



Sacgasco Limited

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JUNE 2023 QUARTERLY ACTIVITY REPORT HIGHLIGHTS

- **Philippines - Exploration and Development**

- PNOC Exploration Corporation Letter of Intent to Farmin to SC6B (Cadlao Field) executed;
- Cadlao Oil Field Redevelopment targets currently a resource of 6.2 million barrels of (2C);
- Cadlao Drilling and Extended Well Test (“EWT”) planning for 2023/24 drilling and subsequent to the quarter is planned to be handed over to the buyer of Nido;
- Deep Venture drillship being prepared in Vietnam for Philippines Drilling Program; and
- Completed interpretation of Geophysical Site surveys over Cadlao Oil Field in SC 6B, and Nandino Prospect drilling locations in SC 54.

- **North America – Exploration and Producing and Development Properties**

- Total net production from Canadian assets (before royalty) of 131,300 BOE;
- SGC share of oil and gas flows in Canada was 33,837 BOE (22,731 BOE Red Earth, 11,106 BOE Alberta Plains) equating to an average of 372 BOEPD for the quarter; and
- SGC share of gas flows in California was 240 MCFPD, with premium gas prices during the June 2023 quarter and continuing.

- **Corporate and New Ventures**

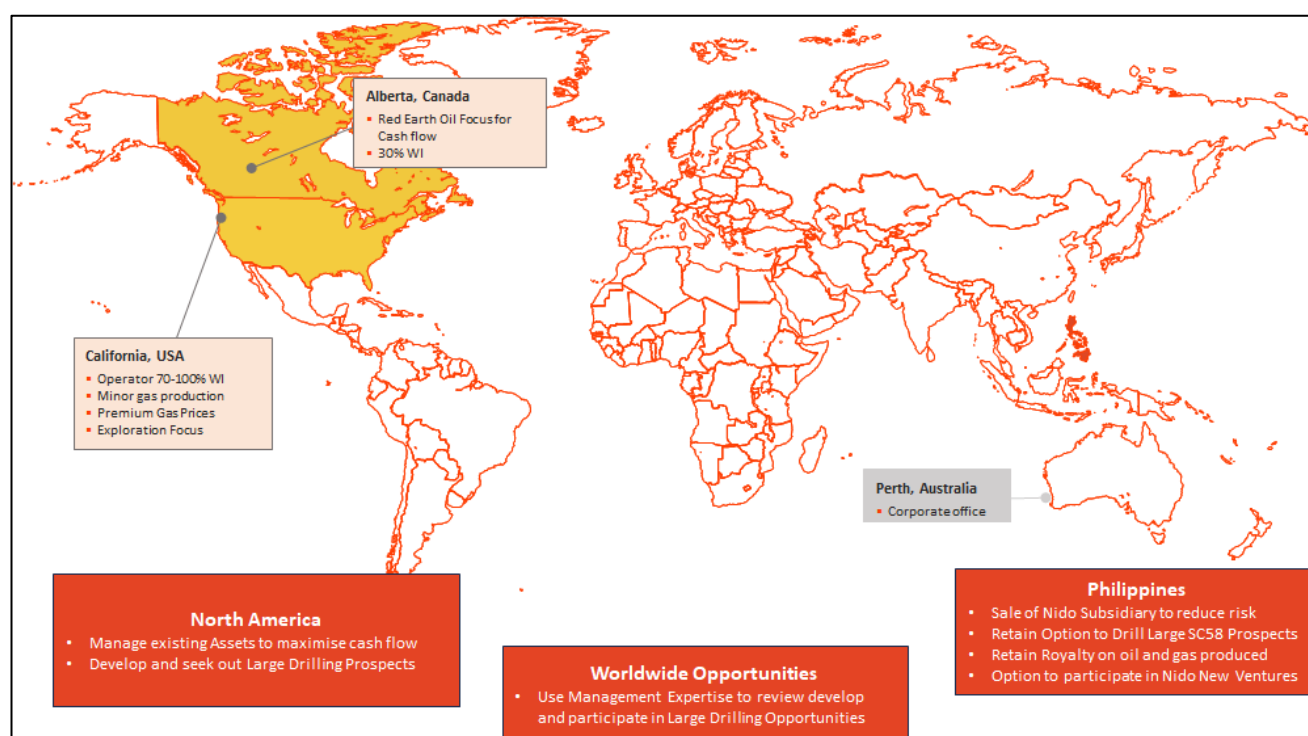
- Subsequent to the quarter Kane Marshall was appointed as Managing Director of the Company;
- Mr Marshall has over 20 years’ experience in various roles as a director, geologist, engineer and company builder including several listed junior resource companies;
- His diverse experience base includes technical and managerial roles with private equity, junior and major oil companies with extensive experience in deal flow in the Perth, Canning, Carnarvon and Cooper Basins in Australia; and
- Former Managing Director Gary Jeffery will assume the role of non-executive technical director and will work alongside Mr Marshall in optimizing production from the Company’s Red Earth asset, commercializing its Californian properties and delivering new high impact growth projects into the Company’s portfolio following the Company’s strategy to commercialise its Philippines (Nido) and Zargon interests.

