



Sagaliao Energy
中普能源

Listed on ASX (Stock Code : SAN)

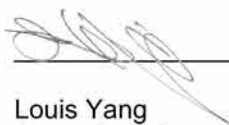
30th September 2025

Company Announcements Platform
Australian Stock Exchange
Exchange Centre, 20 Bridge Street
Sydney
NSW 2000

Sagaliao Energy Limited Annual Financial Report

The Directors of Sagaliao Energy Limited (ASX: SAN) are pleased to submit the annual financial report of the consolidated entity for the financial period from 1 July 2024 to 30 June 2025.

For and on behalf of Sagaliao Energy Limited



Louis Yang
Executive Director & CEO



Sagalio Energy
中普能源

Listed on ASX (Stock Code : SAN)

Sagalio Energy Limited

ARBN 152 971 821

(an exempted company incorporated in Bermuda Registration Number 45631)

Annual Financial Report

For the Period Ended 30 June 2025

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FORWARD LOOKING STATEMENT

This report contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

Certain statements made herein, including statements relating to matters that are not historical facts and statements of Sagalio Energy's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable legislation and "forward-looking statements" within the meaning of applicable provisions. Forward-looking information and statements relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements or information. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate, including the price of petroleum, anticipated costs and ability to achieve goals, as well as the timing of the completion of any fund-raising activities. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements and information include, among others, petroleum price volatility, discrepancies between actual and estimated production, petroleum reserves and resources, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), health environment, activities by governmental authorities, currency fluctuations, the speculative nature of oil exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, funding requirements and defective title to petroleum claims or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

All such forward-looking information and statements are based on certain assumptions and analysis made by Sagalio Energy's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Such factors include, among other things, the political risks associated with business operations in Kyrgyz Republic; the impact of changes in, changes in interpretation to or changes in enforcement of, laws, regulations and government practices in the jurisdictions in which Sagalio Energy operates; and changes in the attitudes of the Kyrgyz Republic government.

Important factors that could cause actual results to differ from these forward-looking statements include those described under the Directors' Report section included in Sagalio Energy's Annual Financial Report and the Company's Prospectus dated 12 February 2015. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking information or statements that other such information or statements will be correct. The reader is cautioned not to place undue reliance on forward-looking information or statements. All forward-looking information and statements herein are made as of the date hereof. Sagalio Energy does not intend or undertake to update or revise forward-looking statements or information, whether written or oral or whether as a result of new information, future events or otherwise, that may be made by Sagalio Energy or on its behalf, except as required by law.

CORPORATE INFORMATION

ARBN 152 971 821

Directors

Louis Yang (Chairman & Chief Executive Officer)
Zhang Baoliang
Zheng Lu

Company Secretary

Wayne Rossiter

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office

Level 24, Lee Garden One
33 Hysan Ave, Causeway Bay
Hong Kong
Tel: +852 3796 3601

Share Registry

Computershare Investor Services Pty Limited
Level 4, 44 Martin Place
Sydney NSW 2000
Australia
Tel: +61 03 9415 5000

Stock Exchange Listing

Australian Securities Exchange (ASX)

Principal Banker

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Hong Kong

Auditors

ShineWing Australia
Level 18, 197 St Georges Terrace
Perth WA 6000
Australia

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DIRECTORS' REPORT

The Directors submit their report on the consolidated entity for the financial year ended 30 June 2025.

DIRECTORS

The names and details of Directors in office of Sagalio Energy Limited (the "Company") and its controlled entities (the "Group") during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names	Position	Appointed
Dr. Louis Yang Luwu	Chairman, Executive Director & CEO	9 July 2014
Mr. Zhang Baoliang	Executive Director	13 April 2017
Ms. Zheng Lu	Executive Director	23 January 2018

Louis Yang Luwu – Chairman, Executive Director & Chief Executive Officer

Dr. Yang is a renowned leader with more than 20 years of experiences in the oil & gas industry in the PRC. Dr. Yang is a founder of Beijing Orion Energy Technology Development Co., Ltd., a top oil & gas service company in the PRC with over 1,000 employees, and the company was licensed by the PRC Central Government with Class-A certificates to operate in the oil & gas exploration and development businesses. The company has served Petro China, CNOOC and Sinopec for more than 16 years. Dr. Yang was the founding CEO and president of Asian American Gas Inc., which currently produces more than 1 million cubic meters of natural gas per day. Dr. Yang holds a Doctorate degree in Geology from China University of Mining and Technology.

Dr. Yang joined the Company as a Director and Chief Executive Officer of the Company on 9 July 2014. Dr. Yang's appointment is subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company and there is no termination period to Dr. Yang's appointment other than in accordance with the Bye-Laws of the Company. Dr. Yang was appointed as the Chairperson of the Company on 13 April 2017 and was re-elected as a Director of the Company through an annual general meeting which took place on 19 December 2023. There is currently no termination payment under the terms of Dr. Yang's appointment.

Dr. Yang held no directorships in other listed entities other than Sagalio Energy during the three years prior to the current year.

Zhang Baoliang - Executive Director

Mr. Zhang has over 20 years of experience in conventional oil and gas exploration and development and over 5 years of experience in unconventional oil and gas exploration and development. Mr. Zhang was previously a production manager at Petrochina Company Limited (HK:0857) responsible for the supervision of oil extraction of the Tianjin Dagang oil field project. Mr. Zhang graduated from the China University of Petroleum, majoring in petroleum engineering. Mr. Zhang is also currently the general manager of PEI LLC, a wholly-owned subsidiary of the Company which develops the projects in Kyrgyzstan.

Mr. Zhang joined the Company as an Executive Director of the Company on 13 April 2017 and was re-elected as a Director of the Company through an annual general meeting which took place on 21 December 2022. Mr. Zhang's appointment is subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company. There is currently no termination payment under the terms of Mr. Zhang's appointment.

Mr. Zhang held no directorships in other listed entities other than Sagalio Energy during the three years prior to the current year.

Zheng Lu – Executive Director

Ms. Zheng has over 15 years of experience in the field of finance management, focusing in the oil and gas industry. Ms. Zheng was previously employed as a finance manager at China United CBM Corporation, Ltd and was part of the finance team under RG Petro-Machinery Group Co., Ltd. Ms. Zheng graduated with a bachelor's degree from the China University of Petroleum specializing in Financial Management. Prior to

DIRECTORS' REPORT

Ms. Zheng's appointment as executive director of the Company, Ms. Zheng has taken the position of Chief Financial Officer of PEI LLC, a wholly-owned subsidiary of the Company which holds the Kyrgyzstan projects.

Ms. Zheng's appointment is subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company and there is no termination period to Ms. Zheng's appointment other than in accordance with the Bye-Laws of the Company. Mr. Zheng was re-elected as a Director of the Company through an annual general meeting which took place on 20 December 2024. There is currently no termination payment under the terms of Ms. Zheng's appointment.

Ms. Zheng held no directorships in other listed entities other than Sagalio Energy during the three years prior to the current year.

DIRECTORS' REMUNERATION

Due to the nature of the Company's operations which consisted of minerals exploration and evaluation, the remuneration of each Director is paid as per the agreement entered into between the Company and the Director and is currently not directly related to financial results and there is currently performance condition remuneration, non-monetary benefits or other short-term employee benefits other than those disclosed in this report. The actual remuneration of the Directors during the period under review is as follows:

Name	Annual Remuneration Accrued in 2025 ^(Note 1)	Annual Remuneration Accrued in 2024	Annual Remuneration Received in 2025 ^(Note 1)	Annual Remuneration Received in 2024
Dr. Louis Yang Luwu	US\$ 250,000	US\$ 250,000	US\$ -	US\$ -
Mr. Zhang Baoliang	US\$ 28,018	US\$ 25,140	US\$ 9,538	US\$ 6,660
Ms. Zheng Lu	US\$ 12,960	US\$ 12,960	US\$ -	US\$ -

Notes:

1. The directors' remuneration should be read in conjunction with note 19 of the Financial Statements. Fees owed to Directors in 2025 have been accrued, but have not been fully paid as at period end due to cash restraints.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of current Directors (or Directors during the period under review) in the shares and options of the Company were as follows:

Name	As at 30 June 2025		As at 30 June 2024	
	Number of ordinary shares	Number of options over ordinary shares	Number of ordinary shares	Number of options over ordinary shares
Dr. Louis Yang Luwu	70,100,000*	—	70,100,000*	—
Mr. Zhang Baoliang	—	—	—	—
Ms. Zheng Lu	—	—	—	—

Notes*: Those shares were held through Jolly Medal Limited and Major Port Limited, of which Dr. Yang is the sole shareholder.

