SACGASCO LIMITED

ABN 83 114 061 433

INTERIM FINANCIAL REPORT
For the six months ended 30 June 2019

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Mr Greg Channon

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DIRECTORS' REPORT

Your Directors submit the Interim Report of the Group comprising Sacgasco Limited ("the Company") and its controlled entities for the half-year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001,* the Directors report as follows:

DIRECTORS

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

Name	Period of directorship
Executive	
Gary Jeffery	
Managing Director	Director since 24 October 2013
Non-executive	
Andrew Childs	
Non-executive Chairman	Director since 25 November 2008
Greg Channon	Director since 3 December 2018

OPERATING AND FINANCIAL REVIEW

Overview

Sacgasco Limited is listed on the Australian Securities Exchange (ASX: SGC), classified as an oil and gas exploration entity, and has approximately 267 million shares on issue at the date of this report.

Significant events during the reporting period

On 4 January 2019, the Company announced the completion of the Rio Vista acquisition.

On 21 January 2019, the Company announced the increase in Sacramento Basin assets with the acquisition of assets of Raven Energy Limited.

Selection of the location for a well to test the Borba Prospect was finalised in the reporting period.

Sacgasco has a 30-well portfolio with 13 flowing gas in the period, providing multiple opportunities to add or increase gas flows from additional wells to achieve a commercially sustainable net income flow.

OPERATING AND FINANCIAL REVIEW (continued)

Summary of Strategy

- **Sacgasco's strategy is to unlock value from natural gas and oil prospects in under explored parts of proven basins in areas where oil and gas markets are under supplied, and to acquire and operate assets, including gas wells and associated leases and pipeline infrastructure as a means for producing and developing Natural Gas in the premium California market.**
- **Our methodology is to acquire new leases over prospects that are interpreted to contain large quantities of natural gas, along with acquiring flowing and shut-in gas wells, that provide lower cost held-by-production leases and associated infrastructure for future gas flows from successful appraisal and exploration drilling.**
- **Sacgasco intends to keep corporate and administrative overheads low to maximize the impact of capital expenditure going into the ground via drilling wells for leveraged results.**
- **Sacgasco's development plans for large-scale natural gas projects in the Sacramento Basin are supported by:**
  - **Geological and Geophysical information that reinforces interpreted multi-Tcf natural gas flow potential within the Sacramento Basin;**
  - **An industry switch to areas with lower cost of operations that are close to infrastructure which enables earlier commercial cash flow from discoveries.**

<u>Sacramento Basın - Onshore Northern California</u>

Exploratıon, appraısal and new ventures

Extensive exploration leases have continued to be maintained within the Sacramento Basin during the year. SGC has a working interest (WI) of between approximately 10% and 100% in these leased lands which cover Sacgasco interpreted Natural Gas prospects. Sacgasco's acquisition of the interests of Raven Energy Limited during the half year, simplified the joint venture arrangement and allowed acitivites to be accelerated in the Sacaramento Basin area.

SGC's management team is fully committed to progressing corporate and operational objectives in order to expand the Company's business in California and elsewhere as opportunities present.

The results of Dempsey 1-15 well, including gas flows from older reservoirs for the first time in 100 years of exploration in the Sacramento Basin reinforced SGC's belief that world-class, multi-Tcf prospects exist in the Sacramento Basin. Calibration of technical data after the Dempsey drilling and "Discovery Thinking" processes have been used to identify additional prospects for exploration and appraisal drilling.

Mapping completed to date has resulted in the identification of a portfolio of gas prospects and leads, with gross unrisked best estimate recoverable Prospective Resources of Natural Gas ranging from a few Bcf to over 250 Bcf with multi TCF potential upside.

Sacgasco has the leadership and operating experience, to diversify production by acquisitions to be enhanced by well work and appraisal projects to provide the platform for asymmetric growth potential.

