



Sacgasco Limited

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Announcement to ASX

31 JANUARY 2020

DECEMBER 2019 QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

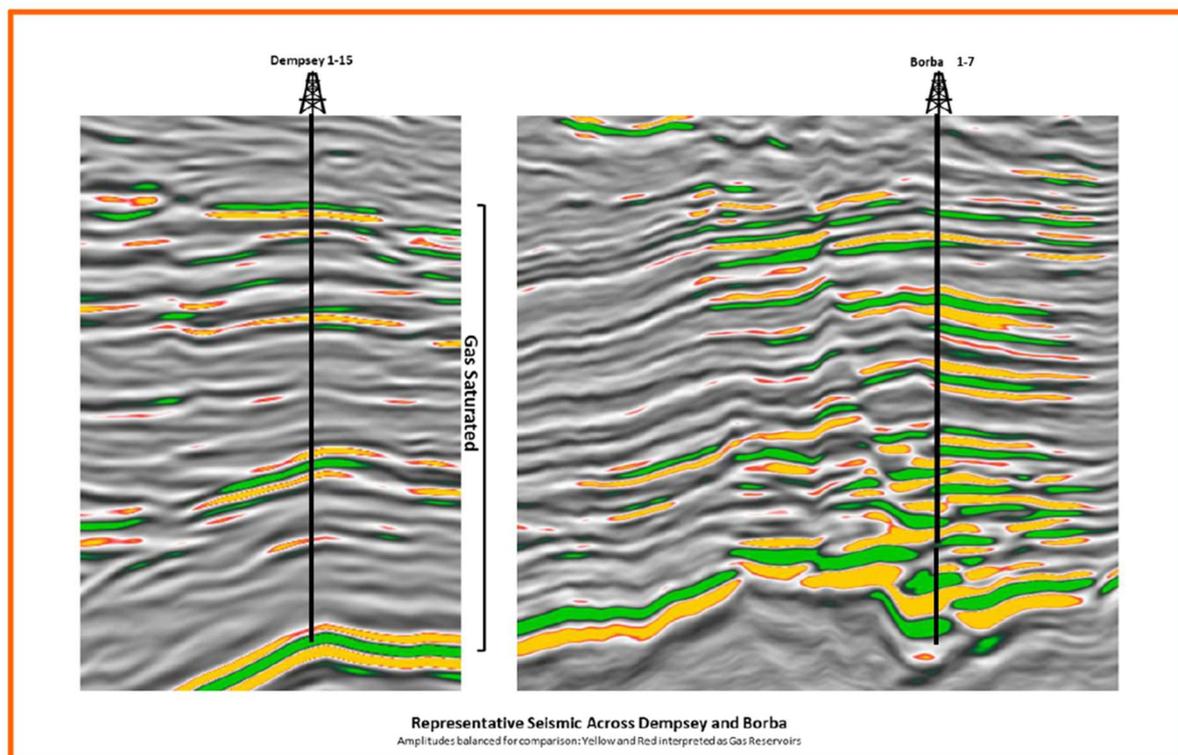
- Drilling Permit received from California Division of Oil, Gas and Geothermal Resources for Borba 1-7 natural gas well
- Preparations for Borba drilling well advanced
- Work-over program planned for increased gas production
- Natural Gas prices continue to be at a premium to Henry Hub benchmark

Sacramento Basin-focused natural gas developer Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to provide its Quarterly Activities Report for the calendar quarter ending 31 December 2019.

EXPLORATION, APPRAISAL AND NEW VENTURES

ONSHORE CALIFORNIA

Borba Natural Gas Prospect



During the quarter Sacgasco received the Drilling Permit from California Division of Oil, Gas and Geothermal Resources for Borba 1-7 well. The Company interprets the Borba prospect to be an optimal location to test multiple stacked amplitude anomalies and potential channel fill sand reservoirs, in a vertical well.

The Borba well is located within a 3D seismic data volume. The first undrilled amplitude anomaly occurs at around 700 metres drilling depth. Multiple seismic anomalies below this depth are interpreted to represent individual gas traps ranging from structural to stratigraphic in nature.

The interception of good reservoirs at this location will calibrate more extensive seismic anomalies and multi-TCF natural gas resource potential in a new play fairway in this area.

The next part of the process is the preparation of the access road and drilling pad and as the weather permits, highly experience local contractor, Nor Cal Construction, will conduct this activity.

CALIFORNIA

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

Sacgasco continues its strategic analysis of well histories and seismic to uncover opportunities for growth.

GAS FLOW UPDATE

| Gas Flows | December 2019 Quarter | September 2019 Quarter |
|---------------------------------------|------------------------------|-------------------------------|
| Gross mcf * (100%) | 52,617 | 65,597 |
| Net SGC mcf (after Royalty) | 29,768 | 35,252 |
| <i>*mcf – Thousand Cubic feet gas</i> | | |

Gas flows were reduced in the quarter by operational interruptions that are to be addressed. Natural gas prices in California for the last quarter have been significantly above the USA benchmark Henry Hub natural gas prices.

