



Sacgasco Limited

ABN 83 114 061 433

Unit 14, 210 Bagot Road, Subiaco, WA, 6008.

T +61 8 9388 2654 E info@sacgasco.com

Announcement to ASX

29 October 2021

SEPTEMBER QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS – September Quarter

- **Maiden Cash Flow Positive Quarter for Sacgasco's Canadian Assets:**
 - Improving production and cash flow from Canadian producing assets
 - 35,537 BOE delivering SGC share of Joint Venture revenue of A\$2.7 million* (before royalties of A\$360,500) from Red Earth and Alberta Plains production assets
 - SGC share of Canadian Joint Venture net operating cash flow for the quarter (after royalties and capex of A\$183,000) is A\$593,000*.
 - Production rates are increasing at both the Red Earth and Alberta Plains assets.
- **Sacgasco completed the acquisition of 4 Service Contracts covering 1,470,000 hectares including 6 oil discoveries in the Palawan Basin, Philippines**
- **After the end of the September Quarter:**
 - **Asset Manager for Philippines contracted, and**
 - **Borba Hydrogen Project announced for California.**

**Note: Approximately 60-day time lag between Canadian operating cashflow and Joint Venture cash distributions to Sacgasco results in variances to Appendix 5B reported numbers.*

Gary Jeffery, Managing Director commented:

“The September Quarter and subsequent events referred to in this report represent a critical growth milestone for the Company. Sacgasco has rapidly transformed into a significant Exploration & Production (E&P) Company with forward cashflows expected to materially underpin production and development projects in Canada and California, and to mature development and exploration projects in the Philippines. We now hold a suite of assets with tremendous upside in three stable jurisdictions.”

EXPLORATION AND PRODUCTION ACTIVITIES

ONSHORE CANADA

During the March 2021 Quarter Sargasco Limited acquired non-operated oil and gas producing assets in Alberta, Canada. The Red Earth (30% SGC working interest) and Alberta Plains (20% SGC working interest) Assets consist of multiple oilfields and extensive associated infrastructure.

Since Sargasco acquired the assets, gross production from Red Earth and Alberta Plains has increased by around 35% due to production optimization projects including well workovers and restarts.

The assets are currently producing approximately 1,606 BOEPD (408 BOEPD net to Sargasco).

Oil prices have roughly doubled since the initial Canadian asset acquisition was announced.

| Canada Oil and Gas Production (BOE)¹ | September 2021 Quarter | June 2021 Quarter |
|--|-------------------------------|--------------------------|
| <i>SGC Production</i> | <i>35,537</i> | <i>34,815</i> |
| <i>SGC Production after Royalty</i> | <i>30,970</i> | <i>30,516</i> |
| <i>Note 1: Gas converted to BOE using 6:1 ratio</i> | | |

A multi-spectral satellite imagery study over Sargasco's Canadian assets is ongoing targeting the identification of hydrocarbon, hydrogen and helium anomalies. The results of the study will be integrated with the extensive subsurface well control and other geophysical data including seismic to define potential exploration targets within the areas of operations.

A program of infill developments wells is being reviewed for drilling in the Canadian assets. These locations have the advantage of adjacent existing infrastructure.

No material tenements were acquired or disposed of during the quarter, and farm-in and farm-out arrangements remained the same as the previous quarter.

ONSHORE CALIFORNIA

Borba Natural Gas Project - Sargasco 66.67% Working Interest ("WI")

Hydrogen Feasibility Project

The Borba 1-7 well was discovered in the first quarter of 2021. It has the potential to initially produce between 3 and 5 million cubic feet of gas per day of natural gas.

Following on from reviews of pipeline operating incidents, the local pipeline network owner recently imposed severe volume restrictions on the previously identified pipeline route for Borba natural gas. This restriction would have resulted in the Borba production being curtailed indefinitely to well below potential.

As a result, Sargasco's team assessed other viable alternatives to monetise Borba's gas and surrounding prospects. Potential value, cost, lead-time, potential for expansion and regulatory approval processes were considered in the assessment of a range of options including hydrogen, alternative pipeline routes, CNG, mini-LNG and Gas to Power.

Local generation of hydrogen to supply the growing Californian market provided a number of advantages over the alternatives, including:

- Excellent technology acceptance by community and support for the development of California's hydrogen economy by local legislators;
- Established and fast-growing market demand;
- Route to market by road, no need for pipelines construction or access;
- Limited land use and associated regulatory approvals with hydrogen facilities potentially co-located at well-site;
- Diversify traditional O&G activities into well-supported renewable energy markets.

Subsequent to the end of the September quarter the Sacgasco led JV initiated a feasibility study to produce hydrogen from the discovered natural gas at Borba as the Company seeks to capitalize on California's established and growing hydrogen transport infrastructure network of refueling stations and the State's growing commitment to renewable energy as legislators lobby for a US\$300m Hydrogen Plan.

The Borba well natural gas can be utilised on-site for the production of hydrogen, which in turn would be trucked out for sale to the local hydrogen economy in California.

