



Sacgasco Limited

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Announcement to ASX

31 October 2018

SEPTEMBER 2018 QUARTERLY ACTIVITY REPORT

PRODUCTION:

- Multi-well workover program to grow natural gas production ready for implementation.
- Net Production in line with prior quarter.
- Natural Gas prices up almost 30% since June 2018.
- Dempsey well to be worked over to resume production.
- Sacgasco's 27 well portfolio, with 11 wells producing gas in the quarter, provide multiple opportunities to bring additional wells back into production.

ALVARES AND ANZUS:

- Preparations for re-entry activities to commence shortly.
- Anzus well to be permitted for drilling.

STRATEGY and PROSPECTS PORTFOLIO:

- SGC Strategy is to find and explore under-valued and under-evaluated (and overlooked) opportunities connected to materially under-supplied oil and gas markets.
- Evaluation of Geologic and Geophysical data continues to reveal potential reservoir sweet spots in the Sacramento Basin, California.
- A preferred location to drill Anzus Prospect is being selected and will be permitted with regulator.
- Leases over mapped high potential prospects continue to be maintained for production, rework, appraisal and exploration opportunities.
- New venture opportunities and acquisitions are being reviewed in California and elsewhere consistent with the Company's Strategy.

Sacramento Basin-focused natural gas developer and producer Sacgasco Limited (ASX: SGC) ("Sacgasco" or "the Company") is pleased to provide its Quarterly Activities Report for the period ended 30 September 2018.

Exploration, appraisal and new ventures

Extensive exploration leases have continued to be maintained within the Sacramento Basin during the quarter. SGC has a working interest (WI) of between approximately 30% and 100% in these leased lands which cover Sacgasco interpreted Natural Gas prospects.

Sacgasco is leading the way in the evaluation of the high potential older sediments of the Northern Sacramento Basin.

The sediments of interest are a series of deepwater deposited Cretaceous sandstones that have flowed clean natural gas to surface from multiple zones in Sacgasco’s Dempsey well and two other wells in the Sacramento Basin in 100 years of exploration.

The results of Dempsey 1-15 well, including sales gas flows from older reservoirs for the first time in 100 years of exploration in the Sacramento Basin reinforced SGC’s belief that world-class, multi-Tcf prospects exist in the Sacramento Basin. Compilation and improvement of technical data have identified potential areas of better reservoir and provided additional prospects for exploration and appraisal drilling. Mapping completed to date has resulted in the identification of a portfolio of gas prospects and leads, with gross unrisked best estimate recoverable Prospective Resources of Natural Gas ranging from a few Bcf to over 250 Bcf with multi TCF potential upside

SEPTEMBER QUARTER PRODUCTION UPDATE

Combined Production	September 2018 Quarter	June 2018 Quarter
Gross mcf * (100%)	74,909	80,783
Net SGC mcf (after Royalty)	28,572	30,435
<i>*mcf – Thousand Cubic feet gas</i>		



SGC’s Operated Sacramento Basin Natural Gas Assets

The Anzus Prospect on the Dempsey Trend is being reviewed to assess the optimum location for drilling. The Anzus well location will test the refined depositional model involving sand-filled turbidite channels similar to those reservoiring prolific oil and gas fields offshore West Africa. The presence of multiple stacked seismic amplitude anomalies are seen as enhancing the prospectivity at Anzus. The winter wet season in the Sacramento Basin defines a preferred drilling period for the Anzus well to be from May to October.

ONSHORE CALIFORNIA

Activities to Increase Operated Natural Gas Production

Opportunities have been identified in the Sacgasco portfolio of wells for multiples of current production levels. Production for the quarter was in line with the prior quarter with revenues increased by improved natural gas sales prices that are up almost 30% since June 2018 with benchmark gas price currently close to US\$4 (A\$5.50) per mcf.

Sacgasco has identified additional workover and equipment relocation and refurbishment activities in its portfolio that provide opportunities for increases in production in the near future. Scaling up production from the company's portfolio of 27 wells is a focus, while Sacgasco also works on bringing larger potential projects into production across its five gas fields and exploration acreage.

Production facilities also provide ready access points for future exploration success from Sacgasco's appraisal and exploration activities.

The Dempsey 1-15 well commenced flowing during the reporting quarter, but is currently shut-in due to an inflow of reservoir produced water that resulted in reduced gas flow. Work is underway to change the completion configuration in the well bore to assess the best way to overcome the water ingress and resume gas flows from the well. This work will be done in conjunction with other imminent well workover operations in the area.

Alvares Natural Gas Project – Appraisal stage (SGC 39% WI)

The Alvares natural gas project is located only 9 miles from large natural gas pipelines and on trend 35 miles from the similarly structured Sites Anticline on which the 1948 Shell James 1 well flowed gas to surface from reservoirs of similar age to those of interest at Alvares.

