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Announcement to ASX

17 February 2021

Borba Operations Update and Prospective Resource

- Borba 1-7 well to spud this week.
- Maiden Independent Prospective Resource Assessment completed.
- Multiple stacked conventional sandstone objectives able to be tested with a single well with a Geological Chance of Success of 70%.
- Mean unrisks recoverable gas Prospective Resource for Borba of 141 BCF (100%).
- Low risk play-opening well to explore “Tcf-potential” geological trend.
- Sustained A\$5/Mcf gas pricing on the US West Coast enhancing value.

Sacgasco Limited (ASX: SGC (“Sacgasco” or “the Company”)) is pleased to announce the results of an Independent Prospective Resources Report of the Borba Prospect, located in Glenn County, Sacramento Basin, California. The report, completed by ERC Equipoise Pte Ltd (ERCE), has assessed a Mean Unrisks Prospective Resource of 141 Bcf (Gross 100% JV) and 75 Bcf (Net SGC Entitlement Share after Royalty) of recoverable Natural Gas for the Borba Prospect.

The chance of intersecting at least one gas zone has been estimated at 70%.

The rig move to the Borba location is being completed, and the Borba 1-7 well is expected to spud this week.



Figure 1. Location of Borba Prospect in 13 Tcf Produced Sacramento Basin

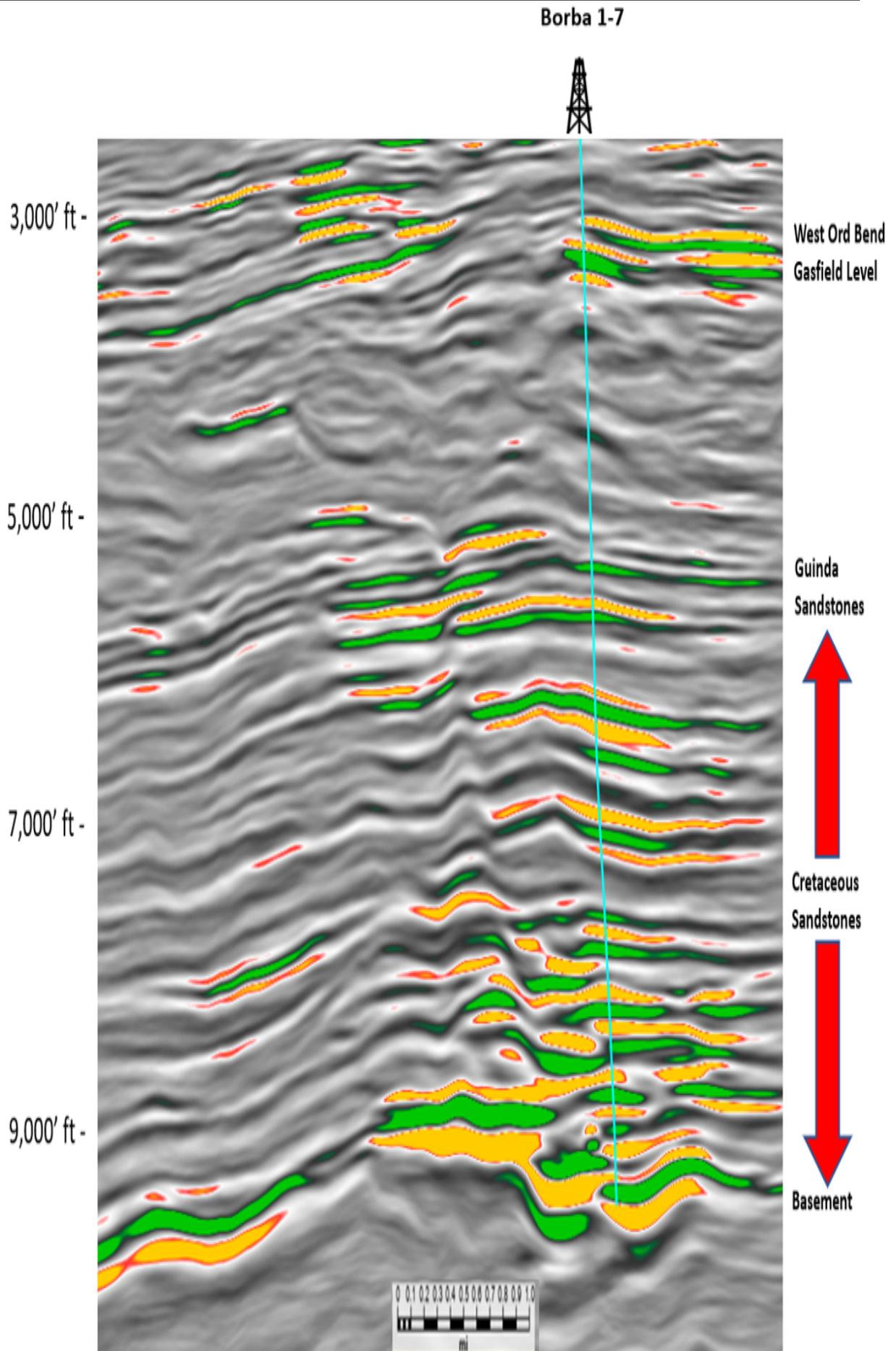


Figure 2. 3D Seismic line through Borba 1-7 well path

Natural Gas Prices in California

The drilling of Borba 1-7 coincides with a recent improvement of natural gas prices on the USA West Coast. Natural gas prices in Northern California have averaged around A\$5/MMBtu in recent months. There are approximately 1,000,000 MMBtu in 1 BCF of recoverable gas.



Fig.3. Natural Gas Reference Price in Northern Sacramento Basin

The Joint Venture Working Interests ("WI") in the Borba Prospect AMI after drilling the Borba 1-7 well will be:

Sacgasco Limited (Operator) (ASX: SGC)	66.67%
Xstate Resources Limited (ASX: XST)	33.33%

The Greater Borba-Dempsey Trend