INFORMATION ON SENIOR MANAGEMENT AND COMPANY SECRETARY

Wayne Rossiter - Company Secretary

Mr. Wayne Rossiter, a mining engineer and chartered accountant, has over twenty-five years' experience in the resources and energy sector and has strong experience in all aspects of public company operations, with specialised focus on compliance and fund raising, asset acquisitions and business growth. Mr. Rossiter

DIRECTORS' REPORT

previously negotiated \$20 million debt facility from a key stakeholder in support of business turn-around funding during period of financial stress for WPG Resources.

Mr. Rossiter joined the Company in November 2020. There is currently no termination payment under the terms of Mr. Rossiter's appointment.

DIVIDEND

No dividends were paid or declared for future payment during the financial year (2024: Nil).

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

There have been no significant changes in the nature of the Group's principal activities during the period. The Group currently has an interest in three oil exploration and development projects in the Kyrgyz Republic through the acquisition of PEI LLC which was completed in May 2015, and is principally engaged in the exploration and development of petroleum resources in the central Asia region.

OPERATING AND FINANCIAL REVIEW

Review of Financial Performance

The Group has reported a net loss for the period of US\$389 thousand for the period ended 30 June 2025.

The recoverability of the carrying amounts of Deferred Exploration and Evaluation Assets which has been fully impairment in the previous periods is dependent on the successful development and commercial exploitation or sale of the respective area of interest. The Directors also noted that there are risks involving the potential breach of the Co-Investment Agreement on the part of the Company attributable to its failure to develop the projects in accordance with its minimal work program by December 2016.

The Company has communicated with Kyrgyzneftegaz OJSC (KNG) on the clarification of the potential breaches and was granted an unofficial go-ahead for the period from Jan 2017 to Dec 2019, during which a 2D seismic survey was conducted and the Company has fulfilled the conditions under the second three-year (Jan 2017 – Dec 2019) work program. As the Jan 2020 – Dec 2022 working plan was affected by the COVID-19 pandemic, after discussion with KNG, a new three-year working plan for Jan 2024 – Dec 2026 was submitted by the Company in 2023, where the Company discussed with KNG concerning its plan to perform certain fracturing of existing wells and repairs of old wells. The Company and KNG also agreed that the Company is to maintain steady operation and to increase oil production during the period.

According to the legal opinion obtained from a reputable Kyrgyzstan legal counsel concerning the Company's right under the Co-Investment Agreement, it was opined that in the event that the potential breaches of the Company's obligation under the initial three-year work program were to be disputed, the Company would be able to retain its rights to develop all wells that have been drilled by the Company prior to the time of the declaration of breaches by KNG. To-date, there has been no dispute nor declaration of breaches under the Co-Investment Agreement. The Company has drilled 12 wells and that have been continuously producing. Product sharing arrangement has been ongoing as agreed to between the Company and KNG under the Co-Investment Agreement.

Net cash used for operations and net cash used for investing activities over the period amounted to US\$63 thousand and US\$38 thousand respectively. Cash and cash equivalent is US\$29 thousand as at 30 June 2025. Net current liabilities as at 30 June 2025 was US\$9.03 million (30 June 2024: US\$8.66 million).

The Directors consider that the current outlook presents significant challenges in terms of development of the project. While the Directors are currently considering a range of measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future cash flows. The Directors are also pursuing alternative sources of funding in case additional resources are required, but have not yet secured a commitment. During the reporting period, Kyrgyzstan experienced a gradual decline in oil prices, primarily attributable to the downturn in international crude markets caused by supply surpluses and

exacerbated by geopolitical tensions stemming from the Russia-Ukraine conflict. In response to these adverse market conditions, the company implemented proactive production enhancement initiatives to elevate crude output and augment cash inflows. Concurrently, the Group maintained a conservative expenditure strategy to minimize operating outflows. Furthermore, the management is evaluating more measures to increase the crude oil production of the project, whilst continuing to meet its business objectives.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern. However, as the effect of the COVID-19 pandemic outbreak gradually subsides and the global economy steadily recovers, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Dr. Yang has also agreed to support the Company financially to satisfy financial obligations as and when they fall due. For these reasons the Company continues to adopt the going concern basis in preparing the financial statements.

Review of Operations

Set out below is a review of significant activity for Sagalio Energy Limited for the year ended 30 June 2025.

KYRGYZ REPUBLIC PROJECTS

During the year, the Company focused on the production of oil from the existing development wells drilled. The oil extracted was sold to oil refineries in Kyrgyzstan under sale agreements. The Company has also performed perforation optimisation on existing wells in order to enhance production in light of the recovering oil price.

During the period under review, the Company has produced and transported an aggregate of 1,974 tonnes of oil to KNG, of which 60% is appropriated to the Company in accordance with the Co-Investment Agreement entered into between the Company and KNG.

The Company continues to face its own challenges. The Directors will continue to evaluate financing opportunities and determine the appropriate time and terms for any fund raising activity. The Directors will also explore various opportunities in the oil and gas and resources sector that are presented to it, if deemed in the best interests of shareholders. As part of this project evaluation, the Company will also consider potential divestments of its existing projects, or the acquisition of additional projects which provides immediate cash inflow if a commercial opportunity arises.

Risk Management

1. Risks relating to resources exploration

Since the acquisition of PEI, the Company has positioned itself as an oil exploration company. The Company acknowledges that exploration of natural resources carries risks and will continue to review all risks relating to the exploration and development of the Company's asset.

2. Risks relating to the fluctuation of petroleum prices

The primary source of the Company's income will be derived from the sale of petroleum products extracted from the Company's oil project. The Company noted that there has been fluctuation in petroleum prices. The Company will actively monitor and take appropriate measures to mitigate such risk, including the controlling of development costs, negotiation of oil sale contracts and other hedging arrangements where appropriate.

3. Risks relating to the Co-Investment Agreement

As the Company is currently in potential breach of the Co-Investment Agreement to undertake the minimum work program under the initial 3-years work program (2014 to 2016), the economic value of the projects may be significantly affected. The Company has made continuous efforts in remedying the situation, and has fulfilled the requirement under the second 3-years work program as agreed to between the Company and KNG for the development of the projects during 2017 to 2019. As the 2020-2022 working plan was affected by the COVID-19 pandemic, after discussion with KNG, a new three-year working plan for 2024-2026 was

submitted by the Company in 2023. While the Company believes that its interest in the projects are validly existing and will continue to generate sustainable income, investors should note the existence of such risk. Further disclosure can be found on Note 7 of the Notes to the Financial Statements.

4. Risks relating to the Russian-Ukraine conflict

As oil price in Kyrgyzstan is affected by both the global oil prices as well as the oil prices near the region, the Russian-Ukraine conflict may give rise to the fluctuation of sales prices of the Company's product. The Company will closely monitor the operating environment and endeavor to optimise the Company's cashflow. In order to minimise effect of such price fluctuation, the Company may also employ strategy to delay or promote sales of the Company's product depending on the market situation while maintaining adequate production.