Sacgasco Limited (ASX: SGC) (“Sacgasco”, “SGC” or “Company”) is pleased to provide the Quarterly Activities Report for the calendar quarter ending 30 June 2023.

References to SGC or Sacgasco include its wholly owned subsidiaries Nido Petroleum Philippines Pty Ltd (“**Nido**”), Sacgasco AB and Sacgasco CA.

The June 2023 quarter and subsequent events referred to in this report represent continuing development in the Company’s growth into an Exploration & Production (E&P) Company with forward cashflows expected to underpin production and development projects in Canada and new venture projects.

Sacgasco now hold a suite of quality production assets with large upside in two stable jurisdictions and is actively reviewing other attractive opportunities.



EXPLORATION AND PRODUCTION ACTIVITIES

OFFSHORE PHILIPPINES

Sacgasco, through its wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd (“Nido”) accepted a Letter of Intent from PNOC Exploration Corporation (PNOC EC) for its farmin to Service Contract 6B (SC 6B), including the drilling of the Cadlao 4 well as the first stage of redevelopment of the Cadlao Oil Field. Sacgasco has now subsequent to the end of the quarter, commercialised its Philippines interests by the sale of Nido. The formalisation of the PNOC EC agreement will be a large step towards revenue from Sacgasco’s royalty interests in all Nido service contracts¹.

PNOC EC is a wholly owned subsidiary of the Philippines National Oil Company. Saba Drilling the Operator of the Deep Venture DP2 Drillship (“Deep venture”) is diligently working to have the drillship readied for drilling a number of wells for the buyer of Nido and other Operators in the Philippines.

¹ Refer ASX announcement 26th July, 2023

The Letter of Intent Summary executed during the quarter was as follows:

