



Sacgasco Limited

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Announcement to ASX

20 November 2020

SACGASCO TO ACQUIRE 300 BOPD IN PRODUCING OIL FIELDS

- **Acquiring 30% working interest in 1,000 BOPD from Producing Oil Fields in Alberta, Canada:**
 - Sweet light oil with an average oil quality of 39° API from Keg River Formation
- **Purchase Price: CAD 600,000 cash (~A\$640,000) and 8.85 million SGC shares at an issue price of 4.0 cents each (~A\$350,000):**
 - Purchase price metric: ~US\$2,400 per flowing BOPD.
- **Remaining proved reserves of 4.4 million BO (100%) estimated by Independent Auditor at 31 December 2019:**
 - Purchase price metric: ~US\$0.55 per BO of Proved Reserves.
- **Extensive Owned infrastructure**
- **To be Operated by efficient, low cost private Operator which provides local synergies:**
 - Production is Cash Flow positive at current oil price.
 - Potential to Grow Production and reduce OPEX through early operational activity.
 - Exploration and Development Locations provide large upside.
- **Acquisition fully funded through placement of \$2,300,000 of SGC shares at 3.5c per share.**
- **Expected close by 31 January 2021, subject to Alberta Energy Regulator (AER) approval.**
- **Drilling of Borba Prospect remains the key priority for Sacgasco with preparations ongoing.**

Sacgasco Limited (ASX: SGC) (“Sacgasco” or “the Company”) is pleased to report that it has acquired a 30% Working interest (WI) in an oil producing asset in northern Alberta, Canada. The Red Earth asset consists of 6 oilfields and associated infrastructure, located 450 km north of Edmonton; currently producing over 1000 Barrels of Sweet Light (39° API) oil per day (~300 BOPD net to SGC WI)



Figure 1: Pump jack at Red Earth Project

The vendor is Blue Sky Resources Limited which has recently acquired the Red Earth assets.

A deposit of CAD 60,000 (10%) has been placed in an Escrow Account. The acquisition is subject to approval by the Alberta Energy Regulator (AER). The asset purchase is expected to close on or before 31 January 2021 with the same effective date.

The Red Earth Asset Joint Venture parties are :

- | | | |
|--------------------------------------|-----|----------|
| ▪ Sacgasco Limited (ASX: SGC) | 30% | |
| ▪ Blue Sky Resources Ltd (Private) | 55% | Operator |
| ▪ Xstate Resources Limited (ASX:XST) | 15% | |

Blue Sky operates other oilfields in the vicinity and operational synergies are expected.



Figure 2: Red Earth oil producing assets Location

Cumulative oil production over 30 years to date has been around 63 million barrels with a low 10% base decline rate. Approximately 160 producing wells are included in the assets. Current gross production is around 1,000 BOPD. Opportunities exist to return currently idled wells to production with the potential for an additional 300 BOPD in the short term.



Figure 3: Trout 16-11 Oil battery



Figure 4: Typical Red Earth Camp

The purchase price to be paid by SGC is CAD 600,000 cash (A\$640k) and 8.85 million SGC shares at a deemed price of 4.0 cents per share (A\$353.5k). The issue of the shares is subject to shareholder approval. This is equivalent to a purchase price of approximately US\$2,400 per flowing BOPD.

Gross (100%) and Net to SGC Remaining Reserves were estimated on a Deterministic Basis by independent Auditors for the previous Operator at 31 December, 2019 as follows:

Reserves Table (31 Dec 2019)	100% Working Interest Net of Royalties (Barrels)	Net Entitlement to SGC at 30% Working Interest (Barrels)
Proved Producing (PP)	2,506,000	751,800
Proved Developed Not Producing (PDNP)	1,411,000	423,300
Proved Undeveloped (PUD)	452,000	135,600
Probable Reserves (Prob)	2,305,000	691,500
Total Proved (1P) Reserve	4,369,000	1,310,700
Total Proved plus Probable (2P) Reserves	6,674,000	2,002,200

An updated independent Reserve Report is planned to be conducted as soon as practicable after Closing.



Figure 5: Large treater

The purchase price is equivalent to around US\$0.55 per Barrel of Proved Oil Reserves

At current prices the assets are cash flow positive and are highly leveraged to increased oil prices.

The property includes extensive long-life oil and gas leases (covering a net area of 123,000 acres), vertical and horizontal oil wells and extensive associated production facilities and oil flow lines, accommodation, produced water disposal facilities and wells, and access roads. Additional revenues are received from third parties who use some of the facilities.

Subsurface well data and 3D and 2D seismic provides the basis for considerable exploration and development opportunity supported by the extensive infrastructure and facilities.



