



31 October 2016

Sacgasco Limited  
ASX: SGC

Onshore assets  
Sacramento Basin,  
California

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

#### Corporate Structure

Shares on issue: 130 M  
Market Cap: \$6.5 M  
52 week high: 5 cents  
52 week low: 2.1 cents

#### Directors

Andrew Childs  
(Chairman)

Gary Jeffery  
(Managing Director)

Keith Martens  
(Technical 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.sacgasco.com](http://www.sacgasco.com)  
Twitter: @SacGasCo



## **SACGASCO Acquires Additional Equity and Secures Operatorship of Flagship Sacramento Basin Conventional Natural Gas Prospects**

### **Highlights:**

- LOI signed with private company Peregrine Limited to acquire 35% of Dempsey and Alvares Prospects for issue of 32 million fully paid SGC shares and A\$3m from future revenue from gas sales from Dempsey
- Increases equity in Dempsey Prospect from 55% to 90% and Alvares Appraisal Prospect from 40% to 75%
- Sacgasco now becomes Operator of both prospects
- Appointment of new London-based non-executive director which will assist with SGC's market visibility in London
- Post transaction, Sacgasco's capital structure remains conservative with ~162 million shares and ~19 million options on issue
- Advanced discussions with interested farm-in groups and financing partners interested in funding drilling of Dempsey and Alvares
- New leases across Area of Mutual Interest (AMI) are also pending

**Sacramento Basin-focused conventional gas producer and developer, Sacgasco Limited (ASX: SGC) ('Sacgasco')** is pleased to confirm a company-transforming transaction with the acquisition of additional equity and the securing of operatorship in its flagship Dempsey and Alvares conventional natural gas prospects in the Sacramento Basin, California.

Sacgasco has signed a letter of intent ('LOI') to acquire an additional 35% equity in, and Operatorship of its flagship Dempsey and Alvares Prospects through the acquisition of private company Peregrine Limited ('Peregrine'). Peregrine shareholders have a track record of success investing in the oil and gas sector. Its major shareholder Mr Paddy Mahon is CEO of Geneva based Hereford Securities and Management S.A.

As consideration Sacgasco will issue 32 million fully paid shares to Peregrine shareholders. Upon success at Dempsey, Sacgasco will pay Peregrine a bonus payment of AUD\$3 million derived from future revenue from gas sales from reservoirs beneath the producing Forbes Formation. Such cash flow will be net of royalties and lease level costs attributable to 17.5% working interest (50% of acquired WI) in the first Dempsey Prospect well.



Sacgasco was responsible for identifying and mapping the Tcf-scale Dempsey Prospect, based on 2D and 3D seismic data, and recognising the 'left behind' multi-Tcf-scale potential of the 1982 Alvares gas discovery based on a key well and 2D seismic.

The strong recovery of California gas prices to over US\$3 per mcf, in one of the lower operating cost environments in the world, in conjunction with improving capital markets for oil and gas investments, underpins a positive outlook for Sacgasco and funding of the Dempsey well drilling and its potential for significantly increased sales of clean, natural gas in California, a "Top 5 World Economy".

Working Interests ("WI") in the planned Dempsey-1 well:

	Current WI	New WI
Sacgasco	55%	90% (Operator)
Xstate Resources	10%	10%
Peregrine	35% (Operator)	0% (Shareholders)

Working Interests in the first well to be drilled on the Alvares Prospect:

	Current WI	Resultant WI
Sacgasco	40%	75% (Operator)
Xstate Resources	25%	25%
Peregrine	35% (Operator)	0% (Shareholders)

The acquisition is subject to normal due diligence by Sacgasco, signature of a formal sales and purchase agreement, and Sacgasco shareholder approval to issue related shares. Following shareholder approval, Peregrine's representative Mr Philip Haydn-Slater is expected to join the Sacgasco Board.

Philip Haydn-Slater has been a director of HD Capital for over 5 years and has worked throughout his 36-year career within institutional sales for a number of well-known financial institutions. Prior to HD Capital he spent eight years as Head of Corporate Broking at WH Ireland Ltd in their London office. There he was responsible for originating and managing the sales process for a significant number of transactions, including flotations and secondary placings for corporate clients on AIM and other international exchanges. Philip's expertise was mainly focused on deals pertaining to the extractive industries and he continues to maintain a focus on oil & gas and mining for HD Capital. During his career, Philip has worked in both London and Sydney for financial organisations that include ABN Amro, Bankers Trust, James Capel & Co and Bain Securities (Deutsche Bank) Sydney.