5. Capital Requirement for future development

The Company acknowledges that it may not have sufficient capital that is required for the Company's projects, and it may be required to raise funds by way of debt or equity. The Company will closely monitor the capital market environment and determine the appropriate time and terms for any fund raising activity (if required).

6. Capital Requirement for working capital

The Company acknowledges that it is currently operating in a challenging environment and that it may not have sufficient capital required for the Company's daily operations, and it may be required to raise funds by way of debt or equity. The Company will closely monitor the capital market environment and determine the appropriate time and terms for any fund raising activity (if required).

7. Other Risks

In addition to the risk factors identified above, the Board is aware that there may be additional risk factors associated with the business, including, but not limited to sovereign and title risks, corporate governance risk, legal and counter-party risks, staffing risks and others. The Company views risk management as an essential factor in its goal of maximizing shareholder value and continues to actively identify risks and implement risk management measures. The Board regularly reviews its risk profile and is responsible for implementing risk management strategy and policies, internal compliance and internal control.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the activities described in this report, there were no other significant changes in the state of affairs of the Company for the year ended 30 June 2025.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have been arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Redevelopment of abandoned oil wells is being pursued as the next phase of the project development. The Company will also explore other means of production enhancement in view of oil price recovery. New business partners are being considered with the aim of bringing in external engineering services and/or funding support in order to achieve additional production. The Company will also focus on the identifying of potential investment opportunities to add shareholders' value. Subject to the identification and acquisition of a suitable investment project, the Company will formulate an appropriate business strategy specific to the project.

DIRECTORS' REPORT

INDEMNIFICATION OF AUDITORS

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Company.

MEETINGS OF DIRECTORS

The number of meetings of directors (including meetings of committees of directors) held during the financial year ended 30 June 2025 and the number of meetings attended by each director was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Dr. Louis Yang Luwu	0	0
Mr. Zhang Baoliang	0	0
Ms. Zheng Lu	0	0

The Directors confirm that the number of meetings held during the year does not affect the Company's corporate governance position, and that discussions were held during the year in relation to key matters, being the conclusions achieved via resolutions.

SHARE OPTIONS

As at the date of this report, there were no options to acquire ordinary shares in the Company in issue.

Other than as set out above, there have been no unissued shares or interests under option in the Company or a controlled entity during and since the reporting date.

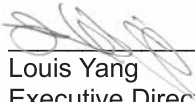
During the period, employees, consultants and executives have not exercised any options to acquire any fully paid ordinary shares in the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the period ended 30 June 2025 has been received and can be found on page 43 of the Financial Statements.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board



Louis Yang
Executive Director & CEO
Sagelio Energy Limited
Dated this 30th day of September, 2025

CORPORATE GOVERNANCE STATEMENT

The Company is required to provide a statement disclosing the extent to which it will follow, the Corporate Governance Principles and Recommendations (4th Edition) set by the ASX Corporate Governance Council.

Achieving a high standard of corporate governance is a priority for the Company's Board of Directors.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board and Management Functions - Recommendation 1.1

The roles and responsibilities of the Board and management are set out in the Board Charter, available on the Company's website.

The Board Charter also provides for the Company's statement of delegated authority to set out the Company's policy relevant to the delegation of authority to management to conduct the day to day management of the Company.

As the Company has a small Board comprising three Executive Directors, and a small management team, roles and functions must necessarily be flexible to deliver the Company's objectives.

Electing or Re-electing a Director - Recommendation 1.2

The process of appointment and re-election is set out in the Company's constitution document.

The Company will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a Director.

The Board will provide shareholders with all material information in the possession of the company to enable shareholders to make an informed decision on the appointment and re-election of Directors.

Director and Senior Executive Agreements - Recommendation 1.3

The Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

Company Secretary - Recommendation 1.4

The Company secretary is appointed and removed by the Board and reports to, and is directly accountable to, the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Diversity Policy - Recommendation 1.5

The Company has a diversity policy and is committed to developing a business model that values and achieves diversity on its workforce and on its Board.

Due to the size of the Company, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company.

The Company values diversity and has a goal to report the diversity within the Company annually and initially target a range of 25 to 35% female employees. The Board monitors the Company's progress under its diversity policy.

As at 30 June 2025, the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out below:

Whole organisation	5 out of 17 (29.4%)
Board	1 out of 3 (33.3%)
Senior Executive	1 out of 3 (33.3%)

Performance Evaluation – Recommendations 1.6 and 1.7

The Board is responsible for the evaluation and review of the performance of the Board and its committees (if any) and Senior Executives.

The Chairperson is primarily responsible for the evaluation and review of the performance of individual Non-Executive Directors. The Chair should disclose the process for evaluating the performance of those Directors.

The Board (other than the Chair) is responsible for the evaluation and review of the performance of the Chair and review of the effectiveness and program of Board meetings.

The process of the performance evaluation of the Board, its committees (if any), Directors and senior executives, generally involves an internal review. From time to time as the Company's needs and circumstances require, the Board may commission an external review of the Board, and its composition.

There were no formal performance evaluations undertaken during the 2025 financial year. The Board reviews the performance of the Company (including the Board and Senior Executives) on a regular and informal basis.

PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Nomination Committee and Board Skills Matrix - Recommendations 2.1 and 2.2

The Company believes it is not of a size to justify a Nomination Committee. If vacancies arise on the Board, all Directors are involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from the resources industry and broader business backgrounds. The Board will establish a skills matrix setting out the mix of skills and diversity that the Board currently has or is seeking to acquire.

The Company provides details of each Director, such as their skills, experience and expertise relevant to their position in the Directors' Report in the Annual Report.

Independence of Directors - Recommendations 2.3, 2.4 and 2.5

The Board comprises three Executive Directors (Dr. Louis Yang, Mr. Zhang Baoliang and Ms. Zheng Lu). Dr. Louis Yang is a substantial shareholder of the Company and Mr. Zhang Baoliang and Ms. Zheng Lu act as Executive Directors. Dr. Louis Yang, Mr. Zhang Baoliang and Ms. Zheng Lu are not considered to be Independent Directors in terms of the ASX Corporate Governance Council's discussion of independent status. Despite this relationship, the Board believes that Dr. Louis Yang, Mr. Zhang Baoliang and Ms. Zheng Lu are able, and will make quality and independent judgements in the best interests of the Company on all relevant issues before the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of Independent Directors.

Dr. Louis Yang holds both positions of Chair and CEO of the Company. Although the Chair is not an Independent Director, the Board believes that Dr. Louis Yang is able, and will make quality and independent judgements in the best interests of the Company on all relevant issues before the Board. The Board believes that Dr. Yang's positions as Chairman and CEO of the Company is appropriate and acceptable at this stage of the Company's development.

Directors are entitled to seek independent professional advice at the Company's expense in the furtherance of their duties.

Under the Company's Constitution, no Director except the Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the Director's election without being submitted for re-election. At every annual general meeting one third of the Directors or the number nearest to but not exceeding one third must retire from office and are eligible for re-election.

Director Induction and Development - Recommendation 2.6

Induction, training and continuing education arrangements are the subject of the terms and conditions of the appointment of members to the Board. The requirement for the Board to implement an appropriate induction and education process for new Board appointees and Senior Executives is set out in the Board Charter on the Company's website. The process is designed to enable Board appointees and Senior Executives to gain a better understanding of: the Company's financial, strategic, operational and risk management position; the rights, duties and responsibilities of the Directors; the roles and responsibilities of Senior Executives; and the role of Board committees (if any).

PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Corporate Value – Recommendation 3.1

The Company is committed to ensure sustainable of supply and efficient distribution of petroleum products and services. As a player in a developing country, the Company is strategically positioned to assist in the enhancement of Kyrgyzstan through the development of its state-owned oil fields.

