



29 January 2016

Saggasco Limited

ASX: SGC

**Onshore assets
Sacramento Basin,
California**

- Conventional gas development
- Gas Production
- Portfolio of exploration and appraisal stage projects
- Exposure to huge local demand for gas

Corporate Structure

Shares on issue: 108 M

Market Cap: \$3.9 M

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

Aqeei Virk
(California Director)

David McArthur
(Company Secretary)

Perth Office:
Level 2 , 210 Bagot Road,
Subiaco WA 6008 Australia

California Office:
17822 East 17th Street, Suite 408
Tustin, California
92780 USA

www.saggasco.com

Twitter: @SacGasCo

DECEMBER 2015 QUARTERLY ACTIVITY REPORT

Summary

- **Strategically poised to uncover the Sacramento Basin's next world-class conventional gas discovery.**
- **Focused on development of potential multi-reservoir, 1+Tcf Dempsey conventional gas prospect in Sacramento Gas Basin, onshore California.**
- **Discussions progressing with a number of potential funding partners for drilling of Dempsey prospect in 2016.**
- **Shareholders approved name change to Saggasco Limited to reflect the core focus on the Sacramento Basin and natural gas for the Company**
- **Positive outlook for US natural gas markets bodes well for interest in, and development of SGC's conventional gas prospects.**

Californian-focused conventional gas developer Saggasco Limited (ASX: SGC) ("the Company") is pleased to provide shareholders with its quarterly activity report for the period ended 31 December 2015.

SGC has established a robust portfolio of large-scale conventional gas prospects in the Sacramento Basin, located close to under-filled gas trunklines connecting to the Californian gas market.

The Company's key assets are the Dempsey and Alvares conventional gas prospects, which have gross unrisks best estimate recoverable prospective resources of 1+TCF and 2.4 TCF respectively.

SGC's development strategy in the Sacramento Basin represents an opportunity to achieve near-term gas supply to a domestic market with a significant energy supply deficit. California's average gas demand is approximately 7 billion cubic feet per day or 2.5 Trillion cubic feet of gas per year, with Californian gas production only amounting to less than 10%.

Californians rely on natural gas for around one third of their energy needs.

SGC's management team remains firmly committed to progressing a number of corporate and operational objectives in order to expand the company's gas business in California, and to commence drilling of the Company's flagship Dempsey conventional gas prospect in the first half of 2016.

SACRAMENTO BASIN - Onshore Northern California

EXPLORATION, APPRAISAL AND NEW VENTURES

Exploration leases have continued to be maintained within the Sacramento Basin during the quarter. SGC has a working interest (WI) of between 40% and 70% in these leased lands which cover conventional gas prospects.

Reprocessed seismic and additional geologic information reinforced SGC's belief that both Dempsey and Alvares are world-class, multi-Tcf prospects, and improved technical data and "discovery thinking" processes have also been used to identify additional prospects for exploration drilling.

Mapping completed to date has resulted in the identification of a portfolio of additional gas prospects, with best estimate recoverable Prospective Resources of gas ranging from 500 Bcf to over 2 Tcf.

Dempsey Conventional Gas Prospect – Appraisal / Exploration stage (SGC 55% WI)

The Dempsey conventional gas prospect is SGC's flagship prospect and remains the focus of the Company's near-term development plans. The Dempsey prospect has the potential for near-term, conventional gas production because it is located below existing SGC production facilities.

The Dempsey prospect has a Proposed Total Depth ('PTD') of 3,200 metres and is anticipated to take around 50-60 days to drill with costs estimated to be between US\$4.5 and US\$5.3 million.

The total (100%) unrisks recoverable Prospective Resource, from seven interpreted reservoir zones, on a best estimate deterministic basis in the Dempsey prospect is over 1 Tcf (i.e. over 167 million barrels of oil equivalent (boe) – using an industry standard energy based conversion factor of 6 mcf per boe).

The Dempsey #1 well will be located within a proven gas field area with existing joint venture owned pipeline and meter station infrastructure easily accessible. Should commercial quantities of gas be found, these existing production facilities with capacity of up to 20 mmcf/gpd, and which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay. Such potential flows, if achieved could result in up to US\$50,000 per day of gross well production revenue if gas prices were similar to today's prices.

Alvares Conventional Gas Prospect – Appraisal stage (SGC 40% WI)

The Alvares conventional gas prospect is located close to large natural gas pipelines and on trend 35 miles from the similarly structured multi-Tcf Tulainyo Project (based on the Shell James 1 well drilled in 1947), mapped by Cirque Resources and involving California Resources Corporation (NYSE: CRC).