"Multiples of Value" Jumps through Success from Activity

Dempsey Natural Gas Prospect – Appraisal / Exploration stage (SGC 50% WI)

The Dempsey 1-15 well was reconnected to natural gas sales pipelines. Dempsey 1-15 produces gas from Rancho Capay Field Level Kione Sandstone and combined older zones 2, 3 and 4.

The zones tested in Dempsey 1-15 are mostly in Cretaceous sediments beneath the known producing sandstones in the basin and at Dempsey. The zones were sequentially tested from the bottom of the well up to gather the most information from this important well in a functional way.

The zones tested span some 5,000 feet of gas saturated reservoirs in the Dempsey 1-15 wellbore. Gas from all four produced zones has been analysed to be of pipeline quality.

Gas has been produced intermittently for the Dempsey 1-15 well since its completion and connection to sales. A workover is required to reduce water flow (interpreted to be from separate wet reservoirs) in the well bore. This is to be scheduled in conjunction with other well work.

There is significant potential for enhanced gas from well stimulation at Dempsey, but it requires higher gas prices to be economically viable.

Alvares Natural Gas Prospect – Appraisal stage (SGC 49% WI after farmouts)

The Alvares natural gas project is located only 9 miles from large natural gas pipelines and on trend 35 miles from the similarly structured Sites Anticline on which the 1948 Shell James 1 well flowed gas to surface from reservoirs of similar age to those of interest at Alvares.

The planned Alvares 1 well re-entry and related testing was delayed, initially due to joint venture changes and increased operational and financial risks. Work is expected to resume as part of a future drilling campaign to reduce mobilisation and operational costs.

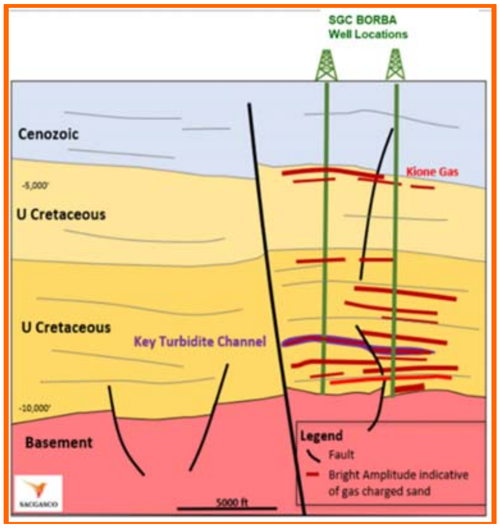
Additional prospects and leads have been mapped in the northern Sacramento Basin and leasing activity, consistent with the Company's growth strategy, continued during the Half Year reporting period.

Borba Prospect

A location has been chosen for the Borba Prospect Well. Located less than 2 miles from existing sales gas pipelines, the vertically stacked conformance of seismic anomalies is much greater than at the Dempsey 1-15 well, which had over 5,000 feet of gas saturated sediments when drilled by Sacgasco. The Company believes the Borba prospect is in an optimal location to test potential for channel fill sand reservoirs for its next drilling target.

Figure 1: Borba Well Location

The well is located within a 3D seismic data volume. An undrilled amplitude anomaly interpreted to indicate gas filled sands will be intercepted in the shallower Forbes Formation by the Borba 7-1 well. The interpreted individual gas traps range from structural to stratigraphic in nature. The interception of good reservoirs at this location will calibrate more extensive seismic anomalies and gas resource potential in the region.



Rio Vista (SGC 100% WI)

During the half year Sacgasco completed the acquisition of its 100% working interest in a strategic portfolio of natural gas flow assets in the prolific Rio Vista Gas Field in the Sacramento Basin, California. The Rio Vista field has produced over 3.8 Tcf of natural gas and is the largest natural gas field in the Sacramento Basin and reportedly one of the 15 largest natural gas fields in the USA (see Figure 2).