While Kyrgyzstan lacks the technical-know-how to effectively utilise its assets, the Company aims to create a bridge in the promotion of product to the market and to ensure continuous national fuel supplies.

The Company's core value encapsulate the continuous improvement in our organization, delivering the best results through effective team work and integrity. We encourage open communication and mutual respect within the organization. The Company strive to achieve commercial excellence while maintaining a high standard of social responsibility.

Code of Conduct – Recommendation 3.2

The Board has adopted a formal Code of Conduct (Obligations to Stakeholders) and a formal Code of Conduct for Directors and key officers to promote lawful, ethical and responsible decision-making by Directors, management and employees. The Codes promote compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Codes of Conduct are available on the Company's website.

Whistleblower Protection – Recommendation 3.3

The Board has adopted a formal Whistleblower Policy to promote integrity, ethics and encourages reporting of suspicious activities. Suspected activities are investigated and material incidents are reported to the Board. The Whistleblower Policy is available on the Company's website.

Anti-bribery and Anti-corruption – Recommendation 3.4

The Company does not tolerate any form of bribery or corruption activities. An Anti-bribery and Anti-corruption Policy details the measures the Company takes in ensuring its compliance. The Board is informed of any material breaches. The Anti-bribery and Anti-corruption Policy is available on the Company's website.

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Audit Committee - Recommendation 4.1

The Company does not currently have an Audit Committee. The Board considers that the formation of an Audit Committee is not warranted at this time given the size of the Board.

The Board will at some time consider forming an Audit Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure.

Financial Statements - Recommendation 4.2

The Board as a whole acts as the Audit Committee and performs the functions thereof including the making sure that the financial records of the Company have been properly maintained and that the Company's financial statements comply with accounting standards and fairly present the Company's financial condition and operational results. This statement is required annually.

Periodic Corporate Reports – Recommendation 4.3

In circumstances where periodic corporate reports which are not required to be audited, the Company adopts an internal review process and obtain external advice where necessarily to ensure that such reports are materially accurate and in compliance with the relevant regulations or industry practices. Statements and contents of the reports are reviewed and approved by the Board prior to their release to the market.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure Policy – Recommendation 5.1

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price-sensitive information to shareholders through the lodgment of announcements with ASX. Clear procedures govern the preparation, review and approval of all announcements including technical material. The Company's Continuous Disclosure Policy is available on its website.

Notification to the Board of Market Announcements - Recommendation 5.2

All market announcements are reviewed by the CEO and are circulated to the Board for approval prior to their release.

Presentation Material to New and Substantive Investors - Recommendation 5.3

All presentations containing non-public information given to any potential investors are reviewed and approved by the Board, and is released to the market prior to their distribution to any potential investors.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Corporate Information and Governance – Recommendation 6.1

Material information concerning the Company and its governance can be found on the Company's website and market announcement on the website of ASX. All governance policies are also contained on the Company's website.

Communications Policy – Recommendation 6.2

The Company is committed to open and accessible communication with its shareholders, employees, customers and other stakeholders.

In accordance with ASX recommendations, the Company publishes all relevant announcements on its website after ASX has acknowledged that the announcements have been released. The Continuous Disclosure Policy can be found on the Company's website. Subject to ASX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts and publishes the information provided on its website.

Investor relations – Recommendations 6.3, 6.4 and 6.5

The Board is responsible for the communication strategy to promote effective communications with investors and to encourage effective participation at general meetings, and ensures that all substantive resolutions passed during the Company's shareholding meetings are decided by poll. The Company adheres to best

CORPORATE GOVERNANCE STATEMENT

practice in its preparation of Notices of Meetings and through its share registry offers to members the option of receiving shareholder communications electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk Management – Recommendations 7.1, 7.2, 7.3 and 7.4

The Board has been committed to ensuring that the risks associated with the Company's business activities are properly identified, monitored and managed and to embedding in its management and reporting systems a number of risk management controls. Operational management regularly reviews the risks and controls and updates the Board in light of changing circumstances and emergent risk factors and weightings.

The Board considers that the Company is not of a size sufficient to warrant the establishment of an internal audit function or a risk management committee. The Company does however employ appropriate processes for continually improving the effectiveness of risk management and internal control processes.

The Chief Executive Officer is required to provide a declaration in writing to the Board as to whether the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of internal control and that the system is operating effectively in all material respects in relation to financial risks.

The Board is satisfied with the current level of risk, risk management and control monitoring processes currently in place for the Company.

The Company is of the view that it does not have material exposure to economic, environmental or social sustainability risks other than those disclosed in the Directors' Report.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee – Recommendations 8.1, 8.2 and 8.3

The Directors consider the current size of the Board does not warrant the establishment of a separate Remuneration Committee. However, the Board will at some time consider forming a Remuneration Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure. Nonetheless the Board is committed to ensuring that the principles of fair and responsible remuneration govern its operations for the evaluation of the remuneration of the Company's Non-Executive Directors, Executive Directors and Senior Executives.

Remuneration of the Company's Non-Executive Directors and Executive Directors is set out in the Company's Remuneration Report (which forms part of the Directors' Report) in the Company's Annual Report.

There are no schemes for retirement benefits, other than superannuation, for Non-Executive Directors.

PRINCIPLE 9 – ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES

Language Proficiency of Directors – Recommendations 9.1

All Directors are all English literate. While not all Directors are fluent English speaker, translators who are fluent in both languages will participate in all shareholders' meetings to facilitate the effective communication, and translate all material corporate documents where necessary to ensure the Board can effectively discharge its obligation in relation to those documents.

Shareholders' Meeting and Participation of External Auditors – Recommendations 9.2 and 9.3

The time and location of all shareholders' meeting are released on the website of ASX, and a copy of such notices are mailed to shareholders prior to the meeting in accordance with the constitution of the Company, providing sufficient time for shareholders to make arrangement for their attendance. The Company has in

CORPORATE GOVERNANCE STATEMENT

place communication channels to facilitate travel arrangement of shareholders who wishes to participate the meeting.

The opportunity for shareholders to question a listed entity's external auditor at the AGM is an important safeguard for the integrity of the corporate reporting process. For companies incorporated in Australia, such opportunity is provided by sections 250PA, 250RA and 250T of the Corporations Act 2001. As the Company is established outside Australia, it is not subject to the provisions of the Corporations Act 2001 and there are no equivalent provisions under the law of its home jurisdiction. The Company will however make a representative of the auditor available at its AGM to enable shareholders to ask questions relevant to the audit.

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ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025

	Note	30-Jun-25 US\$'000	30-Jun-24 US\$'000
Sales	10	402	485
Cost of sales	10	(307)	(359)
Gross profit		<u>95</u>	<u>126</u>
General and administrative expenses	11	(439)	(456)
Exchange gain/(loss)		23	108
Depreciation	6	(5)	(5)
Finance costs		(17)	(12)
Other expense	12	(46)	-
Total operating expenses		<u>(484)</u>	<u>(365)</u>
Loss before income tax from continuing operations		(389)	(239)
Income tax expense	13	-	-
Loss from continuing operations		<u>(389)</u>	<u>(239)</u>
Items that may be reclassified subsequently to profit or loss		17	(71)
Total comprehensive loss		<u>(372)</u>	<u>(310)</u>
Total comprehensive loss attributable to:			
Members of the parent entity		<u>(372)</u>	<u>(310)</u>
Loss per share from continuing operations			
Basic and diluted loss per share (US cents per share)	3	(0.19)	(0.12)

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	30-Jun-25 US\$'000	30-Jun-24 US\$'000
Current assets			
Cash and cash equivalents	4	29	133
Inventory		-	-
Other receivable	5	51	7
Total current assets		80	140
Non-current assets			
Property, plant and equipment	6	7	2
Total non-current assets		7	2
Total assets		87	142
Current liabilities			
Trade and other payables	8	9,108	8,795
Lease liabilities	9	4	1
Total current liabilities		9,112	8,796
Non-Current liabilities			
Lease liabilities	9	1	-
Total non-current liabilities		1	-
Total liabilities		9,113	8,796
Net liabilities		(9,026)	(8,654)
Equity			
Contributed equity	14	26,563	26,563
Reserves	15	813	796
Accumulated losses		(36,402)	(36,013)
Total deficit		(9,026)	(8,654)

