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Announcement to ASX

1 March 2017

SACGASCO FURTHER DIVERSIFIES PORTFOLIO WITH FARMOUT OF WORKING INTEREST IN ALVARES GAS PROSPECT

- Farmout of 10% Working Interest on a promoted basis in the large 2.4+Tcf conventional, stranded Alvares gas discovery in the Sacramento Basin, California.
- Original 1982 well was drilled for oil and encountered high gas shows over a 1,500m interval of conventional reservoirs.
- The well flowed pipeline-quality gas to surface.
- Low royalties and proximity to California gas trunklines adds to commercial potential.
- SGC's Primary Focus remains on drilling 1+Tcf Dempsey Prospect.
- SGC also leasing new Prospects in Sacramento Basin and acquiring more producing natural gas fields – update pending.

Sacramento Basin-focused operator and conventional gas developer and producer Sacgasco Limited (ASX: SGC) ("Sacgasco" or "the Company") advises that it and Xstate Resources (ASX: XST) have agreed to a farm-out with Bombora Natural Energy Pty Ltd ("BNE") for the 2.4+ Tcf (400 million boe) Alvares Conventional Gas Prospect located in the Sacramento Basin, onshore California.

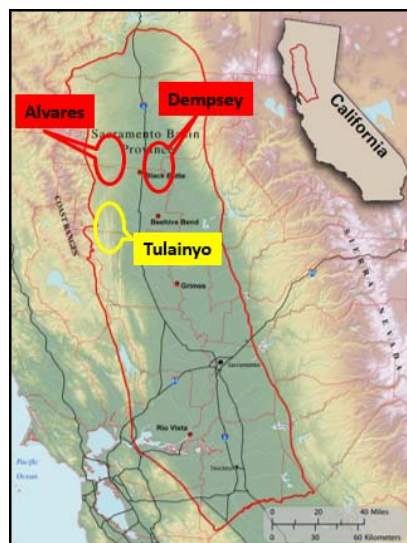


Figure 1 Location map of the Alvares Gas Discovery.

The Alvares Gas Discovery

The Alvares-1 was drilled in 1982 on a large structure mapped on a grid of 2D seismic. Alvares-1 was drilled within the mapped structural closure to a total depth of 4,380m to test conventional reservoirs of Early Cretaceous age, for oil.

Alvares-1 encountered high pressures, along with strong gas shows recorded over more than 1,500 metres below a thick, sealing shale at 2,530m. Wireline log data from the well indicates extensive zones with conventional gas reservoir potential.

Appraisal: Alvares Gas Project – Alvares #1

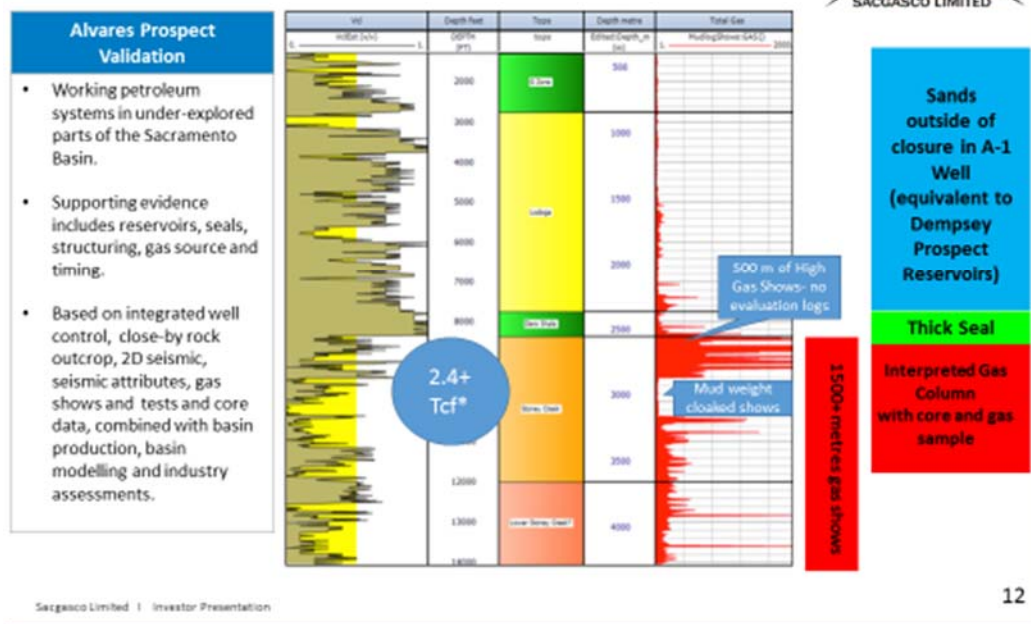


Figure 2: Summary of Alvares results

An open-hole drill stem test over an arbitrarily selected interval from 10,421 to 10,460 feet failed mechanically, but flowed a calculated 0.4MMCFD dry gas to surface without stimulation on a pre-test flow. The test proper failed due to high instantaneous pressure flow into the well bore, destroying the test equipment.

Significantly, the gas recovered is similar in quality to pipeline quality gas produced from younger intervals in the Sacramento Basin.

Subsequent to reaching total depth, the well was subjected to limited cased-hole tests without meaningful results due to mechanical issues preventing effective testing of the gas zones.

Sacgasco's Alvares prospect is estimated to contain 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."*

Alvares lies on trend with the Tulainyo well where the well operator reported "drilling in 2015 to test a 50 square mile (130 Square Kilometre) four-way closure that was mapped on proprietary 2D seismic data". It was reported that "this conventional exploration well, encountered multiple stacked gas bearing reservoirs" at depths less than 1,800 metres.

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

Principal terms of Farmout

Bombora will pay to the Farmers US\$20,000 (approximately A\$26,000) toward past lease rentals and will earn a 10% working interest by funding 13.33% of the next well to test the 1982 Alvares Gas Discovery. Bombora's promoted share of funding the Alvares-2 will be limited to a gross cost cap of US\$10 million (approximately A\$13 million).

The Working Interests in the Alvares Gas Discovery are:

	Before Farmout	After Farmout
Sacgasco Limited (ASX: SGC)	75 %	69 % (Operator)
Xstate Resources Limited (ASX: XST)	25 %	21%
Bombora Natural Energy Pty Ltd	0 %	10 %

Strong California Gas Market

There is an enormous gas market in California with some 90% of the approximately 7 Bcf/day average demand imported from Canada and other states, resulting in gas prices at a premium to the Henry Hub USA natural gas pricing benchmark.

Gary Jeffery, Managing Director of Sacgasco commented:

"We welcome Bombora to the Alvares joint venture and appreciate the confidence this farmout shows in Sacgasco's interpreted potential of the under-explored parts of the Sacramento Basin."

"The farmout is another step in the Company's path to diversify its portfolio of high potential exploration and appraisal opportunities related to increasing production acquisition."

"We interpret that only three wells have tested valid traps on the Dempsey – Alvares play trend, and two of those wells flowed natural gas to the surface, thus validating the play concepts. The other well found conventional gas-filled reservoirs, which is very encouraging."

"Whilst de-risking and diversifying our portfolio is a key priority for the Board, first and foremost, we are focused on drilling the 1 TCF Dempsey Prospect, with its multiple target reservoirs and close proximity to pipeline access for early cash flow, in the coming months."

"Further news on Sacgasco's growth activities is expected to be released soon with new leases and the acquisition of more producing conventional gas fields being pursued."

For and on behalf of the Board of Sacgasco Limited.

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About Sacgasco Limited (ASX. SGC)

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 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.