



31 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: 170 M
Market Cap: \$12.7 M
52 week high: 8 cents
52 week low: 2.1 cents

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

David McArthur
(Director & Company Secretary)

Perth Office:
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Subiaco WA 6008 Australia

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Saggasco 1 year chart

DECEMBER 2016 QUARTERLY ACTIVITY REPORT

Summary

- **Acquisition of private company Peregrine Limited to secure additional equity and operatorship of world-class Dempsey and Alvares Prospects – completed January**
- **Peregrine transaction will increase working interests in multi-Tcf prospects - Dempsey Prospect from 55% to 90%; and Alvares Appraisal Prospect from 40% to 75%**
- **Early Share Option conversion raised ~\$228,000, Saggasco's capital structure remains conservative with ~170 million shares on issue**
- **Farm-out agreement signed with Bombora Natural Energy Pty Ltd for the drilling of Dempsey Prospect in April-May 2017**

Californian-focused conventional gas developer Saggasco Limited (ASX: SGC) ("the Company") provides shareholders with its quarterly activity report for the period ended 31 December 2016.

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.

Saggasco concluded a formal agreement 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').

Subsequent to the end of the quarter, Saggasco issued 32 million fully paid shares to Peregrine owners. Upon success at Dempsey, Saggasco will pay the same owners 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.

Subsequent to the end of this quarter early conversion of ~7.6 Million options and share options has raised approximately \$228,000. Saggasco has also announced a farmout of up to 20% working interest in the Tcf-potential Dempsey Prospect.

In January, Saggasco signed a farm-out agreement ('farm-out') with Bombora Natural Energy Pty Ltd ('BNE') for its large, conventional Dempsey Gas Prospect.

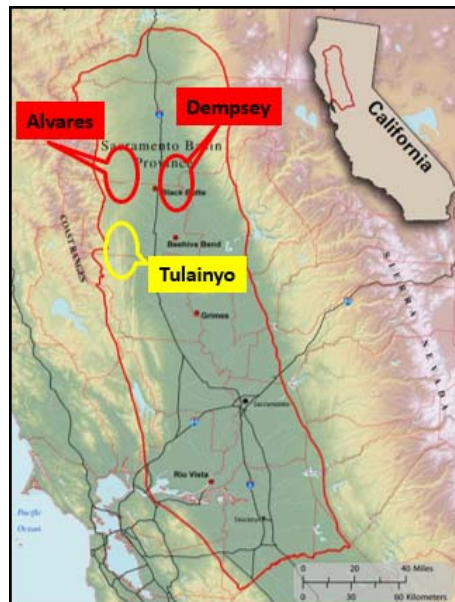
SACRAMENTO BASIN - Onshore Northern California

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 100% in leased lands which cover conventional gas prospects.

Review of Sacramento Basin activity including farmout opportunities, along with feedback from farm-in interest has reinforced SGC's belief that both Dempsey and Alvares are world-class, multi-Tcf prospects. Additional technical data and analysis has also been used to identify and upgrade additional prospects for leasing and future exploration drilling.

Mapping completed to date has resulted in the identification of a portfolio of diverse, easy accessible natural gas prospects, with best estimate recoverable prospective resources of gas ranging from 50 Bcf to over 2 Tcf.