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	30-Jun-25 US\$'000	30-Jun-24 US\$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Receipts from customers		480	557
Payments to suppliers and employees		(543)	(569)
NET CASH OUTFLOW USED IN OPERATING ACTIVITIES	21	(63)	(12)
CASHFLOWS RELATED TO INVESTING ACTIVITIES			
Payments for exploration and evaluation activities	16	(38)	(553)
Pre-commissioning sales		-	-
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		(38)	(553)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from related loans		-	126
Repayment of related party loans		(2)	-
Repayment of lease liabilities		-	(4)
NET CASH INFLOW FROM FINANCING ACTIVITIES		(2)	122
NET (DECREASE)/ INCREASE IN CASH HELD		(103)	(443)
The effects of changes in foreign currency rates		(1)	(1)
Cash and cash equivalents at beginning of period		133	577
CASH AND CASH EQUIVALENTS AT END OF YEAR		29	133

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

	Issued Capital US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Capital Reserve US\$'000	Total US\$'000
Balance at 30 June 2023	26,563	(35,774)	91	776	(8,344)
Loss for the period	-	(239)	-	-	(239)
Other comprehensive Income	-	-	(71)	-	(71)
Total Comprehensive loss for the period	-	(239)	(71)	-	(310)
Balance at 30 June 2024	26,563	(36,013)	20	776	(8,654)
Loss for the period	-	(389)	-	-	(389)
Other comprehensive Income	-	-	17	-	17
Total Comprehensive loss for the period	-	(389)	17	-	(372)
Balance at 30 June 2025	26,563	(36,402)	37	776	(9,026)

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL INFORMATION

General Information

Sagalia Energy Limited (the Company) is a for profit company and was incorporated in Bermuda on 1 August 2011. The consolidated financial statements of the Company and its subsidiaries (the Group) for the period ended 30 June 2025 were authorised for issue in accordance with a resolution of the Directors on 30 September 2025. The Company was listed on the Australian Securities Exchange (ASX) on 15 December 2011. The Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been prepared for the period from 1 July 2024 to 30 June 2025.

Note 1 – Summary of Material Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standard Board (AASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The principal activities of the Company and its subsidiaries were exploration activities in Kyrgyz Republic.

Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in United States Dollars (\$) which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand (US\$'000), except where otherwise indicated.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(a) Basis of Preparation (continued)

Foreign Currency Translation (continued)

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of.

Going Concern

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

The Group has incurred a net loss after tax for the year ended 30 June 2025 of US\$389 thousand (2024: loss US\$239 thousand) and experienced net cash outflows from operating activities of US\$63 thousand (2024: net cash outflows of US\$12 thousand). As at 30 June 2025 the Group has US\$29 thousand cash and cash equivalents (2024: US\$133 thousand) and negative working capital of US\$9,032 thousand (2024: negative US\$8,656 thousand).

The Directors believe that the Group will continue as a going concern and will either secure external loans or continue to receive significant financial support from the major shareholder and related party creditors. Currently, the company's total outstanding debts to related parties amount to US\$7.84 million (including US\$5.058 million from Beijing Orion and Orion Energy, US\$209 thousand from Orion Hong Kong, and US\$2.573 million from Dr. Louis Yang). The company has obtained support letters from the Executive Director and the major shareholder, and all related parties have committed not to demand repayment of the debts due as of June 30, 2025, within 18 months from the signing date of this report. The Directors are also pursuing alternative sources of funding in case additional resources are required, but have not yet secured a commitment. During the reporting period, Kyrgyzstan experienced a gradual decline in oil prices, primarily attributable to the downturn in international crude markets caused by supply surpluses and exacerbated by geopolitical tensions stemming from the Russia-Ukraine conflict. In response to these adverse market conditions, the company implemented proactive production enhancement initiatives to elevate crude output and augment cash inflows. Concurrently, the Group maintained a conservative expenditure strategy to minimize capital outflows. Furthermore, management is evaluating more assertive strategic measures to expand the Company's asset base, whilst continuing to meet its business objectives. As a result, the financial statements have been prepared on a going concern basis.

However, the conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to be able to pay its debts as and when they fall due, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements.

(b) New Accounting Standards and Interpretations

The Group has adopted all standards which became effective for the first time at 1 July 2024, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

No new Australian Accounting Standards and Interpretations that have been issued but are not yet effective have been applied in the preparation of these consolidated financial statements. Such standards are not expected to have a material impact on the consolidated entity's financial statements on initial application.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTES TO THE FINANCIAL INFORMATION**Note 1 – Summary of Material Accounting Policies (continued)****(c) Basis of Consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 30 June 2025. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(d) Taxes*(i) Income taxes*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(d) Taxes (continued)

(i) *Income taxes (continued)*

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(ii) *Other taxes*

Revenues, expenses and assets are recognised net of the amount of Goods and Service Tax (GST) or Value Added Tax (VAT) except:

- When the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(e) Exploration and Evaluation Costs

Direct and indirect costs attributable to finding the oil resources are allocated to the exploration and evaluation assets. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale. If any indication exists, the Group estimates the asset's recoverable amount as outlined in Note 1(m).

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(f) Restoration and Rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environmental is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit and loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

The Group has no legal or constructive obligation for restoration under the Co-investment agreement with Kyrgyzneftegaz OJSC. The Group pays a monthly reclamation amount to Kyrgyzneftegaz OJSC.

As a result, there is no restoration or rehabilitation provision recognised.

(g) Impairment of Non-Financial Assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite useful life intangibles are tested for impairment annually.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). For the purpose of the exploration and evaluation assets, the recoverable amount is based on FVLCD. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. From time to time external valuers are used to assess FVLCD of the Group's non-financial assets.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset/CGU's recoverable amount since the last impairment loss was recognised. Such a reversal is recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(h) Employee Benefits

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bond with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

(i) Trade and Other Payables

Trade and other payables are carried at amortised cost due to their short-term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Revenue and Other Income

Revenue from contracts with customers

Revenue from contracts with customers is recognised based on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

The Group often enters into transactions involving a range of the Group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Interest revenue

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

All revenue is stated net of the amount of VAT or GST.

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(k) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key judgments – exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period.

Key judgments – asset impairment

The Group assesses each cash-generating unit annually to determine whether any indication of impairment/reversal of impairment exists. Where an indicator of impairment/reversal of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to disposal and value in use.

These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less costs for disposing the asset. Fair value for oil assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Operating Segments

The Group has performed an analysis of our operating segments and based on operations have concluded we have only one segment to report. As management reporting is performed on a single segment basis and all activities are happening in Kyrgyz Republic. Hence, the financial results of this segment are equivalent to those of the consolidated financial statements.

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Material Accounting Policies (continued)

(m) Operating Segments (continued)

The Group has performed an analysis of our operating segments and based on operations have concluded we have only one segment to report. As management reporting is performed on a single segment basis and all activities are happening in Kyrgyz Republic. Hence, the financial results of this segment are equivalent to those of the consolidated financial statements.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(i) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are each exploration tenement.

The Group operates entirely in the industry of oil exploration, evaluation and development of oil projects.

(ii) Discrete pre-tax financial information, being expenditure incurred year to date and from the start date, about each of these segments is reported to the Chief Operating Decision Makers on a monthly basis.

Accounting policies, segment revenue, and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

All expenses incurred for exploration and evaluation which qualify for capitalisation as described in 1(j) are capitalised.

There are no intersegment transactions within the Group's segment.

