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Announcement to ASX

7 June 2017

ALVARES FARMOUT & RE-ENTRY UPDATE

- **Alvares site visit confirms simple logistics for re-entry and possible sidetrack**
- **Option granted to Bombora to fund Alvares re-entry**
- **Sacgasco's estimates Alvares recoverable Prospective Resources of 2.4+ Tcf**
- **Dempsey-1 scheduled for drilling in next 50 days, targeting 1 Tcf conventional natural gas reservoirs underneath a Sacgasco operated producing gas field**
- **Agreement signed with Bombora to adjust earning criteria and working interests.**
- **Revised farm-out provides additional near-term funding flexibility, particularly with respect to Alvares**

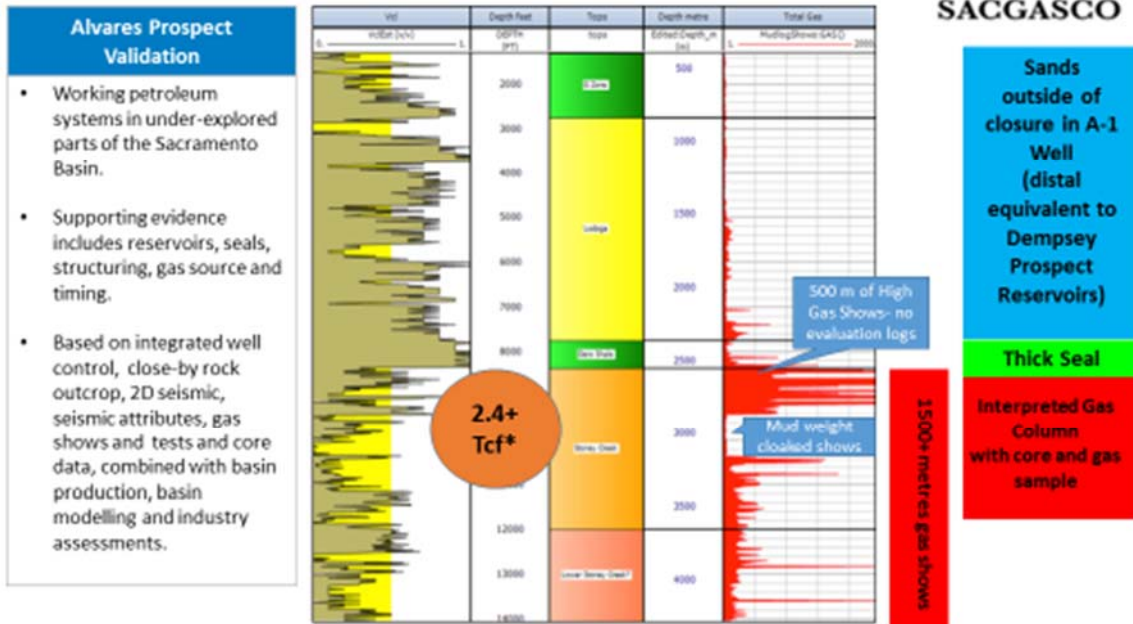
Sacramento Basin-focused natural gas developer and producer, Sacgasco Limited (ASX: SGC) ("Sacgasco" or "the Company") advises that it has conducted a site visit with the drilling contractor to the Alvares 1 well site to review logistics for a planned re-entry of Alvares 1 well bore to assess the integrity of the casing.

The 2.4+ Tcf Alvares Project

To earn an additional 5% WI in Sacgasco's Alvares Appraisal Project, estimated by Sacgasco to have 2.4+ Tcf* of best-estimate deterministic recoverable prospective resources. Bombora Natural Energy Pty Ltd (Bombora) has agreed to a one month option to pay up to US\$200,000 in drilling and evaluation costs to assess the feasibility of re-entering the Alvares 1 well bore (previously plugged) to evaluate the well bore integrity.

The well bore will be assessed for its suitability as the basis for drilling a side-track as a cost effective way of evaluating the prospectivity of extensive high pressure gas shows discovered while drilling for oil in 1982. The upper 500 metre thick interval of the best gas shows were not previously evaluated due to logging difficulties related to high pressure gas influx.

Appraisal: Alvares Gas Project – Alvares #1



*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.”

The Alvares 1 well is one of only two on-structure wells in the under-explored part of the Northern Sacramento Basin. Both wells had extensive columns of high pressure gas shows and flowed pipeline quality gas to the surface.

The other well was the James 1 oil exploration well drilled on the huge Sites Anticline in 1948. This well was the subject of appraisal drilling by the on trend Tulainyo 1 well which found multiple stacked high pressure, natural gas filled conventional reservoirs at depths of less than 1800 metres in January 2015. This gas discovery is to be more fully evaluated by Sacgasco’s Joint Venture Partners, Bombora and Magnum in late 2017.

The Alvares option agreement is a commitment by Bombora that is in addition to the previously announced farmout of 10% WI in which Bombora agreed to contribute 13.33% of costs of the next Alvares appraisal well drilling costs to earn 10% WI in the Alvares Project.

Empyrean and Magnum have committed to similar contributions to earn their respective 10% WI shown below.

After Farm-in and Option Exercise Working Interests in the Alvares Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	44%
Xstate Resources Limited (ASX: XST)	21%
Bombora Natural Energy Pty Ltd (Bombora)	15%
Empyrean Energy PLC (LON: EME)	10%
Magnum Gas and Power Limited (ASX: MPE)	10%

1+ Tcf Dempsey Project Update

Sacgasco is actively continuing the planning and permitting of the Dempsey 1 well scheduled for drilling in the next 50 days.

The Company plans to commence a 3,200 metre (~10,500 feet) combined appraisal and exploration well (Dempsey-1) in the next 50 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*.

Sacgasco has signed a revised farm-out agreement with Bombora related to the 1+ Tcf Dempsey natural gas Project, and Dempsey-analogue prospects and trend, in the Sacramento Basin, onshore California.

Additional Dempsey Trend Projects

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

Bombora has agreed to variations in the timetable for non-refundable deposit of funds for the Dempsey well, along with an extension of the areas in which it can earn a 15% working interest. In return Bombora will have 15% WI in three already identified prospects. Bombora will be provided a pro rata benefit of any future carries provided to Sacgasco under related farmouts.

Sacgasco's Managing Director Gary Jeffery commented:

"Our strategy of diversification by increasing production in parallel with locking up infrastructure for potential production from planned drilling of world-class natural gas prospects is succeeding.

We are pleased to have signed the revised farm out agreement with Bombora for Alvares, a prospect that has previously flowed pipeline quality gas, and one that potentially contains a huge natural gas resource. Moreover, it helps Sacgasco move forward its plans to evaluate the by-passed potential of the Alvares gas discovery.

The revised terms also provides further impetus for the drilling of Dempsey, which we expect to spud next month, and validates the huge unlocked potential of our multi-well natural gas portfolio in the Sacramento Basin.

Sacgasco has 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 news on the drilling of Dempsey.

Dempsey is an important step in a planned process to realise the opportunities from testing of our world-class onshore natural gas projects. Sacgasco's access to the extensive interstate-connected natural gas infrastructure is a mechanism for early cash flow from success that will complement and leverage Sacgasco's existing growing gas production portfolio."

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.

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

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