



4 January 2017

Saggasco 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: \$8.5 M
52 week high: 7 cents
52 week low: 2.1 cents

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

David McArthur
(Director &
Company Secretary)

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ACQUISITION AGREEMENT UPDATE

Saggasco Formalises Acquisition of Additional Equity and Operatorship of Flagship Sacramento Basin Conventional Natural Gas Prospects

Highlights:

- **Formal Agreement finalised 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 (Refer previous announcement dated 31 October 2016)**
- **Increases equity in Dempsey Prospect from 55% to 90% and Alvares Appraisal Prospect from 40% to 75%**
- **Saggasco Operator of both prospects effective 1 January 2017**
- **Post transaction, Saggasco's capital structure remains conservative with ~162 million shares and ~19 million options on issue**
- **Advanced discussions with farm-in groups and financing partners interested in funding drilling of Dempsey and Alvares**
- **Acquisition of new leases and producing assets in Sacramento Basin progressing**

Sacramento Basin-focused conventional gas producer and developer, Saggasco Limited (ASX: SGC) ('Saggasco') is pleased to advise that it has signed a formal agreement to acquire additional equity and to secure Operatorship at its flagship Dempsey and Alvares conventional natural gas prospects in the Sacramento Basin, California.

Consistent with its related announcement dated 31 October 2016, Saggasco will 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 successful track record of investing in the oil and gas sector, and its major shareholder Mr Paddy Mahon is CEO of Geneva based Hereford Securities and Management S.A.

As consideration Saggasco will issue 32 million fully paid shares to Peregrine shareholders. Upon success at Dempsey, Saggasco 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.



Saggasco 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\$4 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 Saggasco 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
Saggasco	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
Saggasco	40%	75% (Operator)
Xstate Resources	25%	25%
Peregrine	35% (Operator)	0% (Shareholders)

The acquisition is only subject to Saggasco shareholder approval to issue related shares at a General Meeting to be held in Perth on 11 January 2017.

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

Current Saggasco 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

Saggasco's Managing Director Gary Jeffery commented:

"As previously stated, this transaction adds considerable value to Saggasco as it gives us majority Working Interest and Operatorship of two very significant and drill-ready multi-Tcf conventional natural gas prospects in California.

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

Mr Jeffery added that the Company continues to advance activities around its Sacramento Basin interests. Separate from the Dempsey and Alvares prospects, Saggasco has mapped a number

of large natural gas targets which could deliver significant value to SGC shareholders.

The Company looks forward to providing shareholders with further updates on Sacramento Basin acquisitions, funding and other material matters in the near term as discussions and development strategies are progressed.

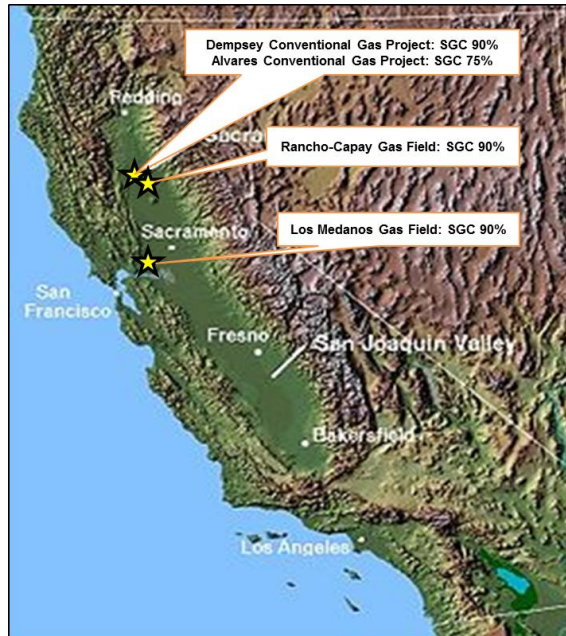


Fig 1: Location of SGC Sacramento Basin Projects

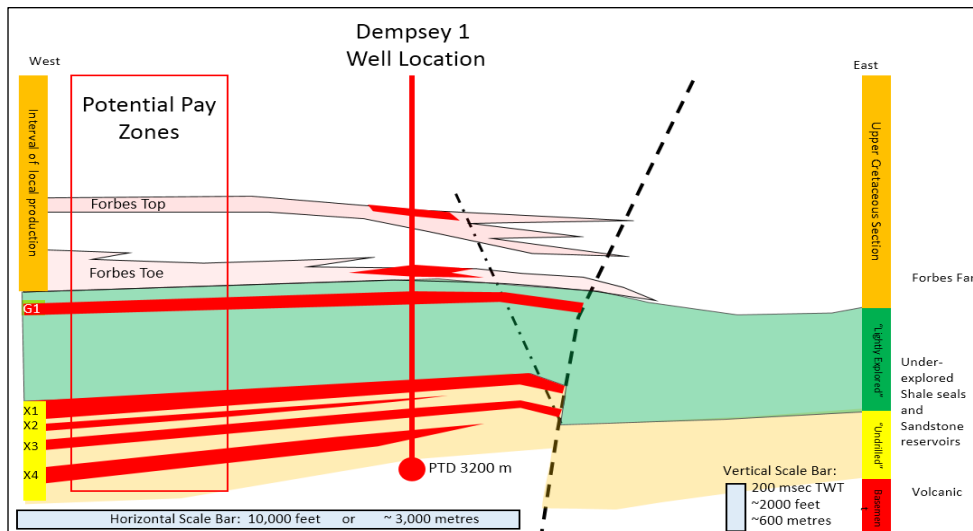


Fig 2: Saggasco’s Multi-reservoir Dempsey Conventional Gas Prospect

For and on behalf of the Board of Saggasco Limited.

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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 gas 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. 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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