The segment results include the capitalised allocation of overhead that can be directly attributed to an individual business segment.

(n) Contributed Equity

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

NOTES TO THE FINANCIAL INFORMATION

Note 2 – Auditors' Remuneration

	2025 US\$	2024 US\$
Remuneration of the auditor of the Group for:		
- auditing and reviewing the financial statements	42,302	42,149
- non-audit services	-	-
Total	42,302	42,149

Note 3 – Loss Per Share

	2025 US\$'000	2024 US\$'000
Reconciliation of earnings to profit or loss		
Loss for the period	(389)	(239)
Loss attributable to the owners of the Company	(389)	(239)
Basic and diluted loss per share (US cent per share)	(0.19)	(0.12)

The weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted loss per share: 204,660,130 (2024: 204,660,130).

Note 4 – Cash and Cash Equivalents

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Cash on hand	1	1
Cash at banks	28	132
Total	29	133

Note 5 – Other Receivable

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Sales receivable	1	1
Other receivable	50	6
Total other receivable	51	7

NOTES TO THE FINANCIAL INFORMATION

Note 6 – Property, Plant & Equipment

	Furniture, fixture and fittings	Equipment	Right-of-use assets	Total property, plant & equipment
	US\$'000	US\$'000	US\$'000	US\$'000
As at 30 June 2024				
At cost	3	17	8	28
Accumulated depreciation	(3)	(16)	(7)	(26)
Total	-	1	1	2

As at 30 June 2025				
At cost	3	18	9	30
Accumulated depreciation	(3)	(17)	(3)	(23)
Total	-	1	6	7

Movement in the carrying amount for each class of property, plant & equipment between the beginning and the end of the current financial year:

	Furniture, fixture and fittings	Equipment	Right-of-use assets	Total property, plant & equipment
	US\$'000	US\$'000	US\$'000	US\$'000
Closing balance at 30 June 2023	-	2	5	7
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(1)	(4)	(5)
Foreign Exchange	-	-	-	-
Closing balance at 30 June 2024	-	1	1	2
Additions	-	1	9	10
Disposals	-	-	-	-
Depreciation	-	(1)	(4)	(5)
Foreign Exchange	-	-	-	-
Closing balance at 30 June 2025	-	1	6	7

Note 7 – Deferred Exploration and Evaluation Assets

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Carrying value at the end of the year	-	-

NOTES TO THE FINANCIAL INFORMATION

Note 7 – Deferred Exploration and Evaluation Assets (continued)

The Company's economic interest through its subsidiary, PEI LLC, includes Marleysu-East Yizbaskent, Yibaskent Arash and Susamur tenements for exploration of oil under a Co-investment agreement with Kyrgyzneftegaz OJSC (KNG), a state-owned enterprise in Kyrgyz.

The Directors noted that there are risks involved in the potential breach of the Co-Investment Agreement on the part of the Group attributable to its failure to meet the initial three-year minimal work program by December 2016. Efforts were made to communicate with KNG on the waiver of breaches and the Company has completed its second three-year work program (Jan 2017- Dec 2019) as agreed to between the Company and KNG. In addition, the Group has obtained a legal opinion from a reputable Kyrgyzstan legal counsel, concerning the Company's right under the Co-Investment Agreement.

In order to fulfill the obligation under the second three-year work program, a 2D seismic survey has been conducted in the calendar year 2019. As the Jan 2020 – Dec 2022 working plan was affected by the COVID-19 pandemic, after discussion with KNG, a new three-year working plan for Jan 2024 – Dec 2026 was submitted by the Company in 2023, where the Company discussed with KNG concerning its plan to perform certain fracturing of existing wells and repairs of old wells. The Company and KNG also agreed that the Company is to maintain steady operations and to increase oil production during the period.

It was opined that as at 30 June 2025, the Group legally retained its rights to develop all wells that have been drilled by the Company prior to the time of the declaration of breaches by KNG. To-date, the Group has drilled 12 wells and has been continuously producing test production. The product sharing arrangement has been ongoing as agreed between the Company and KNG under the Co-Investment Agreement.

The Group has performed an analysis on the recoverable amount of the Deferred Exploration and Evaluation Assets as at 30 June 2025. The recoverable amount was determined by the fair value less costs of disposal (FVLCD) method based on the net present value of the future estimated cash flows. Only future cashflows for the wells drilled were included in the cash flow model. The model considered all significant factors including the legal concerns discussed above and concluded a negative net present value.

The accumulated impairment loss as at as at 30 June 2025 is US\$21,807 thousand for the Deferred Exploration and Evaluation Assets. Management may consider reversals of the impairment loss previously recognised if the cash flow model concludes a positive net present value in the future.

The determination of FVLCD for the exploration and evaluation assets is considered to be Level 3 fair value measurement, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Costs of disposal are not expected to be material.

The main assumptions used in determining the FVLCD are described below:

Oil Price – Estimated oil price per barrel in USD is evaluated annually based on external sources.

Discount rate – A market-derived discount rate is applied to establish the present value of income stream associated with the asset, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Description of valuation techniques used and key inputs to valuation of exploration and evaluation assets:

NOTES TO THE FINANCIAL INFORMATION

Note 7 – Deferred Exploration and Evaluation Assets (continued)

	Valuation technique	Significant unobservable inputs	Value
Deferred exploration assets of Kyrgyz investment	FVLCD	Estimated Oil price per barrel Discount rate production	US\$62 - US\$69 through 2029, an estimate of US\$74 for the period after 2029 17.05% 14 - 9 Mbbbl through 2029

Note 8 – Trade and Other Payables

	Note	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Exploration payables	16	5,058	5,075
Exploration other payables		727	697
Related party loan payable	16	240	232
Other payables		3,083	2,791
Total current payables		<u>9,108</u>	<u>8,795</u>

Note 9 – Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Current	4	1
Non-current	1	-
Total	<u>5</u>	<u>1</u>

Reconciliation of lease liabilities

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Balance at 1 July	1	5
Additions	9	-
Interest expenses	-	-
Lease payments	(5)	(4)
Balance at 30 June	<u>5</u>	<u>1</u>

The Group has leases for offices. With the exception of short term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right to use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right of use assets in a consistent manner to its property, plant and equipment (see Note 6).

NOTES TO THE FINANCIAL INFORMATION

Note 10 – Sales and Cost of Sales

	2025 US\$'000	2024 US\$'000
Sale of oil*	402	485
Total	402	485

* Sale of oil was recognised at point in time.

Maintenance and repairs	118	173
Raw materials and consumables used	85	92
Site and tank truck rental	45	44
Employee benefit expenses	36	34
Other costs	23	16
Total	307	359

Note 11 – General and administration expenses

	2025 US\$'000	2024 US\$'000
Director remuneration	291	288
Professional fees	94	106
Kyrgyzstan local administrative expenses	52	60
Office related expenses	2	2
Total	439	456

Note 12 – Other Expense

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Equipment Retrofitting Expenses	46	-
	46	-

Note 13 – Income Tax Expense

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Current tax expense	-	-
Deferred tax expense	-	-
	-	-

NOTES TO THE FINANCIAL INFORMATION

Note 13 – Income Tax Expense (continued)

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Accounting loss before tax	(389)	(239)
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at tax rates for the Group		
- economic entity	-	13
Add / (less) tax effect of:		
- non-deductible expenses	-	-
- tax losses not recognized	-	(13)
Income tax attributable to Group	-	-

Note 14 – Contributed Equity

Authorised share capital:

1,000,000,000,000 shares with par value of US\$0.00001 each

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

	Number	US\$'000
Fully paid ordinary shares		
Opening balance	204,660,130	26,563
Closing balance	204,660,130	26,563

Note 15 – Reserves

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Foreign Currency Translation Reserve		
Opening balance	20	91
Closing balance	37	20
Capital Reserve		
Opening balance	776	776
Closing balance	776	776
Total Reserves	813	796