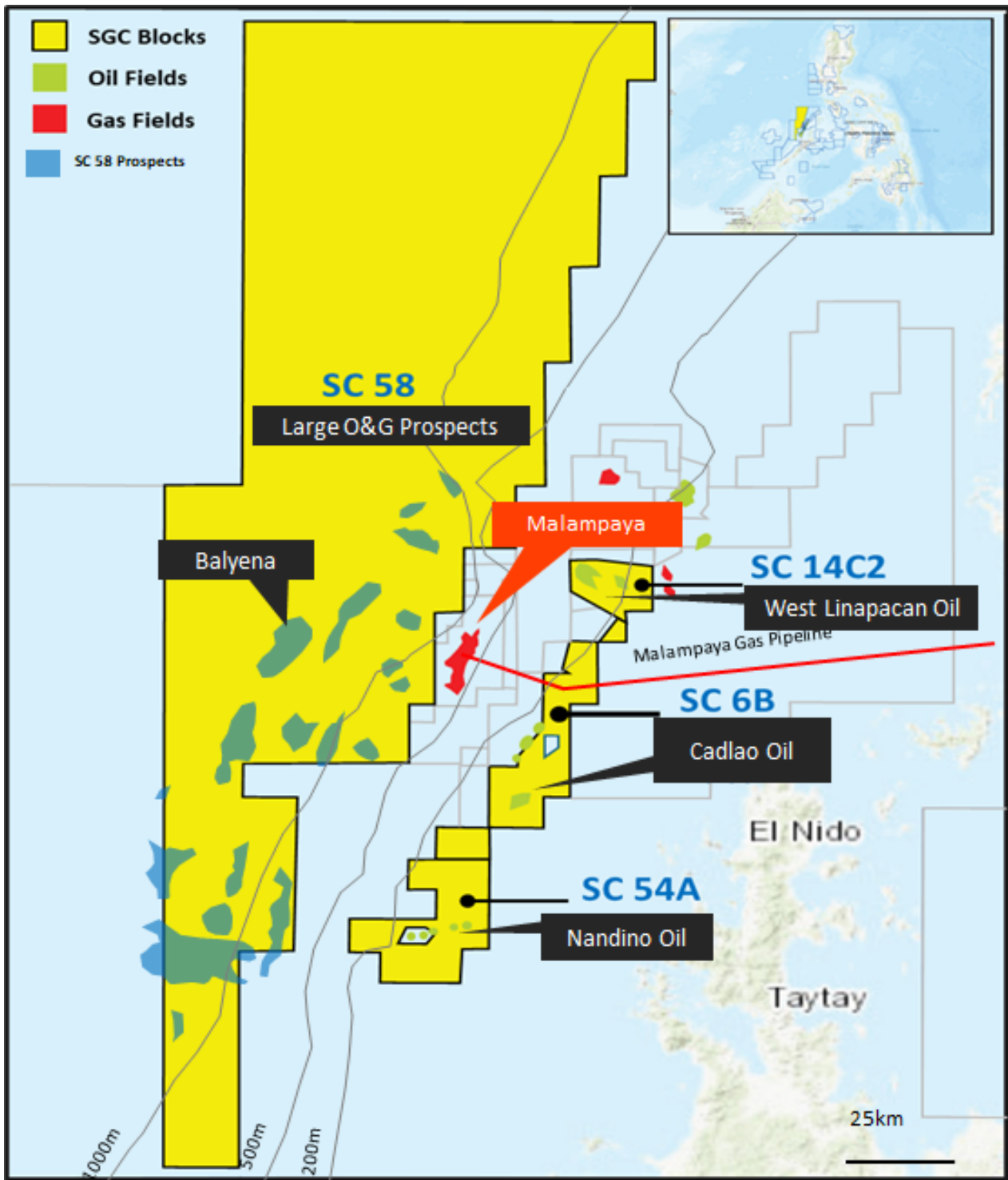
- PNOEC to acquire from Nido an undivided twenty percent (20%) participating interest in SC 6B for the drilling and EWT of the Cadlao 4 well;
- PNOEC shall pay to Nido prior to and during drilling and EWT operations:
 - US\$3.34mm to be paid upon execution of a binding farmin agreement to be finalized at some stage in August 2023; and
 - Up to an additional US\$10.01mm to be paid upon cash calls as operations commence. The final amount is dependent upon actual approved costs by the regulator the Department of Energy (“DOE”).
- PNOEC farmin agreement to SC 6B shall be subject to DOE, and stakeholder approvals.