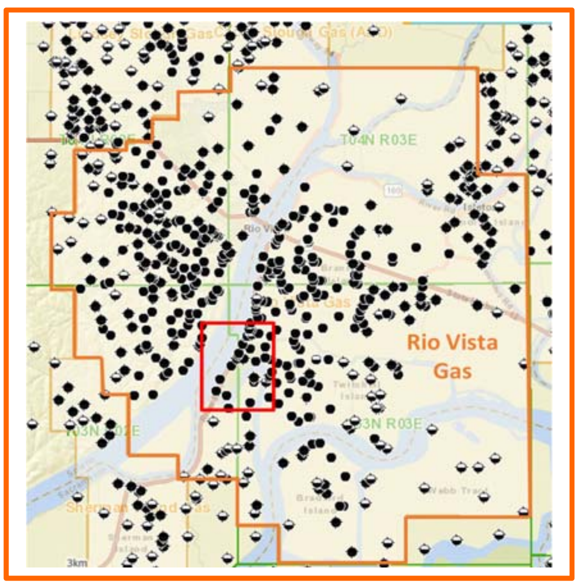


Figure2: Sacgasco-acquired wells are located in red box

The acquired wells are located within a 467-acre oil and gas lease, with production from depths between 5,000 and 7,000 feet. The property included two long-term producing wells with flows over 300 Mcf/day. Each of these wells has produced around 4 Bcf of gas to date. These were the only Sacramento Basin gas assets of the vendor, Romara Energy Inc. There is potential to sidetrack the third well to access additional gas resources.

Gas Flow Update

The below table summarises Sacgasco's gas flow for the six months to 30 June 2019:

Combined Gas Flow	June 2019 Half	June 2018 Half
Gross mcf * (100%)	*114,804*	*127,223*
Net SGC mcf (after Royalty)	*66,172*	*55,943*
**mcf – Thousand Cubic Feet gas*		

Gas Flow increased recently due to the addition of one of the idle wells in Sacgasco's portfolio of 29 operated wells; overall increased net gas flow reflected the benefits of 100% Working Interest in the acquired Rio Vista wells.

Positive Future Outlook for Natural Gas Markets

We continue to be encouraged by the positive market outlook for natural gas, with many experts continuing to predict that global energy demand, particularly natural gas, will grow significantly over the next two decades.

The US Energy Information Administration (EIA) forecasts natural gas consumption in the U.S. to continue increasing by another 40% between now and 2050 (Figure 3).

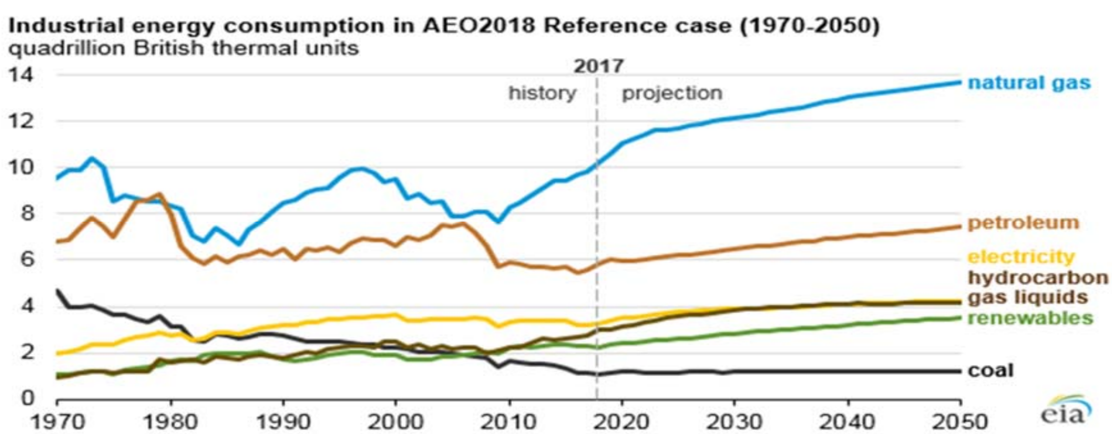


Figure 3 EIA Natural Gas Consumption Forecast

Natural gas is an important component of California's energy system, supplying about one-third of the state's primary energy demand. Even as California moves 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.