The Sacgasco JV is developing partnerships with equipment and technology providers to support the project and has joined the Californian Hydrogen Business Council (CHBC) as a Silver Member. Associated production equipment includes proven 'plug and play' equipment available from established vendors.

The Sacgasco operated JV has determined that establishing Borba as a hydrogen project is a unique and compelling opportunity for the Company given capex is likely to be relatively modest as existing 'plug and play' technology and equipment can be deployed at Borba to produce hydrogen. A much larger capital investment is required to connect the well to a gas pipeline that has available capacity.

Integration of recently acquired proprietary and public airborne geophysical data with 2D and 3D seismic data and analysis of well histories over a 1000 square kilometres study area in the northern Sacramento Basin is proceeding. Results are expected to define extensive 'prospects and leads' focus areas near Sacgasco's infrastructure. Potential for natural sources of helium and hydrogen is also being examined.

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.

California has an unsatiated average 7 Bcf per day gas market. California imports over 90% of this natural gas from other US States and Canada.

Reference Natural Gas prices for Sacgasco Gas Sales in Sacramento Basin for the September Quarter were around US\$5.70/mcf (A\$7.70 /mcf). This represents a 33% premium to US Benchmark Henry Hub Natural Gas Price.

These prices remain strong and the current price is around US\$7 /mcf (A\$9.30 /mcf.). Sacgasco's Natural Gas prices in California are currently 123% of the USA benchmark Henry Hub natural gas prices.

| California Gas Production (mcf) ¹ | September 2021 Quarter ² | June 2021 Quarter |
|--|-------------------------------------|-------------------|
| Gross Production | 31,443 | 32,752 |
| SGC Production after Royalty | 16,471 | 16,462 |
| <i>Note 1: mcf = Thousand Cubic feet gas</i> | | |
| <i>Note 2: Overall gas flows were reduced in the quarter by operational interruptions.</i> | | |

No material tenements were acquired or disposed of during the quarter, and farm-in and farm-out arrangements remained the same as the previous quarter.

OFFSHORE PHILIPPINES

In July 2021 Saccgasco completed the acquisition of 4 Service Contracts covering 1,470,000 hectares including 6 oil discoveries in the Palawan Basin, Philippines.

The Company purchased BCP Energy International PTE. LTD. (renamed Saccgasco SG PTE LTD) from Bangchak Corporation. This included the fully owned subsidiary NIDO Petroleum Pty Ltd (“NIDO”), its associated working interests in 4 Philippine Service Contracts in the Palawan Basin and its local team. This transaction closed on 1 July 2021. Saccgasco is Operator for 2 of the Service Contracts.

On 3 September 2021, Saccgasco executed an agreement with IMC Investments Capital Pte Ltd (“IMC”) to acquire its wholly owned subsidiary Yilgarn. Saccgasco’s Working Interest in SC54A increased to 72.5% with Saccgasco as Operator.

In early September Saccgasco executed an offtake agreement for its future Philippines crude oil production with a Bangchak Corporation (“Bangchak”) subsidiary. Bangchak owns and operates a 120,000 bopd oil refinery in Thailand.

Service Contracts in the Philippines are granted by the government for defined periods of times that vary from contract to contract.

Marshall Hood was appointed Asset Manager of the Philippines assets to accelerate the oil development objectives of this core area on 18 October 2021.

CURRENT QUARTER OBJECTIVES

- Fast track plans for developments on the Philippines Service Contracts to initiate subsequent cash flow from associated oil discoveries.
- Increase production and revenues from Canadian oil and gas producing properties.
- Advance the Borba Hydrogen Project and improve cash flow from other Sacramento Basin Assets.
- Integration of newly sourced geophysical data with the existing company database in the Sacramento Basin to build on Saccgasco’s portfolio of natural gas opportunities, including defining and progressing drillable prospects.
- Ongoing review of potential conventional oil and gas, Hydrogen and Helium opportunities that fit with Saccgasco’s assets and strategy.

CORPORATE

The Saggasco Limited June 2021 Interim Financial Report was issued on 10 September 2021 and a copy is available on our website www.saggasco.com

Saggasco's Managing Director Gary Jeffery presented to shareholders and investors at the annual Good Oil Conference held in Perth, Western Australia (refer ASX release dated 8 September 2021).