The relevant interest changes in the Cadlao SC 6B are:

Joint Venture Party	Current Participating Interest (%)	Nido Farmin Participating Interest (%)	PNOEC Farmin Participating Interest Post (%)
Nido Petroleum Phils Pty. Ltd. (Operator)*	9.090%	72.727%	52.727%
The Philodril Corporation	58.182%	17.455%	17.455%
Oriental Petroleum and Mineral Corporation	16.364%	4.909%	4.909%
Forum Energy Phils. Corp.	8.182%	2.455%	2.455%
Alcorn Petroleum and Minerals Corp.	8.182%	2.455%	2.455%
PNOEC Exploration Corporation	0.000%	0.000%	20.000%
Total	100.000%	100.000%	100.000%

Notes to above table:

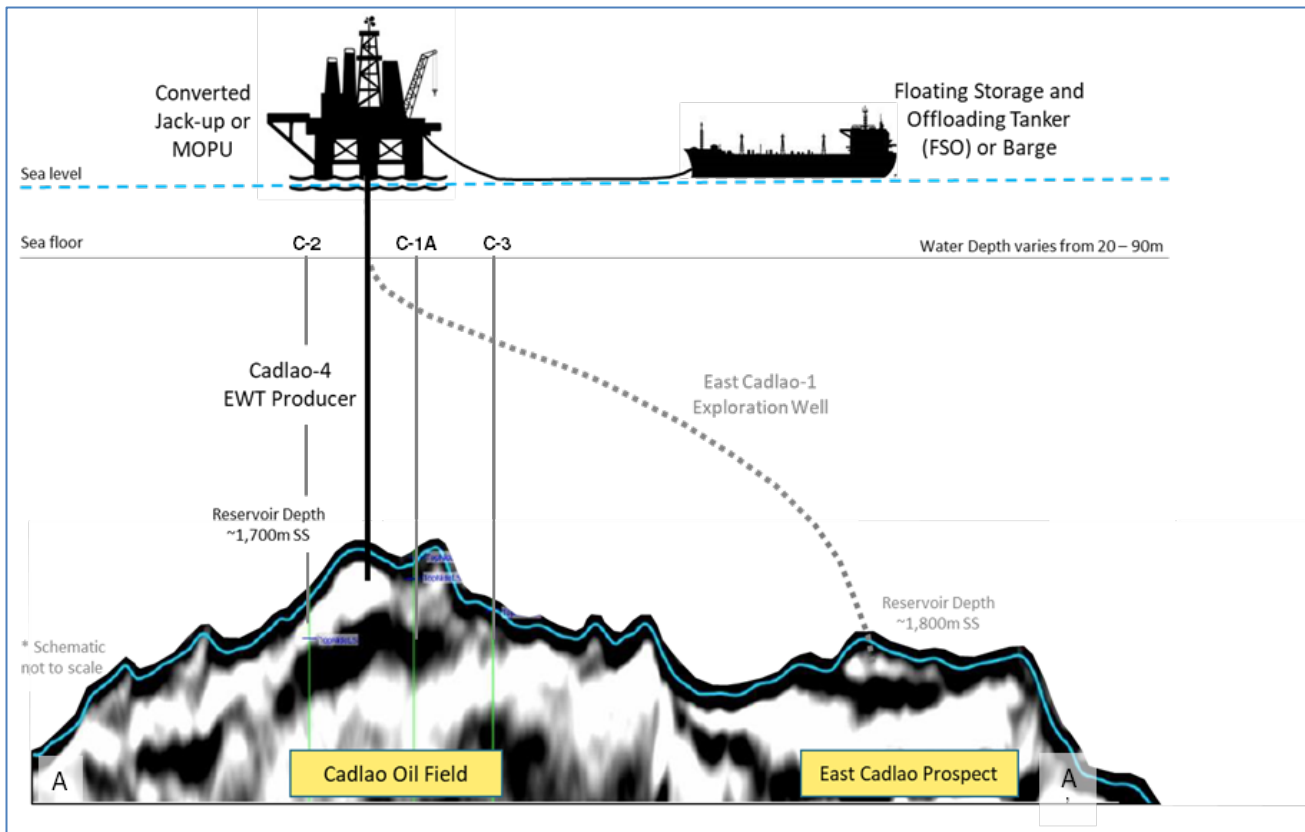
- Nido and PNOEC will have preferential cost recovery rights for costs incurred before commencement of Commercial Production;
- The DOE announced during the reporting quarter, several incentives to encourage exploration and development offshore and onshore the Philippines;
- Nido, Operator of Philippines Service Contract SC 6B (“SC 6B”) and Service Contract 54 (“SC 54”), interpreted geophysical site surveys in preparation for drilling the Cadlao Oil Field in SC 6B and the Nandino Prospect in SC 54;
- Nido, is currently pursuing a contract with the Deep Venture Drillship currently undergoing preparations in Vietnam for a new drilling activity in Southeast Asia;
- The drillship owned by Saba Drilling, is expected to be able to be used following a revised design to the anchor handling and mooring system of the vessel. It is anticipated the Deep Venture can be used in any of Nido’s Service Contract areas in the Philippines;
- The timing of availability of the Deep Venture for drilling in the Philippines is being defined, and the refit of vessel is progressing well. Expectation of availability at this stage is Q1 2024;
- The Cadlao Oil Field is anticipated as being the site for initial drilling activity. Successful drilling results would allow early production of oil under Phase One of a development program using an Extended Well Test; and
- Related environment impact studies and contingency planning are well underway along with community consultation. Permits for drilling activities are being pursued.