Planning is proceeding for the Alvares well bore to be assessed for its suitability as the basis for re-evaluating the prospectivity of extensive high-pressure gas shows discovered while drilling for oil in 1982.

The initial task will be to refurbish the well pad and re-establish access to the well bore and then to test the integrity of the existing casing and if safe, test various zones of gas saturated reservoirs in the well, including conventional reservoirs and fractured reservoirs potential. State-of-the-art through-casing gas detection logs, and high penetration perforating tools are planned to be used for testing.

These operations at Alvares are due to commence shortly and will progress methodically as conditions allow, which are dependent on findings in the wellbore at each stage, and given some unseasonably early rain in the area.

The Alvares 1 well is one of only three on-structure wells (Dempsey 1-15 and James 1 are the others) in the under-explored part of the Northern Sacramento Basin that flowed pipeline quality natural gas to the surface on test.

Additional prospects and leads have been mapped in the northern Sacramento Basin and leasing activity, consistent with the Company's growth strategy, continued during the reporting period.

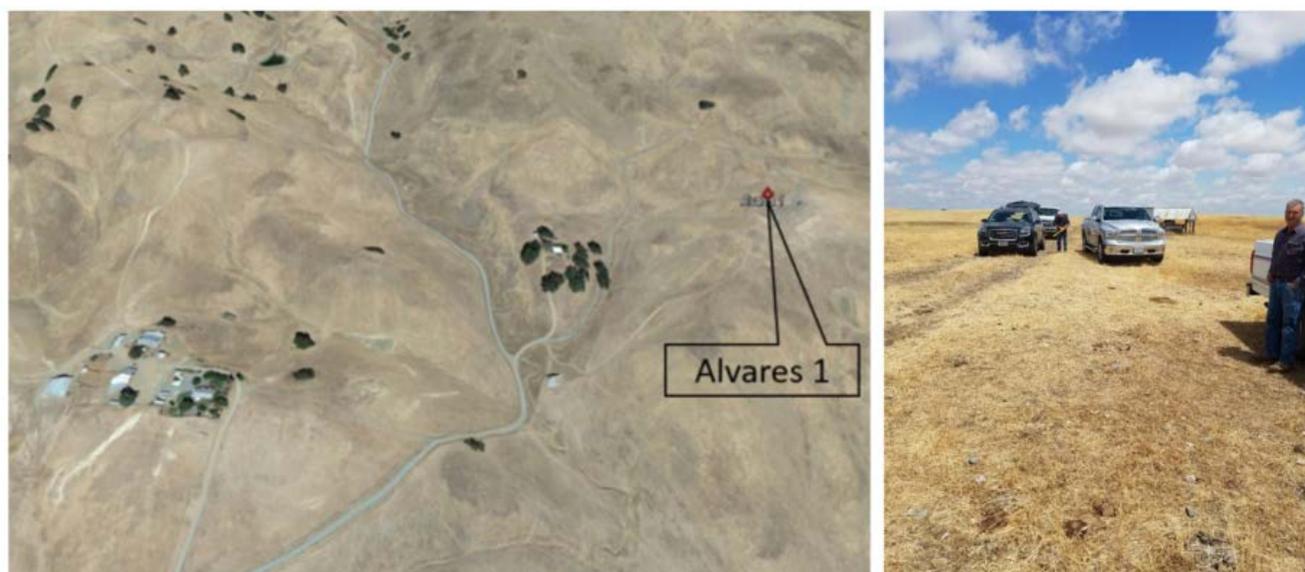


Figure 1: Alvares location in rolling rangeland

EXPLORATION, APPRAISAL AND NEW VENTURES

Exploration leases have been maintained and acquired within the Sacramento Basin during the quarter. SGC has a net working interest (WI) of between 33% and 100% in oil and gas leases which cover natural gas prospects ranging in size from 5-20 Bcf to over 2 Tcf of recoverable prospective reserves of natural gas.

Review of Sacramento Basin activity including drilling on the Dempsey and Tulainyo Projects has reinforced the belief that SGC has significant exposure to world-class, multi-Tcf natural gas projects. Technical data and ongoing analysis continues to be used to identify and upgrade additional prospects for leasing and future exploration drilling.

Project Portfolio

As outlined above, 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.

