



Sacgasco Limited

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Announcement to ASX

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SACGASCO STRENGTHENS SACRAMENTO BASIN PORTFOLIO WITH ACQUISITION OF GAS WELLS, ASSOCIATED FACILITIES AND ACCESS TO 3D SEISMIC

Highlights:

- **Assets with significant unlocked value - three wells now in production and capacity to bring more wells back into production**
- **Acquisition includes associated infrastructure such as meter stations and pipelines in three fields**
- **Asset package gives access to ~40 square kilometres of additional high quality 3D seismic data with a number of compelling exploration prospects and leads**
- **Adds materially to Sacgasco's gas leases for exploration in Sacramento Basin**
- **No upfront acquisition costs - Sacgasco to pay small production royalty and assume future liabilities for plugging wells and removing associated infrastructure**
- **Sacgasco to operate assets**
- **Additional producing assets and exploration leases in Sacramento Basin also being negotiated**
- **Recovering California gas price positions Sacgasco well to generate meaningful revenue streams through production ramp up**

Sacramento Basin-focused conventional gas producer and developer, Sacgasco Limited (ASX: SGC) ('Sacgasco') is pleased to confirm that it has significantly strengthened its asset base in the Sacramento Basin, California, through a signed Purchase and Sales Agreement ('PSA') to acquire 13 additional operated natural gas wells in the Sacramento Basin of California (Refer Figure 1) from ABA Energy Corporation, a private Californian company. Sacgasco will operate the wells under its current service agreement with Dero Parker's Integrity Management Services.

The assets also include all associated leases, production and facilities, including meter stations and pipelines in three gas fields, and access to proprietary 3D seismic data over some 41 square kilometres, including some attractive mapped prospects for conventional natural gas.

As consideration, Sacgasco will assume future liabilities for plugging the wells acquired, and removing associated facilities, estimated to be US\$20,000 to \$60,000 per well, and which will occur at some undetermined future time that is dependent on operational decisions on future utilisation of the wells for production, workovers or new drilling. A modest administration fee will also be paid. A small royalty on production from existing and future wells in the lease areas and modest prospect fees are also to be paid on related gas prospects that may be drilled in the future. This royalty rate varies dependent on future operational decisions, but will not exceed 3%.

Current gross (100%) production from just three wells is around 520 mcf gas per day. There are a number of opportunities to bring other wells back into production through workovers and/or new pipeline connections for modest expenditures. This will add materially to Sacgasco's current gas production from Rancho Capay and Los Medanos Gas Fields. (Refer Images in Figures 2 and 3)

As shareholders are aware, Sacgasco has identified and mapped the Tcf-scale Dempsey Prospect, based on 2D and 3D seismic data, and recognised the 'left behind' multi-Tcf-scale potential of the 1982 Alvares gas discovery based on a key well and 2D seismic.

Access to these new assets adds diversity and further de-risking to the Company's conventional natural gas asset base in the Sacramento Basin.

Sacgasco's Managing Director Gary Jeffery commented: *"This transaction adds complementary and strategic value to Sacgasco as it gives us access to additional operated leases, production, gas infrastructure facilities and top quality 3D seismic data to pursue our goal of becoming a major producer of natural gas in energy-hungry California.*

For some time we have been assessing cost-effective, bolt-on acquisition opportunities in the Sacramento Basin that help us scale up production from multiple shallow drilled wells, and deliver promising leasing prospects that have the potential to house much larger Tcf-scale conventional natural gas prospects in the older overlooked reservoirs. These new assets add significantly to Sacgasco's conventional natural gas prospect inventory, and they deliver meaningful near-term production.

The strong recovery of California gas prices in one of the lower operating cost environments in the world, in conjunction with improving capital markets for oil and gas investments, support Sacgasco's pursuit of additional gas leases, gas producing properties and associated hard-to-replace gas facilities, together with access to 3D seismic data that is very valuable and difficult to replicate.

As well as these assets acquired, we have other prospects of a similar nature under negotiation on which we expect to transact shortly. All our focus is on the Sacramento Basin which we believe is vastly underexplored and holds significant overlooked value.

Today's move is another step in Sacgasco's well-defined value creation plans. A key aspect of this plan remains the drilling of the Dempsey 1 well in the coming months to assess its potential to significantly increase sales of clean, natural gas in California, a Top 10 World Economy.

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

The acquisition is effective February 1, 2017 and is due to close in late February. After closing Sacgasco will be able to provide more specific details.

For and on behalf of the Board of Sacgasco Limited.

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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 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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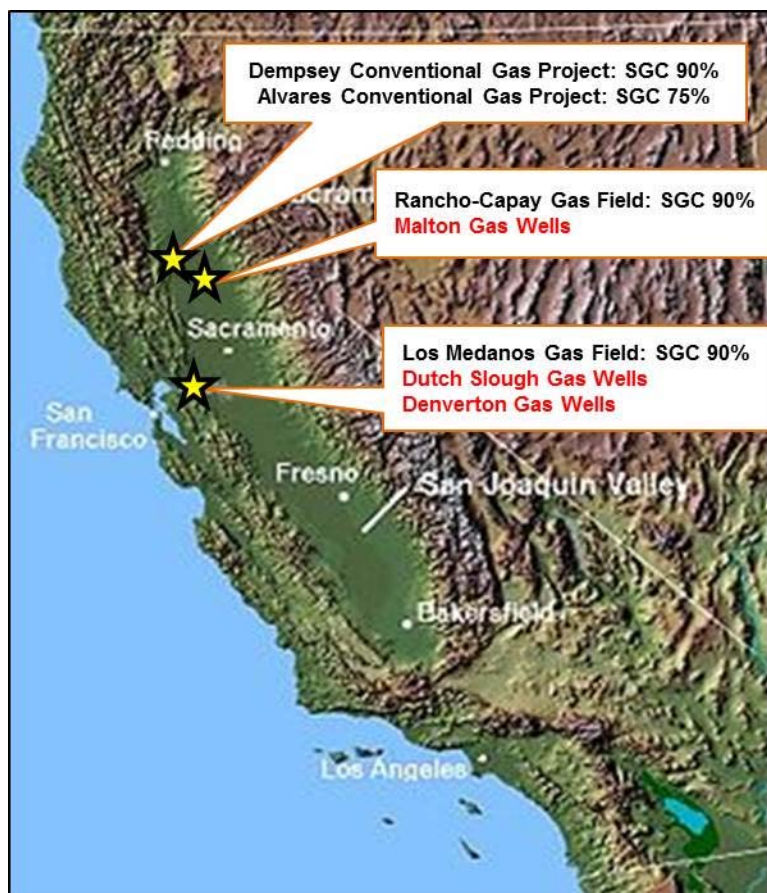


Fig 1: Location of SGC Sacramento Basin Projects
Acquired Assets Highlighted in Red



Fig 2:
SGC Sacramento Basin Meter Station



Fig 3:
SGC Sacramento Gas Production Facility