NOTES TO THE FINANCIAL INFORMATION

Note 16 – Related Party Disclosures

Subsidiaries

The consolidated financial information within this report includes the financial statements of Sagalio Energy Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	30 Jun 25 % interest	30 Jun 24 % interest
Wide Prestige Limited	BVI	100%	100%
Plenty Max Limited	BVI	100%	100%
Timely Ideal Limited	BVI	100%	100%
PEI LLC	Kyrgyzstan	100%	100%

The following disclosure provides the total amount of transactions that have been entered into with related parties during the year ended 30 June 2025 and 2024 as well as balances with related parties as at 30 June 2025 and 30 June 2024:

		Purchases from related parties US\$'000	(payments to) related parties US\$'000	Outstanding balance payable to related parties US\$'000
Entity related with key management personnel of the Group:				
Beijing Orion Energy Technology & Development Co. Ltd. (Orion Energy) and its controlled entity Orion Energy Technology Development Co., Ltd.	2025	26 ⁽¹⁾	(17)	5,058 ⁽²⁾
	2024	-	(553)	5,075

(1) US\$26,286 was paid for oil extraction services and US\$16,711 for pumping unit retrofitting and upgrade was recorded during the period. There was no new exploration agreements formed with related parties during the year.

(2) Of US\$5.058 million, amounts related to technical service agreement on exportation and production research is US\$1.33 million as at 30 June 2025 (2024: US\$1.33 million). Other outstanding balances are related to a well drilling contract for the Marleysu-East Yizbaskent oil project and Oil Extraction System Installation before the acquisition. US\$3.73 million was recognised as current payable as at 30 June 2025 (2024: US\$3.74 million).

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

		Borrowing from/(repayment to) related parties US\$'000	Outstanding balance of related parties loans US\$'000
Orion Energy (Hong Kong) Co., Limited	2025	9	208
	2024	126	199
Dr. Louis Yang Luwu	2025	(2)	32
	2024	-	34

In February 2016, Dr. Yang, the major shareholder of the parent company, executive director and CEO of the Company provided a US\$150,000 unsecured loan to the Group as part of the directors' effort to support the working capital requirement of the Group. In 2020, interest of US\$43,831 was accrued. US\$160,274 was repaid in the prior periods, and US\$2,106 was repaid in 2025. As at 30 June 2025, the total interest payable to Dr. Yang is \$31,451.

NOTES TO THE FINANCIAL INFORMATION

Note 16 – Related Party Disclosures (continued)

During the reporting period, the Company has increased and extended the existing US\$200,000 unsecured facility previously obtained from Orion Energy (Hong Kong) Co., Limited, which is an entity managed by a director of the Company. The facility has been increased to US\$350,000 and will mature in December 2025. The facility carries an interest rate of 5% p.a. The Company has drawn an amount of US\$190,017 during the previous period. Interest of US\$18,218 was accrued as at 30 June 2025.

Directors' Name		Directors' fee for the current period US\$'000	Outstanding balance payable to directors US\$'000
Dr. Louis Yang Luwu	2025	250	2,542
	2024	250	2,292
Mr. Zhang Baoliang	2025	19	168
	2024	18	149
Ms. Zheng Lu	2025	13	118
	2024	13	105

The total directors' fee due to the Company's directors is US\$2.83 million as at 30 June 2025 (2024: US\$2.55 million).

During the reporting period, Mr. Baoliang Zhang, CEO and General Manager of PEI, borrowed US\$41,193 for market research and expansion in Central Asia.

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Note 17 – Capital Commitments

Capital Expenditure Commitments

The exploration commitments of the Group and the Company for Marleysu-East Yizbaskent oil project are tabulated below:

	2025 US\$'000	2024 US\$'000
Payable:		
Not later than 12 months	-	-
Between 12 months to 5 years	9,255	9,258
	<u>9,255</u>	<u>9,258</u>

Note 18 – Financial Risk Management

The Group's financial instruments consist mainly of deposit with banks, receivables and payables. The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

NOTES TO THE FINANCIAL INFORMATION

Note 18 – Financial Risk Management (continued)

Financial Assets (US\$'000)	2025	2024
Cash and cash equivalents	29	133
Trade and other receivables	49	7
Total Financial Assets	78	140
Financial Liabilities (US\$'000)	2025	2024
Trade and other payables	9,108	8,795
Lease liabilities	6	1
Total Financial Liabilities	9,114	8,796

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

(a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contractual obligations that could lead to a financial loss to the Group.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset its credit exposure. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

The credit quality of financial assets are neither past due nor impaired as it has assessed that to be highly probable to receive these balances.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that financial liabilities will be settled at a date later than is required.

NOTES TO THE FINANCIAL INFORMATION

Note 18 – Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(b) Liquidity Risk (continued)

*Financial liability and financial asset maturity analysis
(within 1 year)*

	2025	2024
Financial liabilities due for payment (US\$'000)		
Trade and other payables	9,108	8,795
Lease liabilities	4	1
Total contractual outflows	<u>9,112</u>	<u>8,796</u>
Financial assets – cash flows realisable (US\$'000)		
Cash and cash equivalents	29	133
Other receivable	49	7
Net outflow on financial instruments	<u>(9,034)</u>	<u>(8,656)</u>

(c) Market Risk

Interest rate risk - Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Increase in interest rate by 1%		Decrease in interest rate by 1%	
	Profit US\$'000	Equity US\$'000	Profit US\$'000	Equity US\$'000
Year ended 30 June 2024				
Cash and cash equivalents	1	-	(1)	-
Year ended 30 June 2025	-	-	-	-
Cash and cash equivalents	1	-	(1)	-
Payables	2	-	(2)	-

Foreign exchange risk - Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies.

The Group's year-end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the functional currencies of the Group in which they are recorded:

NOTES TO THE FINANCIAL INFORMATION

Note 18 – Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(c) Market Risk (continued)

Sensitivity Analysis (continued)

As at 30 June 2025 (US\$'000)	AUD	HKD	KGS	CNY
Cash and cash equivalents	3	-	23	3
Receivables	-	-	-	-
Payables	16	24	795	18
Gross statement of financial position exposure	19	24	818	21
As at 30 June 2024 (US\$'000)	AUD	HKD	KGS	CNY
Cash and cash equivalents	1	-	126	1
Receivables	-	-	-	-
Payables	44	23	794	-
Gross statement of financial position exposure	45	23	920	1

A 10% weakening of the following currencies against the US dollar at 30 June 2025 would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Consolidated 2025		
Effect in US\$'000	Equity	Profit
AUD	-	(2)
HKD	-	(2)
KGS	-	(74)
CNY	-	(2)
Consolidated 2024		
Effect in US\$'000	Equity	Profit
AUD	-	(4)
HKD	-	(2)
KGS	-	(84)
CNY	-	-

A 10% strengthening of the above currencies against the US dollar at 30 June 2025 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates were applied during the financial year:

NOTES TO THE FINANCIAL INFORMATION

Note 18 – Financial Risk Management (continued)

Specific Financial Risk Exposures and Management (continued)

(c) Market Risk (continued)

	Spot rate as at the end of the year
AUD	0.6540
HKD	0.1274
KGS	0.0114
CNY	0.1397

Commodity price risk - Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group has limited exposure to commodity price risk as the wells that are producing are in the commissioning phase.