Nido's Acreage in the Northwest Palawan Basin, in which Sacgasco now has an overriding royalty agreement

Cadlao drilling and EWT is planned for 2023/24 and includes a 2-well drilling program including drilling of the Nandino Prospect in Service Contract 54, subject to relevant approvals². In the event of a successful EWT at Cadlao and depending upon the field data obtained, a full field development may include extra wells (including exploration as per below) with a dedicated oil production facility for Cadlao development.

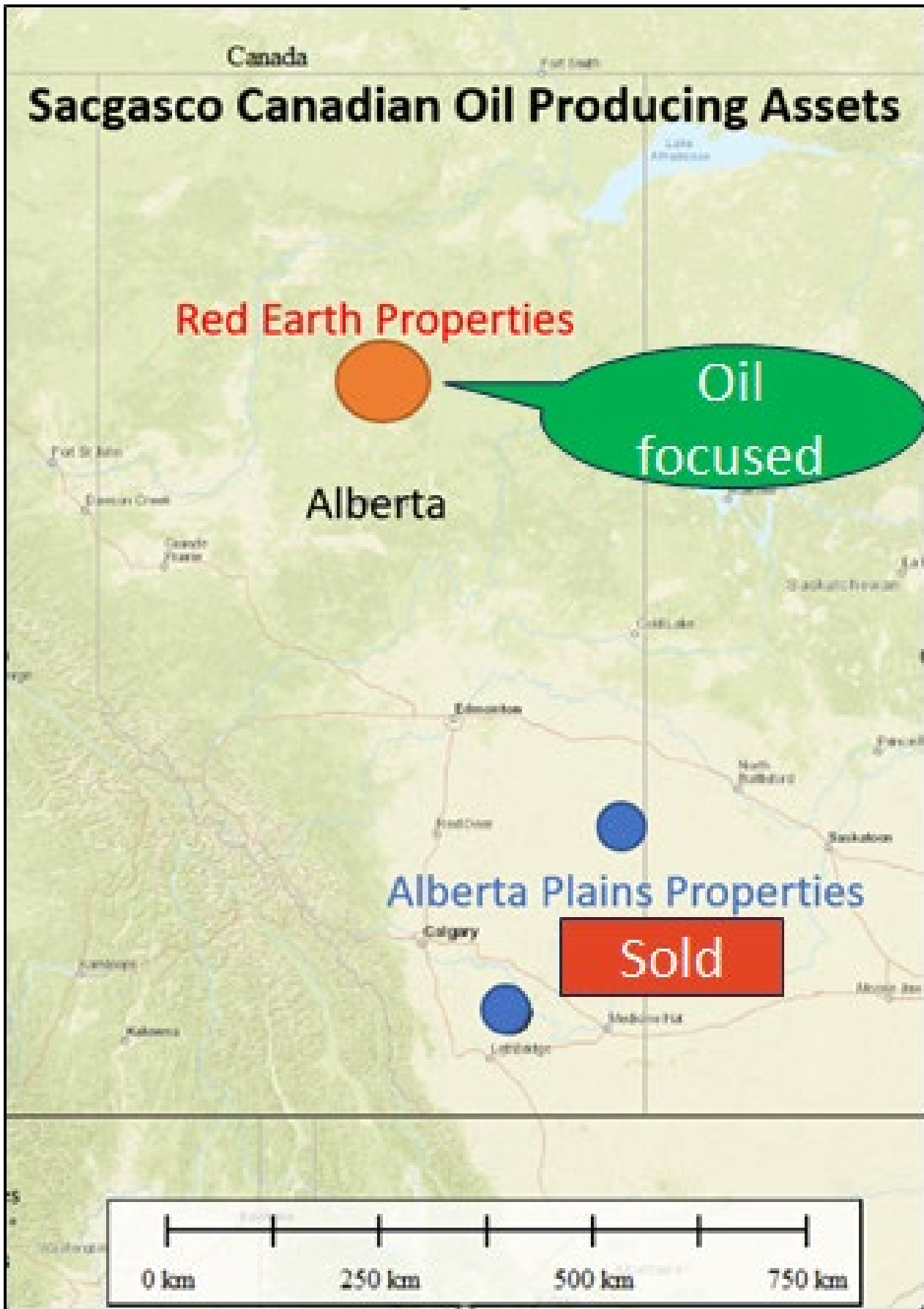
² ASX Announcement dated 30 May 2022



A Cadlao Field development Scenario

SACGASCO PHILIPPINES TENEMENT TABLE (30 June 2023)

Service Contract	Fields / Discoveries	% Working Interest	Operator
SC 54	Tindalo, Yakal, Nido 1X1, Nandino Prospect	87.5% (reducing to 51.25% when Farmout terms are satisfied, and relevant approvals received)	NIDO (SGC)
SC 14C2	West Linapacan A Field; West Linapacan B	22.28%	Philodrill
SC 58	Palawan Basin big hit Exploration	50%	NIDO (SGC)
SC 6B	Cadlao, near field Exploration	9.09% (Increasing to 72.727% when Farmin terms are satisfied)	NIDO (SGC) Operator



Sacgasco's Canadian Producing Properties

Canada Oil and Gas Production (BOE) ¹	June 2023 Quarter	March 2023 Quarter
SGC Production	33,837	36,564
SGC Production after Royalty	27,895	30,549
Note 1: Gas converted to BOE using 6:1 ratio		

Current SGC net before royalty production rate was approximately 348 BOEPD in early July 2023.