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.

California natural gas prices are almost always higher than benchmark Henry Hub prices. Gas prices in the first half of 2019 in California spiked as high as US$17 (A$24) / mcf demonstrating the potential for enhanced returns from increasing gas production.

Opportunities to Acquire Operated Natural Gas Wells

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

Project Portfolio

As outlined above, SGC's current focus is unlocking the underlying value from its natural gas prospects in the under-explored parts of the Sacramento Basin.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions and results of operations. Sacgasco is the Operator of all but one of its WI wells.

PROJECT NAMES *All located in the Sacramento Basin* *Onshore northern California*	**LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL**	**PROJECT TYPE**	**TOTAL OPERATED WELLS**	**GAS PRODUCING WELLS**	**WORKING INTEREST (WI)***
Dempsey Project	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	10	5	33-60%
Alvares Project	Oil and Gas Mineral Leases; Alvares 1 well (P&A Re-entry)	Exploration & Appraisal	1	-	50%
Borba Project	Oil and Gas Mineral Leases	Exploration	-	-	46%
Los Medanos Project	Los Medanos Gas Field HBP Leases	Appraisal & Rework	2	1	90%
Malton Project	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	8	3	35-69%
Dutch Slough Gas Project	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal & Rework	4	-	69%
Denverton Creek Gas Project	Denverton Creek Gas Field HBP Leases	Exploration, Appraisal & Rework	1	1	70%
Rio Vista Gas Project	Rio Vista Field Wells HBP Leases	Exploration, Appraisal & Rework	3	2	100%
Willows Gas Field (Non-operated)	Willows Gas Fields HBP Leases	Exploration, Appraisal & Rework	-	1	10%

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

Leases

US exploration is conducted on leases granted 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) with multiple owners. Leases generally are for 5 years and rentals are paid annually. There are no formal work commitments associated with the leases. Some leases are 'Held By Production' and royalties are paid to mineral right owners in lieu of rentals. SGC has not listed all its individual leases as it is impractical and not meaningful for potential project value assessment in a natural gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to SGC shareholders.

Competent Persons Statement

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 45 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

Financial Position

For the six months ended 30 June 2019 the Group incurred a loss after income tax of $719,222 (six months ended 30 June 2018: $1,802,721).

The company had a net cash outflow for the six months ended 30 June 2019 of $364,774 (six months ended 30 June 2018: outflow of $1,172,793).

<u>Placement of Shares and Issue of Options</u>

On 10 January 2019 and 4 April 2019, 1,500,000 shares (in total) were issued as part payment for directors' fees, previously approved by shareholders on 31 May 2018.

On 22 January 2019, the Company issued 2,000,000 fully paid ordinary shares at 2.5 cents each to Raven Energy, to acquire its share of the Sacramento Basin assets.

At the Annual General Meeting on 31 May 2019, shareholders approved an Incentive Share Plan and the issue of up to 12,000,000 plan shares at no less than 1 cent each, totalling a value of $120,000, in satisfaction of Directors' fees. The shares are to be issued on a quarterly basis within a period of 12 months from 31 May 2019. The issue price is the average of the 5 days VWAP for the first and last 5 days of the respective quarter.

Shareholders also approved the issue of 19,000,000 Director Options exercisable at 4 cents each on or before 31 December 2021.

On 5 July 2019, 1,578,947 shares were issued as part payment for director's fees, as approved at this AGM.