Net Fair Value

Fair values are those amounts at which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Management assessed that the fair values of cash, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Note 19 – Key Management Personnel Disclosures

<i>Compensation of Key Management Personnel</i>	2025 US\$'000	2024 US\$'000
Short-term employee benefits (Salary/fee)	291	288
	<u>291</u>	<u>288</u>

Note 20 – Parent Entity

The following information has been extracted from the books and records of the parent, Sagalio Energy Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Sagalio Energy Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

The following information has been extracted from the books and records of the parent, Sagalio Energy Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Sagalio Energy Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

NOTES TO THE FINANCIAL INFORMATION

Note 20 – Parent Entity (continued)

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

Statement of Financial Position

	2025 US\$'000	2024 US\$'000
Assets		
Current Assets	6	2
Non-current assets	-	-
Total Assets	6	2
Liabilities		
Current liabilities	3,222	2,837
Loan from related party	240	232
Total liabilities	3,462	3,069
Equity		
Issued capital	26,563	26,563
Capital reserve	776	776
Accumulated losses	(30,795)	(30,406)
Total deficit	(3,456)	(3,067)

Statement of Comprehensive Income

Total loss for the period	(389)	(405)
Total comprehensive income	(389)	(405)

Note 21 – Reconciliation of Cash Flow to the Operating Loss

	30-Jun 2025 US\$'000	30-Jun 2024 US\$'000
Net (loss)/profit after tax	(389)	(239)
Depreciation	6	5
Foreign exchange differences	-	-
Changes in assets and liabilities:		
- decrease in receivables and other assets	(42)	2
- increase in creditors	362	220
	(63)	(12)

NOTES TO THE FINANCIAL INFORMATION

Note 22 – Dividends

No dividends were declared or paid during the year ended 30 June 2025 (2024: Nil)

Note 23 – Subsequent Events

No other matters or circumstances have been arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial years.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AS AT 30 JUNE 2025

Entity Name	Entity type	Place formed / Country of Incorporation	Ownership interest%	Tax residency
Sagalio Energy Limited	Body corporate	Bermuda	100%	Bermuda
Wide Prestige Limited	Body corporate	BVI	100%	BVI
Plenty Max Limited	Body corporate	BVI	100%	BVI
Timely Ideal Limited	Body corporate	BVI	100%	BVI
PEI LLC	Body corporate	Kyrgyzstan	100%	The Kyrgyz Republic

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ANNUAL FINANCIAL STATEMENTS

In accordance with a resolution of the Directors of Sagalio Energy Limited, I state that:
In the opinion of the Directors:

The financial statements and notes of the Group:

- (a) present fairly the Group's financial position as at 30 June 2025 and of its performance for the year ended on that date;
- (b) comply with Australian Accounting Standards; and
- (c) The information disclosed in the attached consolidated entity disclosure statement is true and correct.

On behalf of the Board


.....

Louis Yang
Executive Director & CEO
Dated: 30 September 2025

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**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF
SAGALIO ENERGY LIMITED**

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2025 there have been:

- i. no contraventions of the auditor independence requirements of the Australian professional accounting bodies in relation to the audit, and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized 'SW' logo in a dark blue serif font, identical to the one in the top left.

SW Audit
Chartered Accountants

A handwritten signature in dark blue ink, appearing to read 'M Hingeley'.

Matthew Hingeley
Partner

Perth, 30 September 2025

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAGALIO ENERGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sagalio Energy Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2025, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2025, and its financial performance and its cash flows for the year ended in accordance with the Australian Accounting Standards.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial statements which indicates that the Group incurred a net loss of US\$389 thousand (2024: loss US\$239 thousand) and had operating cash outflows of US\$63 thousand (2024: net cash outflows of US\$12 thousand) for the year ended 30 June 2025. The Group's current liabilities exceeded current assets by US\$9,032 thousand (2024: negative US\$8,656 thousand) as at 30 June 2025. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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Revenue Recognition	
Area of focus	How our audit addressed the area of focus
Refer also to Note 10	Our audit procedures included:
During the year the Group generated revenues from customers of \$402 thousand.	- Documenting and assessing the internal control environment and key control activities over revenue recognition - Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from Contracts with Customers</i> - Testing a sample of revenue transactions to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy - Assessing cut-off of revenue at year end and ensuring revenue has been recorded in the correct period - Reviewed contracts with significant customers for related party relationships - Assessing the adequacy of revenue related disclosures in the financial statements, and - We also considered whether there were any indicators of management override of controls in relation to revenue recognition.
Recognition of revenue under AASB 15 <i>Revenue from Contracts with Customers</i> requires significant judgement by management in identifying performance obligations, allocation of the transaction price and satisfaction of performance obligations over time or at a point in time.	
We identified a significant risk of material misstatement due to fraud in revenue recognition, specifically relating to occurrence of revenue throughout the year.	
This area is a key audit matter due to the significant judgement involved in revenue recognition.	

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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



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

SW

SW Audit
Chartered Accountants

M/H

Matthew Hingeley
Partner

Perth, 30 September 2025

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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Limited in respect of listed public companies only.

The shareholder information set out below was applicable as at 26 September 2025.

DISTRIBUTION OF SHAREHOLDERS

Analysis of numbers of equity securities holders by size of holding:

Category (size of holding)	Total Holders	Units	% of Issued Capital
1 – 1,000	27	684	0.00%
1,001 – 5,000	3	10,000	0.00%
5,001 – 10,000	28	228,704	0.11%
10,001 – 100,000	239	10,157,938	4.96%
100,001 – and over	58	194,262,904	94.92%
Rounding			0.01%
Total	355	204,660,130	100%

The number of shareholders held in less than marketable parcels is 285.

SUBSTANTIAL SHAREHOLDERS

	Fully Paid Ordinary Shares	
	Number	Percentage
Jolly Medal Limited	60,100,000	29.37%
BNP Paribas Noms Pty Ltd	20,000,000	9.77%
Mr Guoli Deng	16,000,000	7.82%
Mr Kang Fu	16,000,000	7.82%
Century Elite Holdings Ltd	14,000,000	6.84%
Grand Step Global Limited	14,000,000	6.84%
Major Port Limited	10,000,000	4.89%
Total	150,100,000	73.34%

VOTING RIGHTS

The voting rights attached to each class of equity securities are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Treasury shares do not carry a right to vote.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES

The shareholder information set out below was applicable as at 18 September 2024.

Rank	Name	Fully Paid Ordinary Shares	
		Number	Percentage
1	Jolly Medal Limited	60,100,000	29.37%
2	BNP Paribas Noms Pty Ltd	20,000,000	9.77%
3	Mr Guoli Deng	16,000,000	7.82%
3	Mr Kang Fu	16,000,000	7.82%
5	Century Elite Holdings Ltd	14,000,000	6.84%
5	Grand Step Global Limited	14,000,000	6.84%
7	Major Port Limited	10,000,000	4.89%
8	Frountere Limited	9,314,000	4.55%
9	River Fortune Ventures Ltd	7,893,000	3.86%
10	Yang Lei Lei	5,100,000	2.49%
11	Citicorp Nominees Pty Ltd	4,658,088	2.28%
12	Jing Xiaoping	2,100,000	1.03%
13	Ms Qiaorong Ma	1,848,286	0.90%
14	Ms Wei Zhang	1,649,145	0.81%
15	Omnioffices Pty Limited	1,115,000	0.54%
16	Sun Liyang	700,000	0.34%
17	Zhang Xiaonan	600,000	0.29%
18	Gunug Limited	575,761	0.28%
19	BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT>	527,213	0.26%
20	Mr Kerim Abou-Sinna	516,540	0.25%
Total		186,697,033	91.22%

RESTRICTED SECURITIES

There are currently no restricted securities or securities subject to voluntary escrow that are in issue as of the date of this report.

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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

COMPANY SECRETARY

Wayne Rossiter

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Clarendon House
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33 Hysan Ave, Causeway Bay
Hong Kong
Tel: +852 3796 3601

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 44 Martin Place
Sydney NSW 2000
Australia
Tel: +61 03 9415 5000

STOCK EXCHANGE LISTING

Quotation has been granted for 204,660,130 ordinary shares of the Company on all member exchanges of the Australian Stock Exchange Limited.

ON-MARKET BUY-BACK

There is no current on-market buy-back in respect of the Company's shares.

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