The Capital Structure of Sacgasco Limited following above shareholder approval and transaction close will be as follows:

Current Sacgasco Shares: ~130 million

- 3c options: ~8.7 million Expire Sept 30, 2017
- 10c Options: 11 million Expire Sept 30, 2019
- 25c Options: 0.5 million Expire Dec 31, 2016

SGC shares to be issued to Peregrine shareholders: 32 million SGC shares

**Total SGC Shares on issue after approval of the Peregrine acquisition: ~162.1 Million**



**Sacgasco's Managing Director Gary Jeffery commented:** "This transaction adds considerable value to Sacgasco as it gives us majority Working Interest and Operatorship of two very significant and drill-ready multi-Tcf conventional natural gas prospects in California.".

"Now that we have control of the drilling of these very compelling conventional natural gas prospects, we are 100% focused on drilling the +1 Tcf gas Dempsey-1 prospect as soon as possible, with the Company targeting early 2017 for spudding. Options will also be considered for the Alvares Prospect which has a best-estimate Recoverable Prospective Resources 2.4 Tcf gas."

"This transaction significantly widens SGC's funding options for the planned drilling of the Dempsey-1 well, and we are in advanced discussions with a number of parties interested in farming in or funding the drilling of Dempsey and also Alvares."

"We look forward to welcoming our new shareholders to Sacgasco and Philip Haydn-Slater to the SGC Board. We expect Philip will significantly assist in increasing Sacgasco's visibility in the London capital markets."

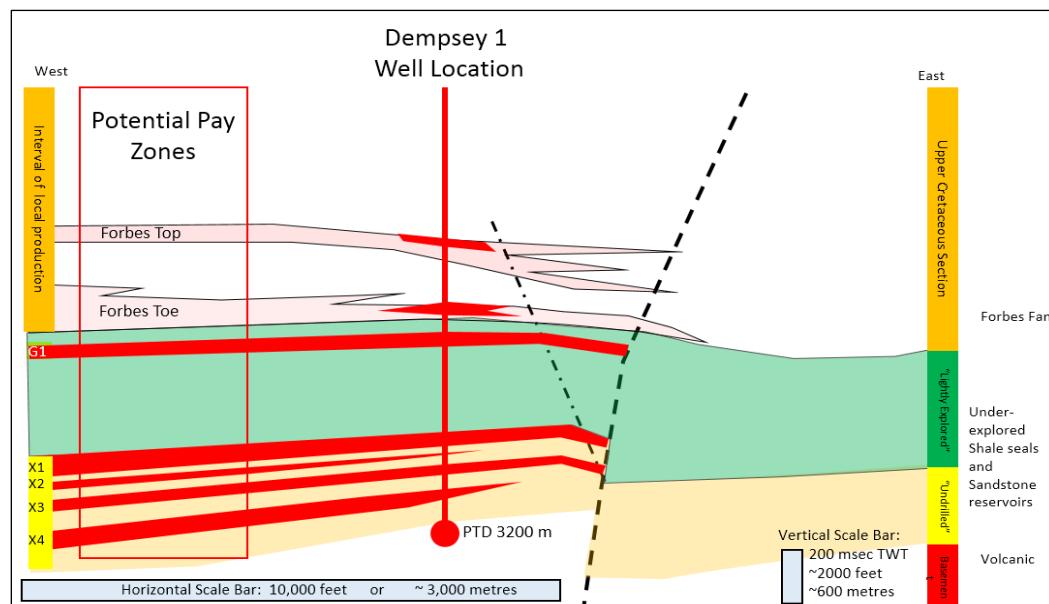
Mr Jeffery added that the Company continues to advance activities around its 147,000-acre Area of Mutual Interest (AMI) ground in the Sacramento Basin in which it recently farmed out a 14% Working Interest in the AMI to privately owned Bombora Natural Energy Pty Ltd. The AMI, which is separate from the Dempsey and Alvares prospects, holds a large number of multi-Tcf natural gas targets and can also deliver significant value to SGC. The Company anticipates that new leases over some of the AMI will be secured shortly.

"Our shareholders are getting exposure to multiple avenues where we can unlock significant value. We can deliver value through leasing new land, drilling large TCF-scale targets such as Dempsey and Alvares, and acquiring more production. Sacgasco is now poised for considerable growth."

The Company looks forward to providing shareholders with further updates in the near term as funding discussions and development strategies are progressed.



**Fig 1: Location of SGC Sacramento Basin Projects**



**Fig 2: Sacgasco's Multi-reservoir Dempsey Conventional Gas Prospect**

For and on behalf of the Board of Sacgasco Limited.

**Gary Jeffery**  
Managing Director  
+61 8 9388 2654

**Sam Burns**  
Six Degrees Investor Relations  
+61 400 164 067



### 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 in 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.**

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