ISSUED CAPITAL at 13 September 2019	
Ordinary Shares	266,859,896
Unlisted Options exercisable @ 10 cents 30 September 2019	10,000,000
Unlisted Options exercisable @ 5 cents 30 December 2019	6,000,000
Unlisted Options exercisable @ 15 cents 31 December 2019	27,000,000
Unlisted Options exercisable @ 4 cents, expiring 31 December 2021	19,000,000

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 11 and forms part of this Directors' Report for the half-year ended 30 June 2019.

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

GARY JEFFERY

Director

Dated at Perth, Western Australia this 13th day of September 2019.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Sacgasco Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia	**N G Neill**
13 September 2019	**Partner**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30 June 2019 $	31 December 2018 $
Assets			
Cash and cash equivalents		589,774	956,365
Trade and other receivables		86,964	661,147
Accrued income		329,087	-
Prepayments		28,832	69,587
Total current assets		1,034,657	**1,687,099**
Other receivables and accrued income		284,547	283,478
Property, plant and equipment		9,758	12,338
Other		416	-
Total non-current assets		294,721	**295,816**
Total assets		1,329,378	**1,982,915**
Liabilities			
Trade and other payables		(861,012)	(943,649)
Employee entitlements		(15,639)	(7,344)
Loans and borrowings		(197,197)	(277,850)
Total current liabilities		(1,073,848)	**(1,228,843)**
Site restoration	2	(193,492)	(192,765)
Total non-current liabilities		(193,492)	**(192,765)**
Total liabilities		(1,267,340)	**(1,421,608)**
Net assets		62,038	**561,307**
Equity			
Issued capital	4	20,886,941	20,785,593
Reserves		1,893,309	1,774,704
Accumulated losses		(22,718,212)	(21,998,990)
Total equity attributable to equity holders of the Company		62,038	**561,307**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 $	30 June 2018 $
Other operating income	414,249	366,969
Other operating expenses	(568,015)	(622,203)
Exploration expenditure	(45,416)	(1,199,421)
Personnel expenses	(316,161)	(174,612)
General and administrative expenses	(71,259)	(66,339)
Professional fees	(122,317)	(99,784)
Marketing and business development expense	(1,621)	(1,360)
Depreciation and amortisation	(2,182)	(2,862)
Gain on foreign exchange	6,017	3,841
Results from operating activities	(706,705)	(1,795,771)
Finance expenses	(10,258)	(4,524)
Loss before income tax	(716,963)	(1,800,295)
Income tax expense	(2,259)	(2,426)
Loss for the period	(719,222)	(1,802,721)
Loss per share (cents per share)		
Basic and diluted	(0.27)	(0.73)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 $	30 June 2018 $
Loss for the period	(719,222)	(1,802,721)
Other comprehensive income		
Items that may be classified subsequently to profit or loss		
Foreign currency translation difference of foreign operations	(1,672)	75,024
Total items that may be classified subsequently to profit or loss	(1,672)	75,024
Total comprehensive loss for the period	(720,894)	(1,727,697)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital	Translation Reserve	Options reserve	Share-based Payments reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 January 2019	20,785,593	162,759	1,583,445	28,500	(21,998,990)	**561,307**
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(719,222)	(719,222)
Other comprehensive income for the year						
Foreign exchange translation difference on foreign operations	-	(1,672)	-	-	-	(1,672)
Total other comprehensive loss for the period	-	(1,672)	-	-	-	(1,672)
Total comprehensive loss for the period	-	(1,672)	-	-	(719,222)	(720,894)
Issue of ordinary shares	107,000	-	-	-	-	107,000
Share-based payment transactions	-	-	110,200	10,077	-	120,277
Capital raising costs	(5,652)	-	-	-	-	(5,652)
Total contributions by and distributions to owners	101,348	-	110,200	10,077	-	221,625
Total transactions with owners	101,348	-	110,200	10,077	-	221,625
Balance at 30 June 2019	20,886,941	161,087	1,693,645	38,577	(22,718,212)	62,038