The Borba Prospect just north of the Willows Gas Field (650 Bcf produced) on an extensive prospective Sandstone trend for Natural Gas in the North Eastern Sacramento Basin. The potential traps mapped by Sacgasco along this trend range from Channel Sands wrapping around structural highs to stratigraphic traps created by sandstones onlapping onto structural highs. The interpretation of the 3D data reveals traps that are significantly larger than the Borba Prospect with multi-Tcf-potential. Success at Borba 1-7 is expected to open-up these plays for follow-up evaluation within the Borba AMI and within JV AMI on trend with Borba.

Sacgasco's Managing Director Gary Jeffery commented:

"Borba is a beautiful example of Discovery Thinking, and as we have stated, Borba is a play opening well to open-up a multi TCF natural gas trend in the Northern Sacramento Basin. This well will test over 5000 feet of gas saturated sediments with 11 or more mapped reservoir intervals in one well, resulting in a high probability of success."

It is worthwhile comparing the recent drilling at West Erregulla in the Perth Basin (the Little Brother of the Sacramento Basin) where a similar high COS of discovery and development of 69% was predicted ahead of the successful well results, high pressure, high-rate gas flows and market excitement, albeit from significantly deeper reservoirs, while incurring higher costs and depending on a smaller gas market."

It is also instructive to compare drilling Borba, onshore at a cost of less than A\$6 million practically connected to a massive local gas market, to the recently drilled Ironbark well offshore the Northwest shelf, drilled for a single target in deep water at a cost of reportedly over \$80 million."

I expect we will start "turning to right" this week. I encourage shareholders to print off the full-page seismic section on page 2, and to follow drilling progress as we report on the drilling through the multiple reservoir layers, from the West Ord Bend Gasfield equivalent reservoirs below 3,400 feet, all the way to basement, potentially a fractured reservoir itself, at total depth of around 9,700 feet."

ERCE Independent Prospective Resource Assessment of Borba Prospect to be tested by the Borba 1-7 well.

ERCE summarise Prospective Resources of the multiple objectives at Borba as follows:

Reservoir Interval	Unrisked Gas Prospective Resources				Chance of Success COS
	(Gross -100% And Net after royalty to SGC -53%)				
	1U	2U	3U		
	Low	Best	High	Mean	
	(Bscf)	(Bscf)	(Bscf)	(Bscf)	
Trough 2 to 3 -Gross 100%	2.0	6.3	17.7	8.6	17%
Trough 2 to 3 -Net to SGC	101	3.3	9.3	4.5	17%
Trough 3 to 4 -Gross 100%	2.9	10.1	31.6	14.8	17%
Trough 3 to 4-Net to SGC	1.5	5.3	16.6	7.8	17%
Trough 4 to 5 -Gross 100%	2.0	7.8	28.5	12.9	17%
Trough 4 to 5-Net to SGC	1.0	4.1	15.0	6.8	17%
Trough 5-6 to 7 (TR16) -Gross 100%	0.9	3.9	14.9	6.7	17%
Trough 5-6 to 7 (TR16) -Net to SGC	0.5	2.0	7.9	3.5	17%
Trough 7 to 8-Gross 100%	0.6	3.8	23.8	10.4	17%
Trough 7 to 8-Net to SGC	0.3	2.0	12.5	5.5	17%
Trough 9 to 10-Gross 100%	1.7	8.1	36.3	15.9	17%
Trough 9 to 10-Net to SGC	0.9	4.3	19.1	8.4	17%
Trough 10 to 11-Gross 100%	3.7	12.5	38	17.9	17%
Trough 10 to 11-Net to SGC	2.0	6.6	20.0	9.4	17%
Trough 11 to 12-Gross 100%	2	6.9	22.2	10.3	17%
Trough 11 to 12-Net to SGC	1.0	3.6	11.7	5.4	17%
Trough 12 to 13-Gross 100%	3.3	9.9	26.5	13.1	17%
Trough 12 to 13-Net to SGC	1.7	5.2	14.0	6.9	17%
Trough 13 to 14-Gross 100%	3.2	9.3	23.7	12	17%
Trough 13 to 14-Net to SGC	1.7	4.9	12.5	6.3	17%
Trough 15 to 16 (TR2) -Gross 100%	2.0	9.6	43.2	18.9	29%
Trough 15 to 16 (TR2) -Net to SGC -	1.0	5.1	22.8	10.0	29%
Deterministic Sum (Gross 100%)				141.4	
Deterministic Sum – Net to SGC				74.5	

Table 1. Unrisked Gross and Net to SGC after Royalty Prospective Resources

Notes to Table 1:

The oil and gas leases in the Borba AMI are standard Mineral Right Leases with a total royalty of 21%. Sagasco's net entitlement (after royalties are deducted) is 75 Bscf of the mean Unrisked Prospective Resource. Note Gross and Net to SGC after Royalty "Low- Best -High" range of outcomes for each layer.

**Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.*

Notes to the Unrisked Prospective Resources Table:

- 1) Prospective Resources are quoted as Gross (100%) and SGC Net Entitlement after Deducting royalties (53%) as contained within the Borba AMI
- 2) Net Entitlement is net of all royalties including ORRIs.
- 3) Unrisked mean totals are not representative of the expected total from the prospect and assumes a success case in all 11 reservoirs.
- 4) The Prospective Resources have not been adjusted for the chance of development. Quantifying the chance of development (COD) requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are out-with the knowledge of ERCE they must be used with caution.

The Borba 1-7 well has been planned to test the presence of hydrocarbons in all 11 assessed layers. Using the risking matrix in the Tables above, ERCE has aggregated, to a Prospect level, volumetrics based on the risks and volumetric distributions of each reservoir layer. To calculate this overall Chance of Success (COS), ERCE has made assumptions regarding the dependency of risk elements between each reservoir layer. The resulting volumetric distributions and risks were created by "Rolling Up" the risks, and assuming success in at least one drilled interval. **The result determined the Success Case prospect COS of 70%.**

Probabilistic Rollup	Success Case				Prospect COS
	Gross and Net-to-SGC Prospective Gas Resources (Bscf)				
	1U (Low)	2U (Best)	3U (High)	Mean	
Borba (Gross 100%)	5.3	27.4	78.5	37	70%
Borba (Net to SGC after Royalty)	2.8	14.4	41.3	19.5	70%

Table 2. Success Case Prospective Resources (ERCE)

Notes to the Success Case Prospective Resources Table:

- 1) Success Case Prospective Resources are quoted as Gross (100%) and SGC Net Entitlement (53%) as contained within the Borba AMI
- 2) Net Entitlement is net of all royalties
- 3) The Prospective Resources presented here are the result of a risked probabilistic aggregation of the individual stacked prospective layers in the Borba prospect; the success case estimates present the distribution of possible outcomes in the event that at least one prospective layer is successful.
- 4) Prospect COS represents the geological chance of success of at least one of the stacked layers which comprise the Borba prospect. To calculate this COS, ERCE has made assumptions regarding the dependency of risk elements between layers. ERCE has assumed full dependency between the trap element of risk and no dependency on the other risk elements (Trough 15 to 16 has been excluded from dependency as trap style is distinct)
- 5) The Success Case Prospective Resources have not been adjusted for the chance of development. Quantifying the chance of development (COD) requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are out-with the knowledge of ERCE they must be used with caution.

