS OF EMPLOYEE INCENTIVE OPTION PLAN**

The material terms and conditions of the Employee Incentive Option Plan are as follows:

- (a) **Eligibility and Grant of Plan Options:** The Board may grant Plan Options to any full or part time employee or Director of the Company or an associated body corporate or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor of the Company or any or an associated body corporate (**Eligible Participant**). Plan Options may be granted by the Board at any time.
- (b) **Consideration:** Each Plan Option issued under the Plan will be issued for nominal cash consideration.
- (c) **Conversion:** Each Plan Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for Plan Options granted under the Plan will be determined by the Board prior to the grant of the Plan Options.
- (e) **Vesting Conditions:** The Plan Options granted under the Plan may be subject to vesting conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options (**Vesting Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Plan Options.
- (f) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each Participants).
- (g) **Lapsing of Plan Options:** Subject to the terms of the offer made to a Participant, an unexercised Plan Option will lapse on the earlier to occur of:
  - (i) an unauthorised dealing in, or hedging of, the Plan Option;
  - (ii) a Vesting Condition in relation to the Plan Option is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waiver the Vesting Condition and vest the Plan Option;
  - (iii) in respect of unvested Plan Options only, an Eligible Participant ceases to be an Eligible Participant, unless the Board:
    - (i) exercises its discretion to vest the Plan Option; or
    - (ii) in its absolute discretion, resolves to allow the unvested Plan Options to remain unvested after the Eligible Participant ceases to be an Eligible Participant;
  - (iv) in respect of vested Plan Options only, an Eligible Participant ceases to be an Eligible Participant and the Plan Option granted in respect of that Eligible Participant is not exercised within one (1) month (or such later date as the Board determines) of the date the Eligible Participant ceases to be an Eligible Participant;
  - (v) the Board deems that a Plan Option lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
  - (vi) the Company undergoes a Change of Control or a winding up resolution or order is made, and the Plan Option does not vest; and

- (vii) the Expiry Date of the Plan Option.
- (h) **Share Restriction Period:** Shares issued on the exercise of Plan Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Plan Options.
- (i) **Disposal of Options:** Plan Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (j) **Participation:** There are no participating rights or entitlements inherent in the Plan Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Plan Options.
- (k) **Change in exercise price:** A Plan Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Plan Option can be exercised.
- (l) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (m) **Limitations on Offers:** The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares to be received on exercise of Plan Options offered under an Offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

## **SACGASCO LIMITED**

ABN 83 114 061 433

### **APPENDIX 4**

#### **TERMS AND CONDITIONS OF 30 SEPTEMBER 2017 OPTIONS**

- (k) The Options will be unlisted.
- (l) The Options are exercisable at 3 cents each at any time on or before 30 September 2017("Expiry Date").
- (m) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (n) The notice attached to the certificate has to be completed when exercising the Options ("Notice of Exercise").
- (o) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (p) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares.
- (q) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (r) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (s) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (t) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE**

**Shareholder Details**

This is to certify that by a resolution of the directors of:

..... (Company),  
Insert name of Shareholder Company

the Company has appointed:

.....,  
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at a general meeting of the members of Sacgasco Limited to be held on Wednesday 11 January 2017 commencing at 10.00 am (WST) and at any adjournments of that general meeting.

DATED .....

**Please sign here**

Executed by the Company )  
in accordance with its constituent documents )  
)

.....  
Signed by authorised representative

.....  
Signed by authorised representative

.....  
Name of authorised representative (print)

.....  
Name of authorised representative (print)

.....  
Position of authorised representative (print)

.....  
Position of authorised representative (print)

**Instructions for Completion**

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Sacgasco Limited at Level 2, 55 Carrington Street, Nedlands WA 6009 or fax the Certificate to the registered office at +61 8 9389 8327

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