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital	Translation Reserve	Fair value Reserve	Options reserve	Share-based Payments reserve	Accumulated Losses	Total
	$	$	$	$	$	$	$
Balance at 1 January 2018	19,899,304	56,070	-	1,573,150	42,326	(20,053,223)	1,517,627
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(1,802,721)	(1,802,721)
Other comprehensive income for the year							
Foreign exchange translation difference on foreign operations	-	75,024	-	-	-	-	75,024
Total other comprehensive loss for the period	-	75,024	-	-	-	-	75,024
Total comprehensive loss for the period	-	75,024	-	-	-	(1,802,721)	(1,727,697)
Issue of ordinary shares	616,676	-	-	-	-	-	616,676
Issue of ordinary shares on conversion of options	75,000	-	-	(28,600)	-	28,600	75,000
Share-based payment transactions	-	-	-	-	37,932	-	37,932
Capital raising costs	(19,211)	-	-	-	-	-	(19,211)
Total contributions by and distributions to owners	672,465	-	-	(28,600)	37,932	28,600	710,397
Total transactions with owners	672,465	-	-	(28,600)	37,932	28,600	710,397
Balance at 30 June 2018	20,571,769	131,094	-	1,544,550	80,258	(21,827,344)	500,327

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 $	30 June 2018 $
Cash flows from operating activities		
JOA management fee	19,740	-
Cash paid to suppliers and employees	(161,416)	(247,529)
Payments for exploration and evaluation	(124,276)	(1,409,540)
Interest paid	(5,565)	(5,140)
Income taxes paid	(2,259)	(3,463)
Net cash used in operating activities	(273,776)	(1,665,672)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(2,171)
Net cash used in investing activities	-	(2,171)
Cash flows from financing activities		
Proceeds from issue of share capital	-	500,000
Proceeds from related party loans	-	50,000
Payment of capital raising costs	(5,652)	(19,211)
Payment of transaction costs related to loans	-	(165)
Repayment of loans from related parties	(50,000)	-
Repayment of borrowings	(35,346)	(35,574)
Net cash (used in) / from financing activities	(90,998)	495,050
Net decrease in cash and cash equivalents	(364,774)	(1,172,793)
Cash and cash equivalents at 1 January	956,365	2,006,364
Effect of exchange rate fluctuations on cash held	(1,817)	(3,720)
Cash and cash equivalents at 30 June	589,774	829,851

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim consolidated financial statements (the interim financial statements) are a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001,* applicable accounting standards including AASB 134 *Interim Financial Reporting,* Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial statements comprise the interim financial statements of the Group. For the purposes of preparing the interim financial statements, the Company is a for-profit entity domiciled in Australia. The Group is primarily involved in oil and natural gas exploration in California, USA.

The interim financial statements do not include the full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that interim financial statements be read in conjunction with the full financial report for the year ended 31 December 2018 and any public announcements made by Sacgasco Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules. This information is available upon request from the Company's registered office at Level 1, 31 Cliff Street, Fremantle, Western Australia, 6060, and on the Company's website at www.sacgasco.com.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations effective 1 January 2019 disclosed in note 1.4. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

In preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

1.2 Statement of Compliance

The interim financial statements were approved by the Board of Directors on 13 September 2019.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

1.3 Judgements and Estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2018.

1.4 Adoption of new and revised standards

Standards and interpretations applicable to 30 June 2019

For the half-year ended 30 June 2019, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2019.

AASB 16 *Leases* became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the first time to the interim period ended 30 June 2019.

AASB 16 introduces a single lessee accounting model, requiring the recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the asset and a lease liability representing its obligation to make lease repayments.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all decision about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measure at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.4 Adoption of new and revised standards (continued)

The Group has not entered into any contracts captured under this standard since this standard came into effect, nor did it have any existing contracts that were captured under the standard. Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources as noted as falling outside the scope of AASB 16, therefore the Group has no requirement to account for these leases. The adoption of AASB 16 had no impact on the financial statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to the Group's accounting policies.

