



29 April 2016

Saggasco Limited
ASX: SGC

**Onshore assets
Sacramento Basin,
California**

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

Corporate Structure

Shares on issue: 110 M
Market Cap: \$2.8 M
52 week high: 6 cents
52 week low: 2.5 cents

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

Aqeel Virk
(California Director)

David McArthur
(Company Secretary)

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MARCH 2016 QUARTERLY ACTIVITY REPORT

Summary

- Targeting development of potential seven-reservoir, 1+Tcf Dempsey conventional gas prospect, in Sacramento Basin, onshore California.
- Large-scale Dempsey prospect located under existing production equipment providing low cost pathway to near term production.
- Positive outlook for oil and gas investment climate bodes well for near term development of SGC's conventional gas assets.
- Priority focus remains on drilling Dempsey in the near term.

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 March 2016.

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 premium Californian gas market.

The Company's key focus is on the near term development of the potential 1+Tcf Dempsey conventional gas prospect. Furthermore, the Company's Alvares well (appraisal stage) has a gross unrisks best estimate recoverable prospective resource of 2.4 Tcf.

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, with Californian gas production amounting to less than 10%.

California is in the top 10 economies in the world and Californians relies on natural gas for around one third of their energy needs.

During the quarter, SGC's management team continued to progress a number of corporate and operational objectives towards the anticipated drilling of the Company's flagship Dempsey conventional gas prospect in 2016.



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 lease areas which cover conventional gas prospects.

Drilling data, reprocessed seismic and additional geologic analysis has reinforced SGC's belief that both Dempsey and Alvares are potentially world-class, multi-Tcf prospects, and the improved technical data has also been used to identify additional prospects for exploration drilling.

Mapping completed to date has resulted in the identification of a portfolio of easily accessible gas prospects, with best estimate recoverable prospective resources of gas ranging from 50 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 as it is located below existing SGC production facilities. Permitting activities are being finalised in preparation for commencement of drilling in 2016.

The Dempsey prospect has a Proposed Total Depth ('PTD') of 3,200 metres and is anticipated to take around 50 days to drill with costs estimated to be between US\$3 and US\$4 million.

The total (100%) unrisks recoverable prospective natural gas resource, from seven interpreted conventional sandstone 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)).

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. Final well permitting is estimated to take less than 45 days.

Upon discovery of commercial quantities of gas, these existing production facilities with capacity of up to 20 mmcfcpd, 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 over US\$40,000 per day of gross well production revenue if gas prices are similar to today's prices. Operating costs are relatively low for gas wells in the area.

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, which is based on the Shell James-1 well drilled in 1947 for oil. The James well intersected multiple sandstone reservoirs with extensive gas shows.

Saggasco's Alvares prospect contains a total (100%) unrisks recoverable prospective 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 considered.

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>March 2016 Quarter</i>	<i>December 2015 Quarter</i>
Gross mcf * (100%)	22,417	33,068
Net SGC mcf (after Royalty)	8,355	12,640
<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, particularly the early monetisation of the Dempsey prospect.

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%
Arnaudo Prospect	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: Leases covering the Arnaudo Prospect were renewed during the period.		

CORPORATE ACTIVITY

Post end of Quarter

Loans were made to the Company during and after the end of the quarter to pay operating costs and lease renewals.

ISSUED CAPITAL at 28 April 2016	
Ordinary Shares	110,080,905
Unlisted Options exercisable @ 25 cents 31 Dec 2016	500,000
Unlisted Options exercisable @ 10 cents 30 September 2019	11,000,000
Note: Consistent with shareholder approval, during the quarter on 13 January 2016 1,503,871 ordinary shares were issued as part payment of director and consulting fees. On 7 April, 2016 1,171,876 shares were issued in part payment of director fees and 309,375 shares in satisfaction of a key consultant's fees for the quarter.	



Sacgasco's Managing Director, Gary Jeffery, commented:

"Sacgasco has a number of distinct competitive advantages as an onshore, conventional gas exploration and development company, with the Company looking to unlock significant shareholder value through its proposed low-cost vertical well development program at Dempsey.

Furthermore, the Board is encouraged by increasing investor interest in the oil and gas sector, and in particular Sacgasco's conventional gas assets. Discussions around funding options are progressing well, targeting the commencement of drilling at Dempsey Sacramento Basin in 2016.

We look forward to providing our shareholders with further corporate and operational updates in the near term."

For and on behalf of the Board of Sacgasco Limited.

Gary Jeffery
Managing Director
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Sam Burns
Six Degrees Investor Relations
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Sacgasco Limited Company Background

Sacgasco 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.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 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 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 MARCH 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(102)	(102)
(b) development	-	-
(c) production	-	-
(d) administration	(18)	(18)
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)	-	-
1.7 Other –	-	-
Net Operating Cash Flows	(120)	(120)
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)	(120)	(120)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(120)	(120)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	100	100
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising & other borrowing costs	-	-
	Net financing cash flows	100	100
	Net increase (decrease) in cash held	(20)	(20)
1.20	Cash at beginning of quarter/year to date	71	71
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	51	51

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	8
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.
1.16 – Loan from a director of the company, repayable within 6 months accruing interest at 10% p.a.

Non-cash financing and investing activities

2.1

1,084,246 fully paid ordinary shares at 6 cents each were issued to directors of the company in lieu of director fees
419,265 fully paid ordinary shares at 4 cents each were issued to a consultant of a company in lieu of fees.

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

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	54
4.2 Development	-
4.3 Production	-
4.4 Administration	40
Total	94

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	51	71
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) See note below *	-	-
Total: cash at end of quarter (item 1.22)	51	71

* Subsequent to the end of the quarter the company sourced a net amount of approximately \$54,000 in loans and a Director has offered an undrawn line of credit of up to \$100,000 if required by 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			

+ See chapter 19 for defined terms.

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 **	108,599,654	108,599,654	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,084,246 419,265	1,084,246 419,265	6 cents 4 cents	6 cents 4 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	- -	<i>Exercise price</i> 10 cents 25 cents	<i>Expiry date</i> 30 September 2019 31 December 2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

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 April 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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+ See chapter 19 for defined terms.