CURRENT QUARTER OBJECTIVES

Planning for the drilling of the Borba Prospect is advancing, and the Company is planning for the well to spud in the current quarter following road and wellsite construction as weather conditions permit. Notably, there has been some 5 inches of rain in the area in recent times.

Initiation of a separate workover program designed to enhance production from existing producing gas wells. Workovers on up to 6 wells is being planned and permitted.

Project Portfolio

SGC's current focus is unlocking the underlying value from its natural gas prospects in the under-explored parts of the Sacramento Basin and elsewhere as opportunities arise.

The Company continues to review potential projects for their strategic fit.

Sacgasco is the Operator of all but one of its WI wells and related tenements:

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

SACGASCO CAPITAL STRUCTURE

| ISSUED CAPITAL at 31 January 2019 | |
|--|--|
| Ordinary Shares (ASX: SGC) * | 269,451,242 |
| Listed Options (ASX: SGCOA) | 133,429,948 |
| Unlisted Options exercisable @ 4 cents 31 December 2021 | 19,000,000 |
| NOTE: | |
| 6,000,000 | Unlisted Options exercisable at 5 cents expired on 30 December 2019 |
| 27,000,000 | Unlisted Options exercisable at 15 cents expired on 31 December 2019 |
| * Includes 937,500 shares issued in January 2020 as approved by shareholders as part payment of Director's fees. | |

For and on behalf of the Board of Sacgasco Limited.

Gary Jeffery
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About Sacgasco Limited (ASX. SGC)

Sacgasco Limited (ASX: SGC) is an Australian-based energy company appraising, developing and flowing clear conventional natural gas in the Sacramento Basin, onshore California. SGC has an extensive portfolio of natural gas flowing wells and prospects at both exploration and appraisal stages, including Tcf gas opportunities. The Company is targeting gas supply to the premium local Californian gas market and burgeoning LNG market in North America. Sacgasco is of the view that the size of prospects in California have been the potential to supply both domestic California natural gas and export LNG markets including those to Asia.

Sacgasco's strategy is to find and develop under-valued and under-explored opportunities connected to under-supplied oil and gas markets with attractive product prices.

www.sacgasco.com

Twitter: @SacGasCo

Leases:

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

Competent Persons

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Sacgasco Limited. He is a qualified geophysicist with over 47 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

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

Before investing it is recommended that investors conduct their own due diligence and consult financial and technical advisors.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SACGASCO LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

31 December 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 175 | 843 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | - | (879) |
| (b) development | - | - |
| (c) production | (206) | (1,035) |
| (d) staff costs | (19) | (75) |
| (e) administration and corporate costs | (207) | (432) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (21) | (27) |
| 1.6 Income taxes refund / (paid) | - | (2) |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (<i>Net JV Receipts</i>) | 193 | 680 |
| 1.9 Net cash from / (used in) operating activities* | (85) | (925) |

*Note 1.9 and 5.5: net cash outflow from operating activities of \$565,000 include payments made by Sacgasco as operator for joint operations in California for which reimbursement has not yet been made by the other participants in the joint operations.

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments (<i>shares in o/s company</i>) | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| | (d) other non-current assets (<i>Credit Card Bond</i>) | - | (5) |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments (<i>shares in o/s company</i>) | - | - |
| | (d) other non-current assets (<i>Refund of Bond</i>) | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (<i>Cash held on acquisition of subsidiary</i>) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | (5) |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares or options | 400 | 400 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (33) | (44) |
| 3.5 | Proceeds from borrowings | - | 61 |
| 3.6 | Repayment of borrowings | (59) | (167) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 308 | 250 |

| | | | |
|-----------|--|------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 68 | 953 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (85) | (925) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (5) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 308 | 250 |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | (8) | 12 |
| 4.6 | Cash and cash equivalents at end of period | 283 | 283 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 283 | 68 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 283 | 68 |

6. Payments to directors of the entity and their associates**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

27

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Includes salaries and fees paid to Directors of the company and office rent.

7. Payments to related entities of the entity and their associates**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | 170 | 170 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

Unsecured loan from a director earning interest at 10% pa, repayable within six months unless extended by mutual agreement.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation (net) | - |
| 9.2 Development | - |
| 9.3 Production | 107 |
| 9.4 Staff costs | 16 |
| 9.5 Administration and corporate costs | 142 |
| 9.6 Other | - |
| 9.7 Total estimated cash outflows | 265 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | N/A | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | N/A | | | |

Compliance statement

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



Sign here:

Company Secretary

Date: 31 January 2020

Print name: David M McArthur

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.