The Operator, Blue Sky Resources, together with the Sargasco technical team continually reviews opportunities for reactivation, production increases and cost savings.

Subsequent to the quarter, the Alberta Plains assets were divested for \$400,000 CAD³.

SACGASCO CANADA TENEMENT TABLE (30 June 2023)

PROJECT NAMES	LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL	PROJECT TYPE	WORKING INTEREST (WI)*
Red Earth Assets (Canada)	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	30%
Alberta Plains Assets (Canada)	Oil and gas Mineral Leases and wells and associated Infrastructure	Production	20%

ONSHORE CALIFORNIA (Majority Operated)

The Company continued to maintain leases in the Sacramento Basin during the quarter. Sargasco has a working interest (WI) of between 10% and 100% in oil and gas leases which cover natural gas prospects ranging in size from 5-20 Bcf to Tcf recoverable prospective resources of Natural Gas.

California Gas Flows (mcf) ¹	June 2023 Quarter	March 2023 Quarter
Gross Gas Flows	38,070	38,423
SGC Gas Flows after Royalty	21,849	21,836
Note 1: mcf = Thousand Cubic feet gas		

Gas flow optimization and sales opportunities are being continually pursued.

Gas prices realized by Sargasco in California during the quarter averaged almost 4 times benchmark Henry Hub prices and are currently greater than twice “benchmark Henry Hub” and “average US National” natural gas prices.

