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SACRAMENTO BASIN FARMOUT CONFIRMS AMI VALUE

- **Farmout of up to 14% WI in prospects within Area of Mutual Interest (“AMI”) for up to A\$280,000**
- **AMI covers some 250,000 acres in Sacramento Basin – potentially holding multiple world-class conventional gas fields**
- **Provides funding for Saggasco to secure more leases over mapped gas prospects**
- **Represents a key step by Saggasco in monetising highly prospective conventional natural gas prospects in Sacramento Basin**
- **Saggasco in late-stage negotiations with Joint Venture partners and other parties on drilling 1+ TCF Dempsey conventional gas prospect in Sacramento Basin**

Sacramento Basin-focused conventional gas producer and developer, Saggasco Limited (ASX: SGC) (“Saggasco”) is pleased to confirm that it has taken a key step in unlocking the value of its conventional natural gas opportunities by farming out a working interest in its operated onshore California Area of Mutual Interest (the “AMI”) to private company Bombora Natural Energy Pty Ltd (“BNE”). BNE will fund additional oil and gas leases over highly prospective structures in the Northern Sacramento Basin (Refer to Fig 1 below).

BNE will earn a 20% Working Interest (“WI”) in up to nine (9) natural gas prospects that have already been mapped in the AMI by providing staged funding of up to A\$400,000.

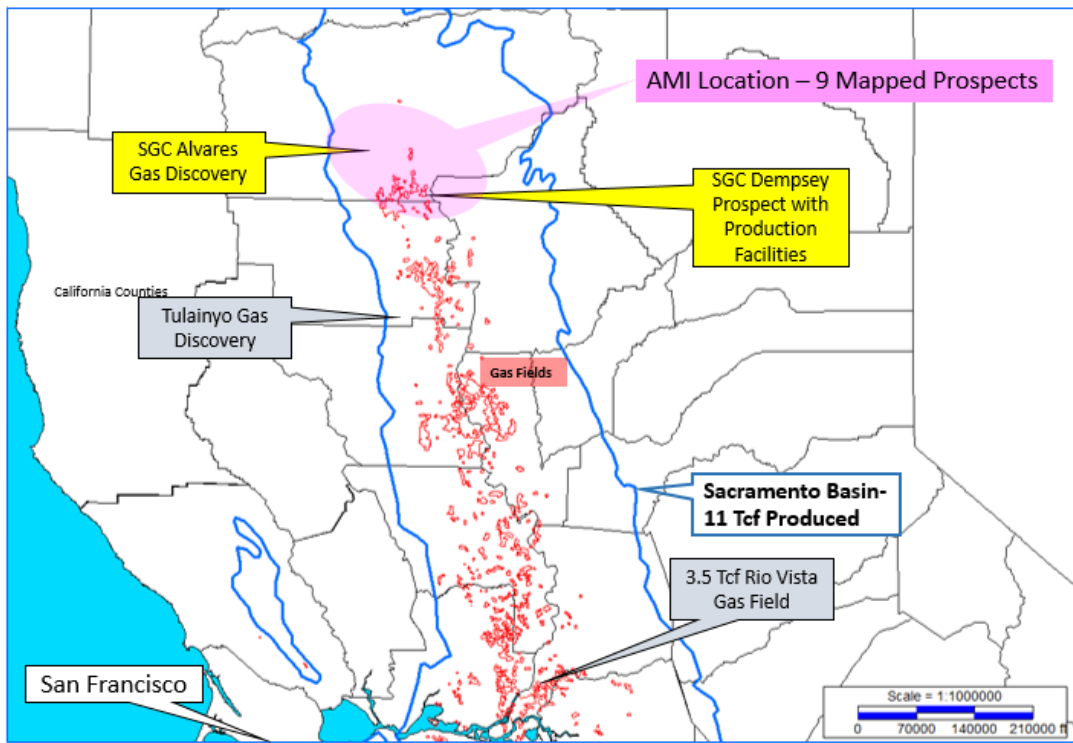


Fig 1: Sacramento Basin showing location of AMI

14% of the interest will be provided by Sacgasco, with the remaining 6% interest provide by AMI partner Xstate Resources Limited.