1.5 Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business.

Notwithstanding the fact that the Group incurred a loss of $719,222 for the period ended 30 June 2019, had an available cash balance of $589,774, and a net cash outflow from operating activities amounting to $273,776, the Directors are of the opinion that the Company is a going concern.

The Group is focused on securing further land leases in California and pursuing and assessing new venture opportunities which are complementary with its existing assets. The Group's cash flow forecast for the period to 30 September 2020, reflects the Group's ability to meet its working capital requirements and its committed and planned development expenditure relating to its exploration and evaluation assets. The directors are aware that the Group's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Group securing further working capital from one or more of the following alternatives:

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

Given the financial position of the Group and its demonstrated ability to raise funds, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. If necessary, the Group will delay discretionary expenditure including administration costs and exploration programs and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities.

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

In the event the Group is unable to raise additional funds to meet the Group's planned development expenditure when required, there exists circumstances that give rise to a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern.

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

1.6 Foreign Currencies

The financial report is presented in Australian dollars, which is Sacgasco Limited's presentation currency and country of domicile.

In preparing the financial statements of the individual entities, 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.

1.7 Operating Segments

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

The Group currently operates in one operating segment being oil and gas exploration and evaluation. Accordingly, under management's approach outlined, only one operating segment has been identified and no further disclosure is required in the financial statements.

1.8 Exploration and Evaluation Expenditure

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

1.9 Other Operating Income

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

2 PROVISIONS

The non-current site restoration provision of $193,492 (31 December 2018: $192,765) 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 being subject to the DoGGR bond of US$200,000 for up to fifty wells.

	30 June 2019 $	**31 December 2018 $**
Site restoration provision	(193,492)	(192,765)
Movement in carrying amounts		
Opening balance	(192,765)	(200,238)
Adjustment to provision as per DoGGR bond	-	27,666
Effects of foreign exchange	(727)	(20,193)
Closing balance	(193,492)	**(192,765)**

3 LOSS PER SHARE

Basic and diluted loss per share

		30 June 2019	30 June 2018
Basic and diluted loss per share (cents)	**(cents)**	(0.27)	(0.73)
Loss used in the calculation of basic and diluted loss per share	**$**	(719,222)	(1,802,721)

Weighted average number of ordinary shares

The weighted average number of shares for the purposes of the calculation of diluted loss per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	30 June 2019 Number	30 June 2018 Number
Weighted average number of ordinary shares for the purpose of basic loss per share	261,780,949	243,899,884
Shares deemed to be issued for no consideration in respect of:		
Options *	2,845,304	4,631,819
Weighted average number of ordinary shares for the purpose of diluted loss per share	264,626,253	248,531,703

* the options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

4 ISSUED CAPITAL

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Movement in ordinary shares on issue:				
On issue at 1 January	**261,780,949**	**243,899,884**	**20,785,593**	**19,899,304**
Shares issued and expensed during the period:				
Issue of shares in lieu of directors' fees	1,500,000	673,702	57,000	47,159
Issue of shares to acquire BNG share of Sacramento Basin assets	2,000,000	-	50,000	-
Issue of fully paid shares for cash	-	10,000,000	-	500,000
Issue of fully paid shares on conversion of options	-	500,000	-	75,000
Issue of shares in satisfaction of service provider fees	-	677,287	-	69,517
Capital raising costs	-	-	(5,652)	(19,211)
On issue at 30 June	**265,280,949**	**255,750,873**	**20,886,941**	**20,571,769**

5 SHARE-BASED PAYMENT PLANS

(a) Description of the share-based payment arrangements

At 30 June 2019, the Group has the following share-based payment arrangements:

	30 June 2019 $	30 June 2018 $
(i) Shares issued in lieu of deferred director fees	57,000	47,159
(ii) Shares to be issued in lieu of deferred director fees	39,474	35,625
(iii) Options issued under the incentive option plan	110,200	-