The Alvares prospect contains a total (100%) unrisks recoverable prospective conventional gas resource on a best estimate deterministic basis of approximately 2.4 Tcf (400 million boe). Alternative methods of evaluating the gas flow potential using the existing Alvares well bore are being investigated further.

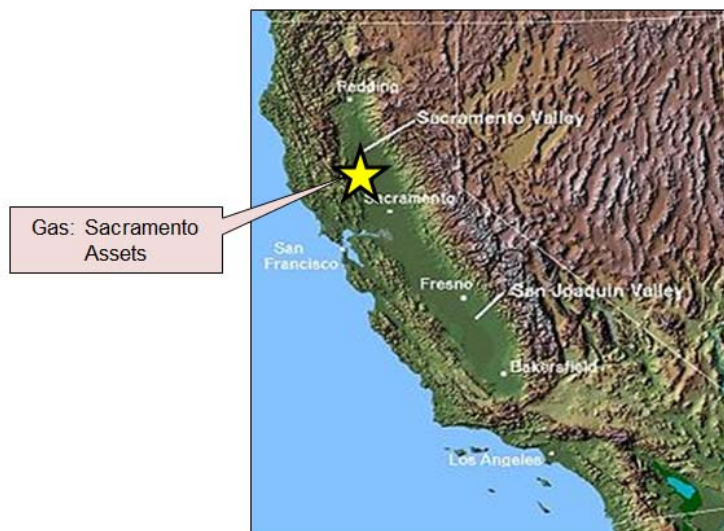
PRODUCTION UPDATE

Rancho - Capay Gas Field (SGC 55% WI in 4 wells) & Los Medanos Gas Field (SGC 55% WI in 3 wells)

SGC acquired a 40% working interest in gas production rights in the above fields in the Sacramento Basin onshore California in late 2012 primarily as a means to acquire leases for further exploration and access an extensive 3D seismic database to generate new exploration opportunities. SGC acquired an additional 15% WI in these wells effective 1 January 2014.

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

<i>Production</i>	<i>December 2015 Quarter</i>	<i>September 2015 Quarter</i>
Gross mcf * (100%)	33,068	31,675
Net SGC mcf (after Royalty)	12,640	12,108
<i>*mcf – Thousand Cubic feet gas</i>		



SGC's Sacramento gas assets, onshore California

PROSPECT PORTFOLIO

As outlined above, SGC's current focus is unlocking the underlying value from its conventional gas prospects in the Sacramento Basin. At this point, the Company believes shareholders' interests are best suited to a singular focus on the largest value adding projects in the Sacramento Basin, in particular the early monetisation of the Dempsey prospect.

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SACGASCO LIMITED		
Tenement / Project List		
Project name	Location	Working Interest
Alvares Prospect	Sacramento Basin Onshore Northern California	40%
Dempsey Prospect	Sacramento Basin Onshore Northern California	55%
California AMI Prospects	Sacramento Basin Onshore Northern California	70%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	55%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	55%
Mankins Ranch Oil Project	Santa Maria Basin (Huasna Sub-Basin) Onshore Southern California	35%
Changes in Reporting Period: Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions: <ol style="list-style-type: none"> 1. During the quarter Leases covering the Porter Ranch Oil Prospect expired at the end of their term and low oil prices did not warrant lease renegotiation. 2. Leases covering the Arnaudo Prospect expired. As this was a smaller volume prospect a decision was made to not renew the lease. 3. The Water Disposal project was also abandoned due to changed, and overly onerous licensing requirements. 		

CORPORATE ACTIVITY

Change Of Name

The name change to **Sacgasco Limited** became effective from the commencement of trading on **Wednesday 4 November 2015** and the **ASX code is now SGC**.

The Directors of the company were of the view that the current operational focus of the company warranted the company changing its name to reflect the geographic region in which it operates and the commodity focus on natural gas. SGC's California gas subsidiary was already named **Sacgasco LLC**.

ISSUED CAPITAL at 31 December 2015

Ordinary Shares	107,095,783
Unlisted Options exercisable @ 25 cents by 31 Dec 2016	500,000
Unlisted Options exercisable @ 10 cents by 30 September 2019	10,000,000

Note:

1. On 27 May 2015 shareholders approved the issuing of SGC ordinary shares in lieu of director and consulting fees.
2. A total of 688,776 ordinary shares were issued in October 2015 as part payment in lieu of director and consulting fees for the September 2015 quarter.
3. Subsequent to the end of the December quarter 1,503,871 ordinary shares were issued on 13 January 2016 as part payment of directors and consulting fees.
4. On 26 October 2015 shareholders approved the issuing of 10,000,000 unlisted options @ 10 cents each exercisable by 30 September 2019 to Directors.
5. In December 2015 11,500,000 unlisted options @ 25 cents expired.