Evaluations to monetise the previously reported Borba gas discovery continued with discussions on alternatives uses for natural gas from the Borba gas discovery.

³ Refer ASX Announcement 19th July, 2023

SACGASCO CALIFORNIA TENEMENT TABLE (30 June 2023)

PROJECT NAMES	LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL	PROJECT TYPE	WORKING INTEREST (WI)*
<i>Dempsey Area Project</i>	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases. Oil and Gas Mineral Leases	Gas Flow, Exploration, Appraisal and Rework	40-60%
<i>Borba Project</i>	Oil and Gas Mineral Leases	Commercialization of Gas Discovery	66.67%
<i>Los Medanos Project</i>	Los Medanos Gas Field HBP Leases	Gas Flow, and Rework	90%
<i>Malton Project</i>	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Gas Flow, Exploration, Appraisal and Rework	45-70%
<i>Dutch Slough Gas Project</i>	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal and Rework	70%
<i>Rio Vista Gas Project</i>	Rio Vista Field Wells HBP Leases	Gas flow, Development and Rework	100%
<i>Alvares Project</i>	Alvares 1 well (P&A Re-entry)	Exploration, Appraisal	50%

* Approximate WI across the referenced Project

Sacgasco is the Operator of all its WI wells and related tenements in California.

CORPORATE

Kane Marshall was appointed as Managing Director of the Company.

On the 7th of July 2023 the Company issued 153,599,800 fully paid ordinary shares to sophisticated investors as outlined in announcements dated 28 June 2023 and 6 July 2023.

Sacgasco held its AGM on 31st May 2023 all resolutions presented at the meeting were passed by a poll.

Sacgasco, under the stewardship of Mr Marshall have high graded new opportunities, particularly large gas exploration plays as part of the Company's pivot towards capitalising on escalating gas and LNG prices globally.

SEPTEMBER 2023 QUARTER OBJECTIVES

Increasing production, revenues and cashflow from oil and gas flowing properties in North America including the reactivation of shut-in oil production wells in Canada and permitting of facilities for monetization of the natural gas from the Borba 1-7 well discovery.

Ongoing review of potential conventional oil and natural gas projects with a focus on natural gas both domestically in Australia and overseas.

SACGASCO CAPITAL STRUCTURE

ISSUED CAPITAL – 31 July 2023	
Ordinary Shares (ASX: SGC)	773,582,748
Unlisted Options exercisable @ 4.5 cents by 31 December 2024	27,250,000
<i>After the end of the subject quarter, on the 11th of April 2023, the Company issued 2,271,493 fully paid ordinary shares to Directors in lieu of cash payments for Directors fees for the March 2023 quarter, as approved by shareholders at the May 2022 AGM.</i>	
<i>On the 11 July 2023, the Company issued 2,271,493 fully paid ordinary shares to Directors in lieu of cash payments for Directors fees for the December 2022 quarter as approved by shareholders at the May 2022 AGM.</i>	
<i>On the 7th of July 2023 the Company issued 153,599,800 fully paid ordinary shares to sophisticated investors.</i>	

APPENDIX 5B DISCLOSURES

ASX LR 5.4.1: Exploration expenditure during the quarter was \$842k.

ASX LR 5.4.2: n/a

ASX LR 5.4.3: Tenement schedule attached to activities report.

ASX LR 5.4.5: Payments to related parties totalled \$9k and was in respect of Directors' fees and office lease.

For and on behalf of the Board of Sacgasco Limited.

J.L. Kane Marshall
Managing Director
+61 8 9388 2654

About Sacgasco Limited (ASX: SGC)

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on under-explored, recently over-looked, world class oil and gas opportunities near under-supplied markets.

The Company is currently focused on conventional oil and gas exploration and production in the Sacramento Basin, onshore California USA, Alberta Canada and new venture opportunities in Australasia.