Figure 7: Red Earth Heater Treater

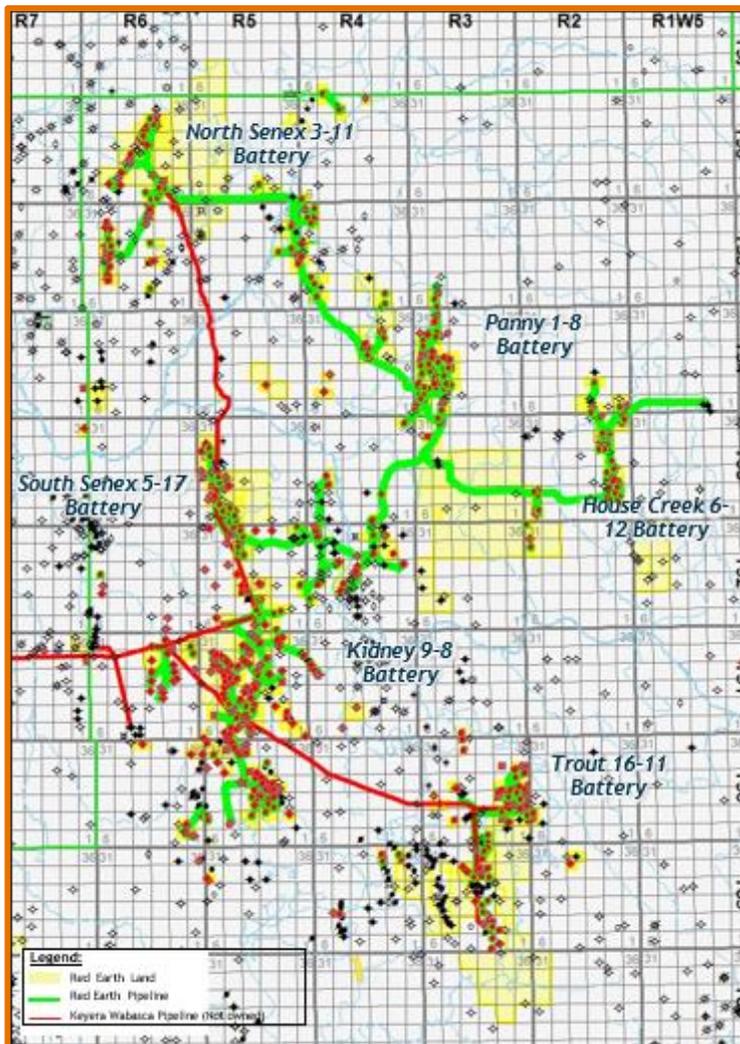


Figure 6: Red Earth Assets Map

Funding

The acquisition will be funded from the current placement of 66.7 million Sacgasco shares at a price per share of A\$0.035, raising some A\$2.3 million. This placement will also provide working capital leading up to commencement of the drilling of the Borba well in the Sacramento Basin later this year.

Sacgasco's Managing Director, Gary Jeffery commented:

"Sacgasco has had a strategy of seeking opportunities in underexplored and undervalued assets supported by invaluable infrastructure and facilities. This acquisition is a prime example of such assets. Our Operator has estimated that the infrastructure that is part of the Red Earth acquisition would cost hundreds of millions of dollars to replace.

These are long-life assets that strengthen Sacgasco's production and development portfolio in North America. These assets provide Sacgasco with diversity and resilience that is complementary to the World Class opportunities for natural gas in the Sacramento Basin.

The assets are non-operated and are not expected to distract Sacgasco from its operated assets in the Sacramento Basin, especially the planned commencement of the drilling of the Borba Prospect well this year.

However, Sacgasco plans to use its geological and geophysical strengths to provide technical support to the operator in the interpretation of the extensive seismic data to determine development locations to maintain and grow production, as well as map the exploration upside in the extensive Project acreage.

The owner of Blue Sky is well known to Sacgasco and has been a trusted colleague for a decade. Furthermore, Blue Sky's operating philosophy is consistent with Sacgasco's long held operating strategy.

I strongly subscribe to the philosophical view espoused by legendary oilman, J Paul Getty that the "best time to buy straw hats is in winter". The recent low oil prices and resultant oil industry distress provides opportunities for those willing to take a contrarian viewpoint.

Personally, I am an "Oil and Gas Price Bull". It is my strongly held belief based on my 5 decades of oil and gas experience, that neither oil nor natural gas is going to be replaced as an energy source for a considerable time, and the long projected life of the acquired assets fits well with our expectations from our Sacramento natural gas assets.

Additional Information Required under Chapter 5 of the ASX Listing Rules to be read as Notes to Reserve Table:

- 1. The Reserves were estimated by a qualified Independent Reserve Auditor GLJ Limited and have been classified in accordance with SPE-PRMS . They have been reviewed in detail by SGC's Competent Person, Mr Gary Jeffery.*

2. QUALIFIED PETROLEUM RESERVES AND RESOURCE EVALUATOR REQUIREMENTS

The reserves and resources information in this Sacgasco Limited Australian Stock Exchange (“ASX”) document provided to GLJ Limited (“GLJ”) relating to oil fields in the Red Earth Property are based on, and fairly represent information prepared by, or under the supervision of James T F Guy, Charlene A Maines, Laura M Beierbach, Sarah C. Taylor, and Kelly J. Zukowski.

