



Sacgasco Limited

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Announcement to ASX

31 July 2020

JUNE QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- Low-cost work-over program safely completed under budget with increased gas and cash flows.
- Completion of Convertible Note Issue raised \$400,500.
- Natural Gas reference price in Sacramento Basin is currently some 50% above the USA benchmark Henry Hub Natural Gas price.
- Timing for Borba spud is being regularly assessed and is based on the COVID-19 situation and risk assessment to protect shareholders against potential cost blow-outs.

Sacramento Basin-focused natural gas developer Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to provide the Quarterly Activities Report for the calendar quarter ending 30 June 2020.

EXPLORATION, APPRAISAL AND NEW VENTURES

ONSHORE CALIFORNIA

Gas Flow Enhancement

The company completed a low-cost work-over program which resulted in modest increases in gas flows from two existing natural gas wells. Other workovers are being assessed.

Borba Natural Gas Prospect

The drilling of the Borba well has been delayed by practical and risk considerations associated with uncertainties around COVID-19 limitations on personnel and equipment deployment. However, planning and design work for the well continues. When the risks can be better quantified and managed, the Company will provide further timing guidance.

Sacramento Basin

The Company continued to maintain leases in the Sacramento Basin during the quarter. Sacgasco has a working interest (WI) of between 10% and 100% in oil and gas leases which cover natural gas prospects ranging in size from 5-20 Bcf to Tcf recoverable prospective resources of Natural Gas. Strategic analysis of well histories and seismic to uncover opportunities for growth are ongoing.

GAS FLOW UPDATE

Gas Flows	June 2020 Quarter	March 2020 Quarter
Gross mcf * (100%)	45,065	47,911
Net SGC mcf (after Royalty)	25,000	27,305
<i>*mcf – Thousand Cubic feet gas</i>		

Overall gas flows were slightly reduced in the quarter by operational interruptions exacerbated by COVID-19 restrictions. Changes in flow from the workovers were only effective for one month in the quarter.

The relevant Natural Gas prices in California for the last quarter have been significantly above, and are currently some 50% above, the USA benchmark Henry Hub natural gas prices.

CURRENT QUARTER OBJECTIVES

Reviewing and planning a work-over program designed to enhance gas flows from existing gas wells.

Planning for the drilling of the Borba Prospect in 2020 will continue to be pursued.

The ongoing review of potential conventional oil & gas projects that have a strategic fit with Sacgasco's current assets.

Project Portfolio

SGC's current focus is unlocking the underlying value from its natural gas prospects in the under-explored parts of the Sacramento Basin and elsewhere as opportunities arise.

Sacgasco is the Operator of all but one of its WI wells and related tenements.

PROJECT NAMES <i>All located in the Sacramento Basin Onshore northern California</i>	LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL	PROJECT TYPE	TOTAL GAS WELLS	WORKING INTEREST (WI)*
<i>Dempsey Area Project</i>	Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	10	40-60%
<i>Alvares Project</i>	Oil and Gas Mineral Leases; Alvares 1 well (P&A Re-entry)	Exploration & Appraisal	1	50%
<i>Borba Project</i>	Oil and Gas Mineral Leases	Exploration	-	50%
<i>Los Medanos Project</i>	Los Medanos Gas Field HBP Leases	Appraisal & Rework	2	90%
<i>Malton Project</i>	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	8	45-70%
<i>Dutch Slough Gas Project</i>	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal & Rework	4	70%
<i>Denverton Creek Gas Project</i>	Denverton Creek Gas Field HBP Leases	Gas flow & Rework	1	70%
<i>Rio Vista Gas Project</i>	Rio Vista Field Wells HBP Leases	Gas flow, development & Rework	3	100%
<i>Willows Gas Field (Non-operated)</i>	Willows Gas Fields HBP Leases	Gas flow & Rework	1	10%

* Approximate WI across the referenced Project

Corporate

During the quarter the Company entered into agreements with SGC shareholders who are sophisticated investors (Section 708) for the subscription and issue of unsecured convertible notes to raise \$400,500. Funds were deployed to workovers of existing natural gas wells, lease maintenance and planning for exploration drilling.

After the end of the quarter Sacgasco held its Annual General Meeting.

Appendix 5B Quarterly Cash Flow report includes \$29,000 at Line 6.1 under "Payments to related parties of the entity and their associates". This includes the payment of \$5,200 for an office lease, \$15,300 director fees and consulting fees and \$8,500 in loan interest.

SACGASCO CAPITAL STRUCTURE

ISSUED CAPITAL at 31 July 2020	
Ordinary Shares (ASX: SGC) *	272,183,700
Listed Options (ASX: SGCOA)	133,429,938
Unlisted Options exercisable @ 4 cents by 31 December 2021	19,000,000
NOTE:	
* Includes 1,764,706 shares issued in July 2020 as approved by shareholders as part payment of Director's fees.	