Sacgasco has an extensive portfolio of natural gas and oil producing wells and discoveries and prospects at various appraisal and exploration stages. The Company is targeting supply to the local Californian and Canadian oil and gas markets and burgeoning Asian market.

Sacgasco is in the process of evaluation for acquisition additional undervalued oil and gas producing and exploration assets.

www.sacgasco.com

Twitter: @SacGasCo

Leases:

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

Philippine leases are issued by the Government of Philippines as Service Contracts with defined conditions that may be varied from time to time.

Competent Persons

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, Technical Director of Sacgasco Limited. He is a qualified geophysicist with over 50 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. He is a member of The American Association of Petroleum Geologists. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

The timing of future events is subject to the normal industry vagrancies of operational matters and equipment availability which are outside the control of Sacgasco and its suppliers. Facilities depicted in images on the Sacgasco website are not necessarily assets of Sacgasco. Some of the images used represent aspects of the oil and gas industry in which Sacgasco is involved or images of equipment owned by companies providing services to Sacgasco.

Before investing it is recommended that investors conduct their own due diligence and consult financial and technical advisors and form their own opinions on future events and implications.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Sacgasco Limited

ABN

83 114 061 433

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	239	1,568
1.2 Payments for		
(a) exploration & evaluation	(842)	(1,564)
(b) development	-	-
(c) production	-	-
(d) staff costs	(170)	(313)
(e) administration and corporate costs	(257)	(378)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (PAYG Refund)	-	399
JV Receipts	73	73
1.9 Net cash from / (used in) operating activities	(958)	(217)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant, and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	512	512
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(2)	(2)
3.5 Proceeds from borrowings	100	100
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Right of Use Lease Liability)	(17)	(42)
3.10 Net cash from / (used in) financing activities	593	567

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,183	436
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(958)	(217)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	593	567
4.5	Effect of movement in exchange rates on cash held	3	35
4.6	Cash and cash equivalents at end of period	821	821

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	821	1,183
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (petty cash)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	821	1,183

6.	Payments to related parties of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amounts of payments to related parties and their associates included in item 1	9
6.2	Aggregate amounts of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,000	1,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,000	1,000
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>Three unsecured loan facilities earning interest at 10% pa, repayable within six months unless extended by mutual agreement:</p> <ul style="list-style-type: none"> - Unsecured facility with Dungay Resources Pty Ltd, a company associated with Gary Jeffery, dated 1 November 2021 for \$250,000, extended until 1 November 2023, - Unsecured facility with Dungay Resources Pty Ltd, dated 4 May 2021 for \$300,000, extended until 4 November 2023, - Unsecured facility with Dungay Resources Pty Ltd, dated 17 May 2021 for \$250,000, extended until 17 November 2023, - Unsecured facility with Dungay Resources Pty Ltd, dated 25 November 2022 for \$100,000, extended until 25 November 2023, and - Unsecured facility with Dungay Resources Pty Ltd, dated 6 June 2023 for \$100,000. 	
8. Estimated cash available for future operating activities	\$A'000	
8.1 Net cash from / (used in) operating activities (item 1.9)	(958)	
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-	
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(958)	
8.4 Cash and cash equivalents at quarter end (item 4.6)	821	
8.5 Unused finance facilities available at quarter end (item 7.5)	-	
8.6 Total available funding (item 8.4 + item 8.5)	821	
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.86	
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No. As the entity has agreed to sell its Filipino operations, it is anticipated that operational cash outflows decrease in the coming quarter.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: On 28 June 2023 and 6 July 2023 respectively, the Company announced it raised a total of \$1,075,000 before costs via two placements. At 30 June 2023 the Company had received \$512,000 of this capital raise.

On 19 July 2023, the Company announced the sale of its 20% working interest in the Alberta Plains oil and gas project for a net consideration of approximately A\$450,000.

Furthermore, Saggasco anticipates increased net revenues from production of oil and gas in North America during the coming quarter, cash flows for Q2 2023 were suppressed by regulatory abandonment requirements.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, based on the responses in 8.8.1 and 8.8.2.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2023

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.