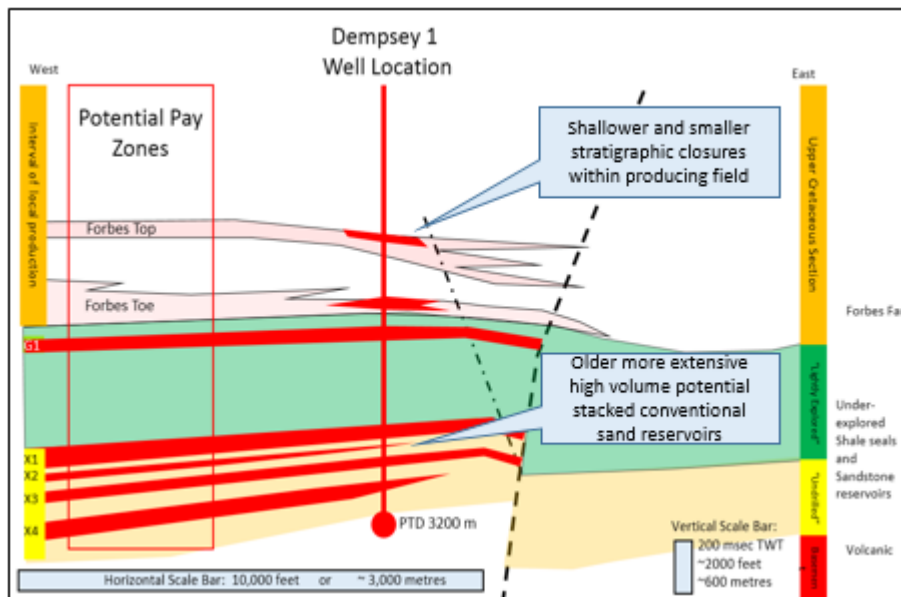
SGC's Sacramento gas assets (red), onshore California

Dempsey Conventional Gas Prospect – Appraisal / Exploration stage (SGC 90% 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. Permitting activities are being finalised in preparation for commencement of drilling in April to May 2017.

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.

Saggasco interprets 7 target gas reservoir levels beginning with a small (1-3 BCF Deterministic Prospective Resource) seismic amplitude defined, extension of the shallow producing Forbes Sandstone reservoir system. The targets then extend down to total depth through a series of older Cretaceous reservoirs.



Individual, unrisks Deterministic Prospective Resources for these primary targets range from 116 bcf to 352 Bcf of recoverable gas. Should all the stacked reservoirs be full of gas, the cumulative unrisks recoverable Prospective Resources within the prospect could approximate 1 Tcf.

Further details were included in the Company’s ASX release dated 4 September 2014. “The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.”

Alvares Conventional Gas Prospect – Appraisal stage (SGC 75% 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 leveraging off the Shell James-1 well drilled in 1947 for oil. The James well intersected multiple sandstone reservoirs with extensive gas shows. The Tulainyo well drilled in early 2015 is reported to have intersected “multiple stacked, gas bearing conventional reservoirs on a 50 square mile anticline”.

Saggasco’s Alvares prospect contains a total (100%) recoverable unrisks prospective gas resource on a best estimate deterministic basis of approximately 2.4 Tcf (400 million boe).

Further details were included in the Company’s ASX release dated 4 September 2014. “The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.”

Alternative methods of evaluating the gas flow potential using the existing Alvares well bore are being actively considered.



PRODUCTION UPDATE

Rancho - Capay Gas Field (SGC 90% WI* in 4 wells) & Los Medanos Gas Field (SGC 90% 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 seismic database to generate new exploration opportunities. SGC acquired an additional 15% WI in these wells effective 1 January 2014. During the quarter Sacgasco acquired an additional 35% WI effective January 1, 2017. The production below reflects Sacgasco's 55% Working Interest during the quarter.

<i>Production</i>	December 2016 Quarter	September 2016 Quarter
Gross mcf * (100%)	15,174	16,804
Net SGC mcf (after Royalty)	5,800	6,423
<i>*mcf – Thousand Cubic feet gas</i>		

SGC continues to evaluate production acquisition opportunities that could 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.

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 monetization of the Dempsey prospect.

SACGASCO LIMITED		
Tenement / Project List		
Project name	Location	Working Interest
Alvares Prospect	Sacramento Basin Onshore Northern California	40% *(90%)
Dempsey Prospect	Sacramento Basin Onshore Northern California	55% *(75%)
California AMI Prospects	Sacramento Basin Onshore Northern California	56%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	55% *(90%)
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	55% *(90%)

Changes in Reporting Period:

The Company’s remaining interest in the Huasna (Mankins Ranch) Project is 13.1% ownership of Mineral Rights in 160 acres in the centre of the designated oilfield. As there is no activity and owing to the lack of current materiality this interest will not be reported on in future.