Projects are continuously reviewed for their strategic fit and are expected to be modified over time to reflect industry conditions and results of operations. Sacgasco is the Operator of all but one of its WI wells:

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 OPERATED WELLS	GAS PRODUCING WELLS	WORKING INTEREST (WI)*
Dempsey Project	Rancho Capay and Rice Creek East Gas Fields HBP Leases; Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	10	6	33-50%
Alvares Project	Oil and Gas Mineral Leases; Alvares 1 well (P&A Re-entry)	Exploration & Appraisal	1	-	39%
Dempsey Trend Projects (3)	Oil and Gas Mineral Leases	Exploration	-	-	36%
Los Medanos Project	Los Medanos Gas Field HBP Leases	Appraisal & Rework	2	2	90%
Malton Project	Malton Gas Field HBP Leases and Oil and Gas Mineral Leases	Exploration, Appraisal & Rework	8	5	35-69%
Dutch Slough Gas Project	Dutch Slough Gas Field HBP Leases	Exploration, Appraisal & Rework	4	-	69%
Denverton Creek Gas Project	Denverton Creek Gas Field HBP Leases	Gas flow & Rework	1	1	70%
Willows Gas Fields (Non-operated)	Willows Gas Fields HBP Leases	Gas flow & Rework	-	1	10%

TENEMENT LIST (as 30th September 2018)

PROJECT NAME	LOCATION	WORKING INTEREST (WI)*
Dempsey Project	Sacramento Basin Onshore Northern California	50%
Alvares Project	Sacramento Basin Onshore Northern California	39%
Dempsey Trend Prospects	Sacramento Basin Onshore Northern California	36%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	90%
Malton Gas Field	Sacramento Basin Onshore Northern California	35-69%
Dutch Slough Gas Field	Sacramento Basin Onshore Northern California	69%
Denverton Gas Field	Sacramento Basin Onshore Northern California	70%
Rancho Capay Gas Field	Sacramento Basin Onshore Northern California	33-50%
East Rice Creek Gas Field	Sacramento Basin Onshore Northern California	50%

Note: WI* – Approximate numbers represent post farmout working interests

CORPORATE

Graeme Clatworthy joined the Sacgasco Board on the 2nd August 2018 following the resignation of Philip Hayden-Slater due to his additional work commitments in London.

The SGC June 2018 Interim Financial Report was issued on 5 September 2018 and a copy is available on our website www.sacgasco.com

In addition, SGC Managing Director Gary Jeffery presented to shareholders and investors at the annual Good Oil Conference held in Perth, Western Australia (refer ASX release dated 13 September 2018).

NEAR TERM OBJECTIVES

Sacgasco's priority is to work-over and tie in several wells that have been identified for immediate production. Progressing Alvares testing is also a priority. Announcements on these developments will be made progressively throughout the quarter, as will significant updates on existing producing wells and other field development activities. Sacgasco has an active fourth quarter planned.

SACGASCO CAPITAL STRUCTURE

ISSUED CAPITAL at 31st October 2018	
Ordinary Shares	259,780,949
Unlisted Options exercisable @ 10 cents 30 September 2019	10,000,000
Unlisted Options exercisable @ 5 cents 30 December 2019	6,000,000
Unlisted Options exercisable @ 15 cents 31 December 2019	27,000,000
Note: In early July 2018, 937,500 shares as part payment of director's fees and 1,102,576 shares as payment of consulting fees as approved by shareholders were issued. In early October 2018, 812,500 shares as part payment of director's fees, and 1,177,500 shares in lieu of consulting fees were issued as approved by shareholders.	

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 natural gas exploration and production 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.

Sacgasco's strategy is to find and develop opportunities in areas that have been overlooked in recent times, but are close 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' 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 45 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SACGASCO LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	144	548
1.2 Payments for		
(a) exploration & evaluation	(435)	(1,535)
(b) development	-	-
(c) production	(144)	(1,448)
(d) staff costs	(17)	(40)
(e) administration and corporate costs	(215)	(1,114)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(5)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (<i>Net JV Receipts</i>)	550	1,766
1.9 Net cash from / (used in) operating activities	(117)	(1,828)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments (<i>shares in o/s company</i>)	-	-
(d) other non-current assets (<i>DOGGR Bond</i>)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments (<i>shares in o/s company</i>)	-	-
(d) other non-current assets (<i>Refund of Bond</i>)	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (<i>Cash held on acquisition of subsidiary</i>)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	500
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(3)	(30)
3.5 Proceeds from borrowings	170	220
3.6 Repayment of borrowings	(14)	(50)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	153	640

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	831	2,005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(117)	(1,828)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	153	640
4.5 Effect of movement in exchange rates on cash held	17	67
4.6 Cash and cash equivalents at end of period	884	884

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	884	831
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)	884	831

Included in the above balance is \$680,000 of cash held by PEOCO LLC, a wholly owned subsidiary of Sacgasco, which represents cash calls made by PEOCO LLC for exploration expenditure. This includes amounts paid by Sacgasco.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	8
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Includes salaries and fees paid to Directors of the company.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	220	220
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Unsecured loan from a director earning interest at 10% pa, repayable within six months unless extended by mutual agreement.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation (net)	100
9.2 Development	-
9.3 Production	-
9.4 Staff costs	47
9.5 Administration and corporate costs	90
9.6 Other	-
9.7 Total estimated cash outflows	237

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

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.

Sign here: 
Company Secretary

Date: 31 October 2018

Print name: David M McArthur

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 Flows apply to this report. If this quarterly 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.