Assessment of the Chance of Development was beyond the scope of the ERCE report and the capability of ERCE based on the information provided to them. **As Operator, Sacgasco assesses the Chance of Development to be 80%.**

All prospective reservoirs in the Borba area of the northern Sacramento Basin produce high quality dry gas, so the hydrocarbon phase is expected to be natural gas.

ERCE methodology

ERCE has determined the Prospective Resource by examining the areas of consistent bright amplitude that were mapped by the Joint Venture using the 3D seismic data and well data relevant to the Borba AMI. The most relevant well penetration is Well Dempsey 1-15, which was drilled approximately five miles to the NW. ERCE determined there were 11 potential reservoirs within the Borba Prospect. Reservoir parameters including potential pool area and thickness, porosity, hydrocarbon saturation, gas expansion and recovery factor were estimated on a probabilistic low, mid and high basis. The unrisks 1U, 2U and 3U prospective resource was then calculated. The Prospective Resources distributions were then aggregated or “rolled up” into one success case distribution, and an estimate of the chance of success for at least 1 gas discovery was derived. This was modelled using Monte-Carlo analysis.

Please refer to the further notes in this ASX release for more information on the prospective resource report.

About ERCE

ERCE is the largest global independently owned Petroleum Reserves and Resources auditor providing expert consultancy services to the upstream oil and gas industry for over 40 years. With over 50 full-time technical staff, ERCE provides geoscience, reservoir, facilities and cost engineering and economic/commercial expertise in conventional and unconventional projects. Examples of public clients include Carnarvon, Jadestone Energy, Tag Oil, Interra Resources, ADX Energy and Elixir Energy. ERCE has offices in UK, Singapore and Perth, WA.

ERCE is an independent consultancy specialising in petroleum reservoir evaluation. Except for the provision of professional services on a fee basis, ERCE has no commercial arrangement with any other person or company involved in the interests that are the subject of this report. The work has been supervised by Mr Stewart Easton, General Manager of ERCE’s Asia Pacific office, a Professional Geologist registered as a Fellow of the Geological Society and a member of the Society of Petroleum Engineers with over 23 years of experience in the oil and gas industry. *He is qualified in accordance with ASX listing rule 5.41.*

Further Notes to this Release:

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 and or their timing may be affected by many variables which could cause actual results or trends to differ materially.

Cautionary Statement for Prospective Resource Estimates - With respect to the Prospective Resource estimates contained within this report, it should be noted that the estimated quantities of gas that may potentially be recovered by the future application of a development project relate to undiscovered accumulations. These estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Hydrocarbon Resource Estimates Date – The Prospective Resource estimates for Borba presented in this report are prepared at 1 February 2021.

Competent Person Statement Information – In this report information relating to hydrocarbon resource estimates have been supplied by ERCE, and the company has stated in the Report that it has been prepared in

accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2018, approved by the Society of Petroleum Engineers and have been prepared using probabilistic methods. ERC Equipose Pte Ltd, the independent resource reviewer named in this document, has consented to the inclusion of information relevant to their review in the form and context in which it appears.

The report has been prepared under the supervision of Mr Gary Jeffery who is the Managing Director of Sacgasco, and Mr Greg Channon who is a Non-Executive Director of Xstate Resources Limited. Mr Channon is a qualified geoscientist with over 35 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists and the South East Asian Exploration Society and is a graduate of the Australian Institute of Company Directors. Mr Jeffery is a qualified geoscientist with over 48 years of oil and gas industry experience and a member of the American Association of Petroleum Geologists. Mr Jeffery and Mr Channon are qualified as competent persons in accordance with ASX listing rule 5.41. Mr Jeffery and Mr Channon consent to the inclusion of the information in this report relating to hydrocarbon Prospective Resources in the form and context in which it appears.

Forward looking statements – This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning Sacgasco’s planned operation program and other statements that are not historic facts. When used in this document, the words such as “could”, “plan”, “estimate”, “expect”, “intend”, “may”, “potential”, “should” and similar expressions are forward looking statements. Although Sacgasco believes the expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

For and on behalf of the Board of Sacgasco Limited.

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About Sacgasco Limited (ASX: SGC)

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

The current prime focus is on conventional gas exploration and production in the Sacramento Basin, onshore California. Sacgasco has an extensive portfolio of natural gas producing wells and prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. Sacgasco is of the view that the size of the prospects in California have the potential to supply domestic Californian natural gas and export LNG markets.

Sacgasco is in the process of acquiring undervalued oil producing assets in Alberta, Canada to complement its current natural gas assets.

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