Funding will be provided in two stages to reflect acreage acquisition, and progress announcements will be made after material leases have been secured. Initial funding of A\$200,000 will focus on 3 Prospects in which Bombora will earn 20%.

Bombora will have the options to fund a further \$200,000 of leasing to earn a 20% interest in an additional 6 prospects.

AMI Prospects

The 9 mapped AMI prospects are large undrilled anticlines with prospective conventional sandstone reservoirs of the same age as the ready-to-drill Dempsey Prospect and Alvares Gas Discovery Appraisal Project (with a combined total 3.4 TCF* best estimate recoverable Prospective Resource), in which Sacgasco holds respective 55% and 40% interests.

Note * : Further details were included in SGC's ASX release dated 4 September 2014.

Over the last three years Sacgasco has licenced and selectively reprocessed over 1,000 miles of regional and prospect oriented 2D seismic data. SGC's Technical Director Keith Martens has integrated the wireline log, mud log, core and drill stem testing and production information from over 1,000 key wells in the Northern Sacramento Basin.

Interpretation of this primary data, and integration of published technical papers on structural development, source, seals, reservoir outcrop information and depositional environments, has revealed a plethora of opportunities in the AMI.

The Working Interests in the AMI will be:

	Before	After
Sacgasco Limited (ASX: SGC)	70%	56% (Operator)
Xstate Resources Limited (ASX: XST)	30 %	24%
BNE	0%	20%

Dempsey Prospect and Alvares-Gas-Discovery Appraisal Project

Separately, Sacgasco was responsible for identifying and mapping the Dempsey Prospect (SGC– WI 55%), based on a 2D and 3D Seismic data, and recognising the “left behind” TCF-scale potential of the 1982 Alvares gas discovery (SGC – WI 40%), based on a key well and reprocessed 2D seismic.