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 appraising, developing and flowing clean conventional natural gas in the Sacramento Basin, onshore California.

SGC has an extensive portfolio of conventional-reservoir, natural gas flowing wells; and prospects at both exploration and appraisal stages, including Tcf natural gas opportunities.

The Company is targeting gas supply to the premium local Californian gas market and burgeoning LNG market in North America.

Sacgasco is of the view that the size of prospects in California have been the potential to supply both domestic California natural gas and export LNG markets including those to Asia.

Sacgasco's strategy is to find and develop under-valued and under-explored opportunities connected to under-supplied oil and gas markets with attractive product prices.

www.sacgasco.com

Twitter: @SacGasCo

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 firm work commitments associated with the leases. Some leases are 'Held By Production' (HBP) 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 natural 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 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 Sacgasco Limited. He is a qualified geophysicist with over 47 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. He is a member of The American Association of Petroleum Geologists. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.

The timing of future events is subject to the normal industry vagrancies of operational matters and equipment availability which are outside the control of Sacgasco and its suppliers. Facilities depicted in images on the Sacgasco website are not necessarily assets of Sacgasco. Some of the images used represent aspects of the oil and gas industry in which Sacgasco is involved or images of equipment owned by companies providing services to Sacgasco.

Before investing it is recommended that investors conduct their own due diligence and consult financial and technical advisors and form their own opinions on future events and implications.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Sacgasco Limited

ABN

83 114 061 433

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	187	388
1.2 Payments for		
(a) exploration & evaluation	(12)	(103)
(b) development	-	-
(c) production	(262)	(566)
(d) staff costs	(15)	(29)
(e) administration and corporate costs	(163)	(205)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(10)
1.6 Income taxes paid	(4)	(4)
1.7 Government grants and tax incentives	10	10
1.8 Other (JV receipts)	15	128
1.9 Net cash from / (used in) operating activities	(253)	(391)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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 equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(5)
3.5	Proceeds from borrowings	401	401
3.6	Repayment of borrowings	(15)	(29)
3.7	Transaction costs related to loans and borrowings	(22)	(22)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	362	345
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	155	283
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(253)	(391)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	362	345
4.5	Effect of movement in exchange rates on cash held	(16)	11
4.6	Cash and cash equivalents at end of period	248	248

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	248	155
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)	248	155

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	29
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	170	170
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	401	401
7.4	Total financing facilities	571	571
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Two unsecured loan facilities earning interest at 10% pa, repayable within six months unless extended by mutual agreement:</p> <ul style="list-style-type: none"> - Facility with Gary John Jeffery, dated 17 July 2018 for \$100,000, extended until 16 January 2021; and - Facility with Dungay Resources Pty Ltd, a company associated with Gary Jeffery, dated 17 September 2018 for \$70,000, extended to 17 September 2020. <p>Unsecured convertible note agreements totalling \$401,500 with 19 sophisticated investors, accruing interest at 10%pa. payable quarterly, maturing on 11 May 2021.</p> <p>Additional facility entered into with Gary John Jeffery on 24 July 2020 for \$100,000, repayable within 6 months from the date of agreement, accruing interest at 10% pa.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(253)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(253)
8.4	Cash and cash equivalents at quarter end (item 4.6)	248
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	248
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.98
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No. The Group expects negative cash flows (Item 8.3) to decrease in the next two quarters when compared with Q2/2020. The Group has completed two low-cost workovers resulting in a modest increase in gas flows, with both wells selling gas into the premium California gas market. The main factors for higher than normal cash outflows in the June 2020 quarter were due to the settlement of annual statutory payments which included audit and tax obligations and the printing and despatch of annual reports. In addition to this, \$44,000 of the payments disclosed in section 1.2(d) were overdue amounts not paid in prior quarters. The company is also expecting recovery of joint venture payables to supplement available cash by up to \$200,000. Post quarter end, a further \$100,000 was loaned to the company by a Director. The loan is unsecured and accrues interest at 10% pa.

These measures collectively are expected to result in having sufficient funding available for operations for the coming 2 quarters.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes. During the quarter, the Group successfully raised \$401,000 through the issue of convertible notes, which will be used to fund its exploration program. The Directors are also confident they can raise further capital to sustain future operations.

If necessary, the Group will delay discretionary expenditure that is not contractually committed.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The entity believes operations will continue through the methods identified in sections 8.8.1 and 8.8.2 through the deferral of discretionary expenses. Additionally, 50% of the Managing Director and Chairman Director fees are extinguished through the issue of shares, with the remaining 50% payable when the Company is in a financial position to do so.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 31 July 2020

Authorised by: Gary Jeffery – Managing Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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*

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Flows apply to this report. If this quarterly cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.