Saggasco Limited's Managing Director Gary Jeffery commented, "The Board continues to be encouraged by ongoing and new interest being received from potential funding partners in regards to our conventional gas assets and we are progressing discussions regarding the near-term development of Dempsey accordingly.

The Board remains steadfast in its view that we have a number of distinct competitive advantages as an onshore, conventional-gas exploration company, which will be further realised through the proposed lower-cost vertical well development program at Dempsey.

Further emphasising our commitment towards developing a conventional gas production company in the Sacramento Basin California, AOC's name was changed to Saggasco Limited. As pointed out on our company website, Saggasco has used '**Discovery Thinking**' to be strategically placed to uncover the Sacramento Basin's next world-class conventional gas discovery

With industry experts predicting a robust outlook for US natural gas markets, we are continuing to work diligently towards the commencement of drilling at our Dempsey conventional gas prospect in the first half of 2016 and we look forward to providing our shareholders with further updates in the near term."

For and on behalf of the Board of Saggasco Limited.

Gary Jeffery
Managing Director
+61 8 9388 2654

Sam Burns
Six Degrees Investor Relations
+61 400 164 067

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Saggasco Limited Company Background

Saggasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration in the Sacramento Basin, onshore California. SGC has an extensive portfolio of oil and gas prospects at both exploration and appraisal stages, including a number of multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market on the west coast of North America. SGC is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.saggasco.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 work commitments associated with the leases. Some leases are 'Held By Production' and royalties are paid to mineral right owners in lieu of rentals. SGC has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional 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 a 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 Saggasco Limited. He is a qualified geophysicist with over 43 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.

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this document has been reviewed by Saggasco's Technical Director, Mr Keith Martens, who has over 35 years of experience in the sector, with 15 years of experience in working in North America. Mr Martens is a qualified resources evaluator and consents to that information being included in the form and context in which it appears. Past ASX releases contain the basis for the resource estimates in this report.

Before investing it is recommended that you conduct your own due diligence and consult qualified financial and technical advisors.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

SACGASCO LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

31 DECEMBER 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(88)	(379)
(b) development	-	-
(c) production	-	-
(d) administration	(98)	(290)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	-	(1)
1.7 Other –	-	-
Net Operating Cash Flows	(186)	(670)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – payments to associate companies	-	(2)
Net investing cash flows	-	(2)
1.13 Total operating and investing cash flows (carried forward)	(186)	(672)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(186)	(672)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	638
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	155
1.17	Repayment of borrowings	-	(160)
1.18	Dividends paid	-	-
1.19	Other – capital raising & other borrowing costs	-	(12)
	Net financing cash flows	-	621
	Net increase (decrease) in cash held	(186)	(51)
1.20	Cash at beginning of quarter/year to date	258	119
1.21	Exchange rate adjustments to item 1.20	(1)	3
1.22	Cash at end of quarter	71	71

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	17
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries and fees paid to directors.

Non-cash financing and investing activities

2.1

688,776 fully paid ordinary shares at 6 cents each were issued to directors of the company in lieu of director fees
10 million options exercisable at 10 cents each with an expiry date of 30 September 2019 were issued to directors of the company as approved by shareholders at a general meeting on 26 October 2015.
1 million options exercisable at 10 cents each with an expiry date of 30 September 2019 were issued to the company secretary of the company approved by the board.
11.5 million options issued on 31 January 2014 with an exercise price of 25 cents, expired on 31 December 2015.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	70
4.2 Development	-
4.3 Production	-
4.4 Administration	32
Total	102

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	71	258
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) *	-	-
Total: cash at end of quarter (item 1.22)	71	258

* Subsequent to the end of the quarter a Director advanced a further \$100,000 to the Company; amounts on this table do not include funds held in the form of performance bonds, or held in joint venture accounts pending activity.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.


	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	107,095,783	107,095,783	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	688,776	688,776	6 cents	6 cents
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	11,000,000 500,000	- -	Exercise price 10 cents 25 cents	Expiry date 30 September 2019 31 December 2016
7.8 Issued during quarter	11,000,000	-	10 cents	30 September 2019
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter	11,500,000		25 cents	31 December 2015
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29 January 2016
Company Secretary

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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