



Sacgasco Limited

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Announcement to ASX

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OPERATIONS UPDATE &

READY TO 'TURN TO THE RIGHT' ON DEMPSEY

- Permitting underway to increase operated natural gas production by up to 1.5 million cubic feet per day (200%)
- Mapping of 3 Analogue Tcf-scale prospects completed and leasing proceeding
- Agreement signed with Magnum Gas and Power to farm out 5% Working Interest in Dempsey Gas Project in return for funding of A\$650,000
- Dempsey-1 scheduled for drilling in next 60 days, targeting 1 Tcf conventional natural gas reservoirs underneath a producing field
- Magnum also acquiring a promoted 10% Working Interest in 2+ Tcf Alvares Appraisal Gas Project
- Farm-out provides additional near-term funding flexibility with drilling of Dempsey 1 well fully funded

Sacramento Basin-focused natural gas developer and producer, Sacgasco Limited (ASX: SGC) ("Sacgasco" or "the Company") advises that it has begun permitting pipeline connections to facilitate an increase in natural gas production by up to 1.5 million cubic feet of gas per day (mmcf/gpd). This additional production is the result of bringing back online some of the recently acquired shut-in gas wells. At current gas prices of around US\$3.50 per mcf the gross cash flow from production from Sacgasco operated wells would be over A\$4 million per year.

The Company has also identified additional workover opportunities and pipeline connections in its portfolio that provide opportunities for further increases in production in the near future.

Sacgasco has completed seismic mapping of 3 Dempsey-analogue prospects with Tcf-scale potential and is actively acquiring the related mineral rights.

Sacgasco has also signed a farm-out agreement with ASX-listed Magnum Gas and Power (“Magnum” or “MPE”) for the 1+ Tcf* Dempsey natural gas Project and the 2+ Tcf* Alvares Appraisal Project in the Sacramento Basin, onshore California.

The Company plans to commence a 3,200 metre (~10,500 feet) combined appraisal and exploration well (Dempsey-1) in the next 60 days to evaluate this world class natural gas prospect.

Sacgasco interprets 7 target gas reservoir levels. Individual, unrisks deterministic Prospective Resources for each of the 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 exceed 1 Tcf.

The primary targets are interpreted in a series of Cretaceous sandstone reservoirs that exhibit structurally consistent amplitude anomalies analogous to those that are observed on seismic elsewhere in the basin where conventional sandstone reservoirs have trapped natural gas in mapped structural closures, e.g Tulainyo / James and Alvares wells.

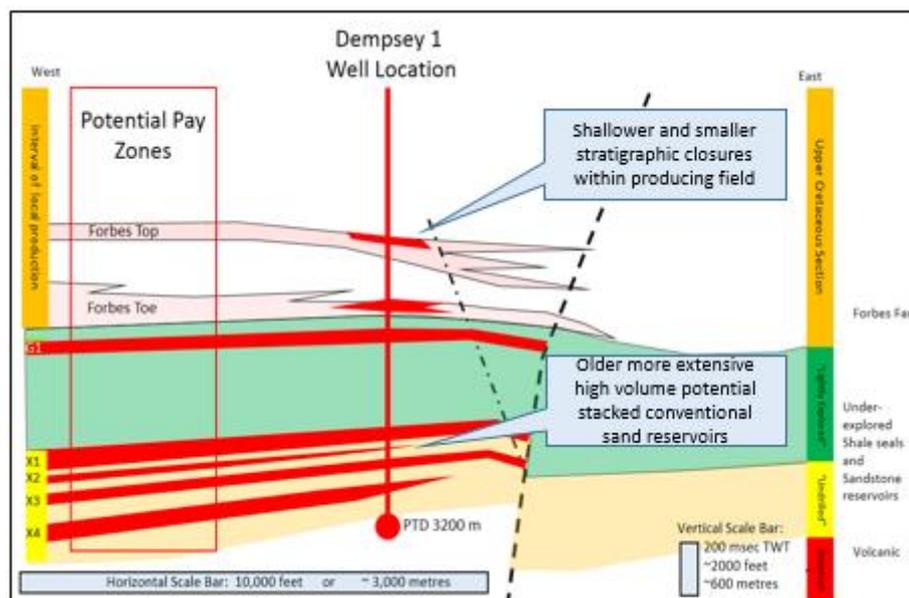


Figure 1: Cross Section through Proposed Dempsey 1 well

On the way to drilling the primary targets the Dempsey well will drill through secondary small (1 to 3 Bcf Deterministic Recoverable Prospective Resource) seismic amplitude defined, interpreted extensions of the shallow producing Forbes Sandstone reservoir system.

*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.”

This farm-out, consistent with previously announced farm-outs agreements, incorporates staged 'non-refundable' cash contributions. The outcome of the farmouts is that based on estimated well costs Sacgasco will fund approximately 12% of the expected Dempsey drilling costs to retain a 50% Working Interest ("WI") in the Dempsey Project.

After Farm-in Working Interests in the Dempsey Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	50%
Empyrean Energy plc (LON: EME)	25%
Bombora Natural Energy Pty Ltd (BNE)	10%
Xstate Resources Limited (ASX: XST)	10%
Magnum Gas and Power Limited (ASX: MPE)	5%

Magnum has also agreed to pay US\$20,000 cash now, and contribute 13.33% of the next Alvares appraisal well drilling costs to earn 10% WI in the Alvares Project estimated by Sacgasco to have over 2 Tcf of best-estimate deterministic recoverable Prospective Resources.

After Farm-in Working Interests in the Alvares Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	49%
Xstate Resources Limited (ASX: XST)	21%
Bombora Natural Energy Pty Ltd (BNE)	10%
Empyrean Energy PLC (LON: EME)	10%
Magnum Gas and Power Limited (ASX: MPE)	10%

Further details on the Dempsey and Alvares Projects have been included in previous Sacgasco presentations available through the ASX website or on Sacgasco's website: www.sacgasco.com

Sacgasco's Managing Director Gary Jeffery commented:

"Our strategy of diversification and building Company resilience by increasing production in parallel with locking up infrastructure for production from planned drilling of world-class natural gas prospects is coming to fruition.

We are also pleased to have signed the farmout agreement with Magnum, as it not only provides impetus for the drilling of Dempsey, but it also validates the huge unlocked potential of our multi-well natural gas portfolio in the Sacramento Basin. Their enthusiasm for California will be welcome in the Sacgasco joint venture.

As we say in the industry we are ready to “turn to the right”. This is a reference to the direction the drill bit turns upon commencing drilling and reflects that detailed planning for the spud of Dempsey is continuing apace.

I have almost 45 years of worldwide energy industry experience involving big gas discoveries and development. Our Sacramento gas play is underpinned by the positive attributes derived from our analysis of source, seal, traps and reservoirs in the under-explored parts of the prolific Sacramento Basin. Combined with ready and immediate access to gas infrastructure in a 2.5 Tcf-per-year gas market which is massively undersupplied by meagre local production, the opportunity in California is the best onshore opportunity I have seen in my career.

Sacgasco has relentlessly assembled the foundations for a world-class natural gas business in the energy-hungry Californian market, and we look forward to providing our shareholders with further updates as we progress this exciting phase in the Company’s development.”

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 and production in the Sacramento Basin, onshore California. Sacgasco has an extensive portfolio of natural gas producing wells and 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. Sacgasco 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.

www.sacgasco.com

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