James T F Guy is an employee of GLJ, has a Bachelor of Science Degree in Oil and Gas Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41. Charlene A Maines is an employee of GLJ, holding a Bachelor of Science Degree in Earth Sciences(Geology) from University of Waterloo and is a Registered Professional Geologist in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Laura M Beierbach P.Eng. is an employee of GLJ, has a Bachelor of Science Degree in Oil and Gas Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Sarah C. Taylor P.Geol. is an employee of GLJ, holding a Bachelor of Science Degree in Geology from the university of Calgary and is a Registered Professional Geologist in the Province of Alberta. She is qualified in accordance with ASX listing rule 5.41. Kelly J. Zukowski, P.Eng. is an employee of GLJ, has a Bachelor of Science Degree in Mechanical Engineering from the University of Calgary and is a Registered Professional Engineer in the Province of Alberta. He is qualified in accordance with ASX listing rule 5.41.

GLJ and its named employees have consented to be named in this manner in this release.

3. Production trends and operating cost trends are well established enabling the reliable prediction of future production by decline curve analysis, the estimation of future revenue from oil and gas sales as well as the forecasting of future costs. Economic life of reserves takes into account oil and gas revenues based on prevailing commodity pricing as well estimated operating costs, capital costs, royalties and mineral taxes.
4. The reserves are estimated at 31 December 2019 using Deterministic Methods based on GLJ estimates of future oil production using technical and economic data. Remaining oil production, based on analysis of well logs, geologic maps, seismic data, well test data. production data and property ownership information is multiplied by oil prices determined the GLJ 2020-01 price deck (based on extensive market information and professional experience and expertise) at December 31, 2019, which is part of a regular release on the GLJ website adjusted for individual field related imposts to estimate future revenues. Operator supplied field Operating Costs based on actual and projected costs are deducted from revenues on a yearly basis to determine the economic limit of the wells and summed by individual field. Royalty payments are treated as Operating Cost deductions. Estimated individual field lives based on the above methods and 2P reserves ranged from 12 to 25 years. These will vary over times due to oil prices, operating costs and other related imposts.
5. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore conclusions necessarily represent only informed professional judgement.
6. The Reserves have been estimated using Deterministic Methods and have been summed arithmetically and have not been adjusted for risk. The reserves are estimates and may increase and decrease as a result of market conditions, future operations including reactivations and fracture stimulations, enhanced recovery through waterfloods or changes in regulations, or actual reservoir performance. Estimates are based on certain assumptions including, but not limited to, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the Operator to recover the volumes, and that projections of future production will prove consistent with actual performance. Because of governmental policies and uncertainties of

supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made.

7. *The reserve estimates in the table are Gross (100% WI- Column 1) and Net to SGC 30% WI (Column 2). The Producing Reservoirs are predominantly conventional Keg River Formation dolomites.*
8. *Sacgasco will acquire its 30% WI at Closing. SGC is acquiring a Non Operated interest. The Operator will be Blue Sky Resources Limited*
9. *Leases are Crown (Government awarded) Leases. Most lease are Held By Production (HBP); annual rentals are paid on leases that are not HBP. Leases cover a net to the joint venture, area of around 123,000 acres*
10. *Royalty paid to the Government based upon a formula where lower producing wells attract lower royalty. Based upon the current gross production of around 1,000 bopd, the production royalty averages around 12%.*
11. *Reserves are mostly based on normal oilfield primary recovery methods using predominantly bottom hole rod insert pumps with conventional pumpjacks; 3 wells use electric submersible pumps (ESP) Some areas of the Red earth fiels are under secondary recovery using waterflood techniques.*
12. *Based on local reservoir experience further fracture stimulation and waterflooding may significantly increase reserves over time. The economic benefit and use of these techniques will be determine by economic analysis in the future.*
13. *No specialised processing of the oil is required.*
14. *Undeveloped Reserves are based on assumptions using the local cost of development wells to access the reserves, offset and analogue producing well performance and operating costs.*
15. *The Red Earth Asset production is transported by tankers and owned gathering pipelines to third party access pipelines to various markets in Canada, primarily local refineries. Oil prices received are local free market prices.*

PRMS Reserves Classifications used in this Release

1P Denotes low estimate of Reserves (i.e., Proved Reserves). Equal to P1.

2P Denotes the best estimate of Reserves. The sum of Proved plus Probable Reserves.

1. **Developed Reserves** are quantities expected to be recovered from existing wells and facilities.
 - a. *Developed Producing Reserves* are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
 - b. *Developed Non-Producing Reserves* include shut-in and behind-pipe reserves with minor costs to access.
2. **Undeveloped Reserves** are quantities expected to be recovered through future significant investments.

A. **Proved Reserves** are those quantities of Petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

B. **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered

than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

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 under-explored, recently over-looked, world class gas opportunities near under-supplied gas markets.

The current prime focus is 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 domestic Californian natural gas and export LNG markets.

www.sacgasco.com

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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 and or their timing 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. Mr Jeffery is a member of the American Association of Petroleum Geologists and consents to the inclusion of the information in the form and context in which it appears.