(i) Shares issued in lieu of deferred director fees

At a general meeting on 31 May 2018, shareholders approved the issue of up to 3,750,000 plan shares at no less than 4 cents each, totalling a value of $150,000 in satisfaction of 50% of deferred director fees. At 30 June 2019, 50% of executive director and chairman's fees, had been satisfied in full by the issue of shares, as follows:

	Notional value of services rendered (A) $	Fair value of shares on grant date (B) $	No. of Plan shares issued	Date of Issue
Gary Jeffery	25,000	23,750	625,000	10-Jan-19
	25,000	23,750	625,000	04-Apr-19
Andrew Childs	5,000	4,750	125,000	10-Jan-19
	5,000	4,750	125,000	04-Apr-19

(A) Reflects the contractual salary amounts that have been settled by the Company in shares.

(B) Reflects the fair value of shares at the date the share plan was approved by shareholders on 31 May 2018 (3.8 cents each)

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

At a general meeting on 31 May 2019, shareholders approved the issue of up to 12,000,000 plan shares at no less than 1 cent each, totalling a value of $120,000 in satisfaction of 50% of deferred director fees.

At 30 June 2019, 50% of director fees will be satisfied in full by the issue of shares, as follows:

	50% accrued at 30 June 2019 $	Number of shares issued, approved by shareholders	Fair value of shares at grant date 2.5 cents each $
Gary Jeffery	25,000	1,315,789	32,895
Andrew Childs	5,000	263,158	6,579

5 SHARE-BASED PAYMENT PLANS (continued)

(ii) Equity-settled share option programme

The Company adopted an Incentive Option Plan (Plan) effective 11 January 2017. Under the Plan, the Company may grant options to Company eligible employees to acquire securities 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 months period. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

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. Each Plan Option issued will be issued for nominal cash consideration. Options granted under the Plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The exercise price and expiry date for Options granted under the Plan will be determined by the Board prior to the grant of the Plan 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.

	30 June 2019 $	30 June 2018 $
Expensed in personnel expenses (Director Remuneration)		
Options issued to directors	110,200	-

The fair value of the equity-settled share options granted during the period, is estimated at the date of grant using the Black-Scholes model accounting for the terms and conditions upon which the options were granted. The key valuation assumptions made at valuation date are summarised below:

Number of options	19,000,000
Exercise price (cents)	4
Fair value at grant date (cents)	0.58
Grant and vesting date	31-May-19
Expiry date	31-Dec-21
Life of the options (years)	2.59
Volatility	72.51%
Risk free rate	1.23%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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

During the reporting period, no shares were issued following the exercise of options.

No options expired during the reporting period (during the six months ended 30 June 2018: no options expired).

6 FINANCIAL INSTRUMENTS

Fair value measurement

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Measured at fair value on recurring basis

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).

At the reporting date, there were no financial assets or financial liabilities measured at fair value.

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.

7 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 July 2019, the Company issued 1,578,947 shares in lieu of directors' fees, as approved by shareholders on 31 May 2019.

On 30 August 2019, the Company issued a prospectus for a non-renounceable entitlement issue of one option for every two shares held at an issue price of $0.003 per option to raise up to $400,290 (based on the number of shares on issue as at the date of the prospectus). The closing date for the prospectus is 19 September 2019.

No other matters or circumstances that have arisen since the end of the reporting period and the date of this report which 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.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Sacgasco Limited (the 'Company'):

   (a) the accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year then ended; and

      (ii) complying with Australian Accounting standards, the *Corporations Regulations 2001,* professional reporting requirements and other mandatory requirements.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the board of Directors.

GARY JEFFERY

Managing Director

Dated at Perth, Western Australia this 13th day of September 2019.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Sacgasco Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Sacgasco Limited ("the company") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1.5 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
13 September 2019