SGC - Exploration and Appraisal Prospects: 1+ Tcf Dempsey and 2.4+ Tcf Alvares

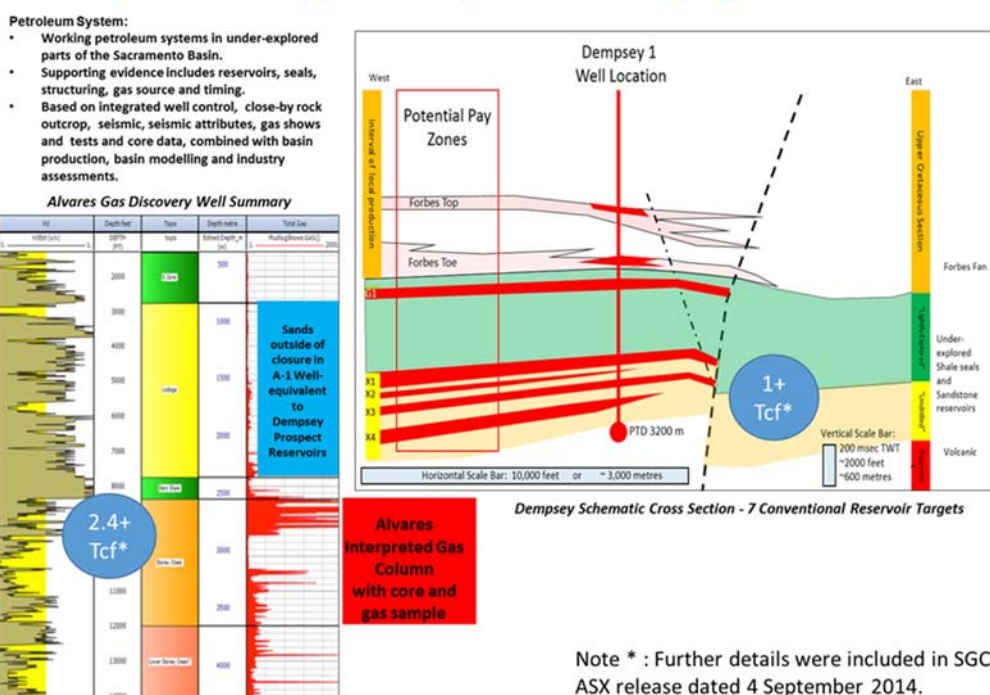


Fig 2: Sacgasco's Dempsey and Alvares Gas Prospects

Bombora Natural Energy Pty Ltd

BNE is a private company focused on acquiring assets in high potential gas prone areas in the Australia-Pacific region. The company was recently founded by John Begg with the support of Hartleys Limited in Perth. John is a highly successful explorer who has been influential in the discovery and development of numerous oil and gas fields in Australia, Southeast Asia and California. His previous experience as an operator and developer of a 1,000+ bopd oil field in California means that he and the BNE team understand fully the risks and rewards of the oil and gas sector in the state, and Sacgasco expects BNE to be a valuable, active partner in this new joint venture.

John Begg - Executive Chairman of BNE commented: “BNE has chosen to take a position in this venture with Sacgasco because we believe the local industry has become “stuck in a rut” and is still operating on old precepts about the total petroleum system in the Basin and how to exploit it. Identifying high potential plays in supposedly mature basins and proving up that potential with the drill bit has been a feature of my own career and is one of the key drivers for BNE.

We believe SGC's entry and execution risk is mitigated by having a local operating agent, Dero Parker Jnr, with the skills and track record of operating hundreds of wells in the area. Poor operating performance is one of the largest pitfalls for oil and gas companies in almost any jurisdiction, so the involvement of Dero Parker was a critical "go or no go" element in BNE's decision making.

Importantly we like the amount of regional and prospect specific geoscience that Sacgasco have applied to the area. Accordingly, BNE is very confident of the potential for prospects capable of hosting gas resources in the multi-hundreds of Bcf scale. We plan to increase our footprint in this basin as opportunity allows."

SGC's Managing Director Gary Jeffery commented:

"The strong recovery of California gas prices to over US\$3 per mcf, in one of the lowest operating cost environments in the world, underpins a positive outlook for economic sales of clean, natural gas in California.

California, one of the Top 10 economies in the world, consumes enormous quantities of gas, equivalent to 2.25 times the entire output of Australia's NW Shelf LNG plants, but produces only 10% of this gas. The rest is imported from elsewhere in the USA and Canada. Hence the premium market for sales gas compared with most of the USA.

Reasonable leasing and lower drilling costs, along with access to extensive gas pipelines and production equipment increases the commerciality of the Sacramento Basin gas play.

In parallel with plans to drill the Dempsey appraisal and exploration well in late 2016, SGC has decided to acquire additional prospective trend acreage to provide shareholders with maximum leverage to success at Dempsey. We are pleased to report that we are in late stage discussions with Dempsey project partners, and other interested parties, on drilling Dempsey as soon as possible. This is a 1+ TCF prospect and we firmly believe our acreage in the Sacramento Basin represents a new world-class conventional natural gas play.

We are excited that BNE has recognised the opportunity and is prepared to fund the leasing of additional highly prospective acreage, and contribute their exploration expertise towards realising the true potential of the grossly underexplored Sacramento Basin.

We look forward to providing our shareholders with further updates in the near term as funding is deployed and acreage is acquired. This represents a key step in unlocking the value of Sacgasco's Sacramento Basin potential, and consequently we have multiple avenues for delivering value for our shareholders through leasing new land, drilling large TCF targets such as Dempsey and Alvares, and acquiring more production. Sacgasco is now poised for growth."

For and on behalf of the Board of Sacgasco Limited

Gary Jeffery

Managing Director

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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 the evolving LNG market on the west coast of North America. SGC is of the view that the size of the prospects it has already leased and has further identified in the Sacramento Basin have the potential to supply both the domestic Californian gas market and export LNG markets.

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, but mineral right owners have the right to a royalty payment from any subsequent production from the lease area. 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 gas play. The leasing of land for oil and gas exploration and production is a highly competitive activity and consequently, any detailed listing of leases or even funds used for leasing would 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 Sacgasco 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.

Facilities depicted in images in this release are not necessarily assets of Sacgasco. Some of the images used represent aspects of the oil and gas industry in which Sacgasco is involved.

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this document has been reviewed by Sacgasco'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.