The company also acquired 100% of the Arnaudo as Prospect as part of the Peregrine acquisition. It is currently not considered material relative to the other company prospects.

Working interest may vary across individual Prospects and WI above reflects the WI in the majority of leased lands.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions.

*The working interests listed were correct at the end of the subject quarter. Events subsequent to the end of the Quarter resulted in the increased working interests shown in the above table in brackets and those changes and related conditions are explained in this report.

CORPORATE ACTIVITY

David McArthur was appointed to the Board of the Company following the resignation of Keith Martens as a Director effective 16 November 2016. Mr McArthur is currently the company’s company secretary and has significant corporate experience as a director and company secretary of a number of listed entities.

ISSUED CAPITAL at 31 January 2017

Ordinary Shares	170,429,156
Unlisted Options exercisable @ 10 cents 30 September 2019	11,000,000
Unlisted Options exercisable @ 3 cents 30 September 2017	1,100,000
Unlisted Options exercisable @ 15 cents 31 December 2019	22,000,000

Note:

On 10 January 2017, 720,259 shares were issued in satisfaction of directors fees and satisfaction of consultant invoices for the December 2016 Quarter.

On 31 January 2016, 32,000,000 shares were issued for the purchase of Peregrine Limited, and 7,598,773 shares were issued upon the early conversion of unlisted options expiring on 30 September 2017.

SGC’s Managing Director Gary Jeffery commented:

“The December quarter was a highly productive period, with the Company executing a number of key corporate objectives that now have us strongly positioned to commence the drilling of our Dempsey-1 well in the coming months.

The acquisition of Peregrine is a significant near-term catalyst, with Saccgasco now holding the majority working interest, and operatorship, of two drill-ready, multi-Tcf conventional gas prospects in onshore California. Furthermore, the positive outlook for energy demand, particularly clean natural gas in the USA, continues to underpin Saccgasco’s strategy to acquire new leases and producing natural gas wells in this world-class region.

Saccgasco now has a number of value accretive funding options in play, and the Company looks forward to providing our shareholders with further updates on acquisition and leasing in the near-term as funding discussions are concluded.”



For and on behalf of the Board of Saggasco Limited.

Gary Jeffery
Managing Director
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Sam Burns
Six Degrees Investor Relations
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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.

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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.

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

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SACGASCO LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	51
1.2 Payments for		
(a) exploration & evaluation	(157)	(429)
(b) development	-	-
(c) production	-	-
(d) staff costs	(4)	(16)
(e) administration and corporate costs	(134)	(206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	100
1.9 Net cash from / (used in) operating activities	(298)	(503)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	377
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	54	54
3.4 Transaction costs related to issues of shares, convertible notes or options	(32)	(37)
3.5 Proceeds from borrowings	-	157
3.6 Repayment of borrowings	(6)	(6)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	16	545

3.3 Funds received in advance for options to be converted to fully paid shares in February 2017

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	394	71
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(298)	(503)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	16	545
4.5 Effect of movement in exchange rates on cash held	6	5
4.6 Cash and cash equivalents at end of period	118	118

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	118	395
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	118	395

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

31

-

Includes salaries and fees paid to directors of the company.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	100	100
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Gary Jeffery, a director of the company, has provided the company with a loan of \$100,000. The loan is unsecured with interest payable at 10% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	107
9.2 Development	-
9.3 Production	-
9.4 Staff costs	45
9.5 Administration and corporate costs	58
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows *	210

Note Income for March Quarter not reflected in above estimates.

* \$174,000 cash income was received in January 2017 from the conversion of share options.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Company Secretary

Date: 31 January 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.