SAGGASCO CAPITAL STRUCTURE

| ISSUED CAPITAL at 31 July 2021 | |
|---|-------------|
| Ordinary Shares (ASX: SGC) * | 481,181,964 |
| Listed Options (ASX: SGOA) | 131,899,719 |
| Unlisted Options exercisable @ 4 cents by 31 December 2021 | 16,000,000 |
| Unlisted Options exercisable @ 6 cents by 31 December 2022 | 18,000,000 |
| * Includes 1,917,808 issued as consideration for the Alberta Plains (Zargon) and 937,500 as approved by shareholders as part payment of Director's fees | |

SAGGASCO NORTH AMERICA TENEMENT TABLES (as at 30 September 2021)

| PROJECT NAMES | LEASES; RELATED GAS FIELD (HBP LEASES); OR KEY WELL | PROJECT TYPE | WORKING INTEREST (WI)* |
|--|--|-----------------------------------|-------------------------------|
| <i>Dempsey Area Project</i> | Rancho Capay, Rice Creek, East Gas Fields - HBP Leases; Oil and Gas Mineral Leases | Exploration, Appraisal and Rework | 40-60% |
| <i>Borba Project</i> | Oil and Gas Mineral Leases | Natural Gas and Hydrogen | 66.67% |
| <i>Los Medanos Project</i> | Los Medanos Gas Field HBP Leases | Natural Gas Appraisal and Rework | 90% |
| <i>Malton Project</i> | Malton Gas Field HBP Leases and Oil and Gas Mineral Leases | Exploration, Appraisal and Rework | 45-70% |
| <i>Dutch Slough Gas Project</i> | Dutch Slough Gas Field HBP Leases | Exploration, Appraisal and Rework | 70% |
| <i>Rio Vista Gas Project</i> | Rio Vista Field Wells HBP Leases | Gas flow, development and Rework | 100% |
| <i>Willows Gas Field (Non-operated)</i> | Willows Gas Fields HBP Leases | Gas flow and Rework | 10% |
| <i>Alvares Project</i> | Alvares 1 well (P&A Re-entry) | Exploration and Appraisal | 50% |
| <i>Red Earth Assets (Canada)</i> | Oil and gas Mineral Leases and wells and associated Infrastructure | Production | 30% |
| <i>Alberta Plains Assets (Canada)</i> | Oil and gas Mineral Leases and wells and associated Infrastructure | Production | 20% |

* Approximate WI across the referenced Project

Saggasco is the Operator of all but one of its WI wells and related tenements in California. All assets in Canada are non-operated.

PHILIPPINES SERVICE CONTRACTS (as at 30 September 2021)

| Service Contract | Fields / Discoveries | % Interest | Operator |
|-------------------------|---|---|-----------------|
| SC 54A | Tindalo, Yakal, Nido 1X1, Nandino Exploration | 42.40% | NIDO (SGC) |
| SC 14C2 | West Linapacan A Field; West Linapacan B | 22.28% | Philodrill |
| SC 58 | Frontier Exploration | 50% | NIDO (SGC) |
| SC 6B | Cadlao, near field Exploration | 2.70% | Philodrill |
| SC-14A, SC-14B, SC-14D | Filed for relinquishment | 22.28% before relinquishment; Nil after | Philodrill |

APPENDIX 5B DISCLOSURES

ASX Listing Rule 5.4.1: Exploration expenditure during the quarter of \$185,000 related to the Borba asset

ASX Listing Rule 5.4.2: Production expenditure in Canada during the quarter was A\$332,000.

ASX Listing Rule 5.4.3: A tenement schedule is provided.

ASX Listing Rule 5.4.5: Payments to related parties was \$33,000 and includes director's salaries and superannuation and office lease (premises leased from a director).

For and on behalf of the Board of Sacgasco Limited.

Gary Jeffery
Managing Director
+61 8 9388 2654

Ben Jarvis
Six Degrees Investor Relations
+61 (0) 413 150 448

www.sacgasco.com
Twitter: @SacGasCo

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 September 2021

| 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 | 596 | 1,054 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (185) | (5,499) |
| (b) development | - | - |
| (c) production | (332) | (952)* |
| (d) staff costs | (938)+ | (1,653) |
| (e) administration and corporate costs | (191) | (471) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (1) | (11) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (JV receipts) | 45 | 1,739 |
| 1.9 Net cash from / (used in) operating activities | (1,006) | (5,793) |

* Noted that the previous YTD balance has been adjusted after the compilation of the interim financial report. Some cash flows previously identified as production costs have been recognised as cash flows to acquire other non-current assets (oil and gas working interests).

+ Noted that a total of \$907k has been paid in the September quarter for staff redundancies contained within the acquired Filipino entities. These redundancies were provided for via the cash acquired in the acquisition of the Filipino entities of \$1,312k. See Item 2.5.

| | | |
|--|-----|--------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | (3) | (190)* |

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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 (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| | (d) exploration & evaluation | - | - |
| | (e) investments | - | - |
| | (f) other non-current assets | 309 | (1,214)* |
| 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 (cash held on acquisition) | 1,312 | 1,312 |
| 2.6 | Net cash from / (used in) investing activities | 1,618 | (92) |

| | | | |
|-------------|---|----------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 5,003 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | 302 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | (382) |
| 3.5 | Proceeds from borrowings | 70 | 620 |
| 3.6 | Repayment of borrowings | (70) | (340) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (repayment of JV partner loan) | - | 67 |
| 3.10 | Net cash from / (used in) financing activities | - | 5,270 |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 514 | 1,730 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,006) | (5,793) |

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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 (9 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 1,618 | (92) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 5,270 |
| 4.5 | Effect of movement in exchange rates on cash held | 20 | 31 |
| 4.6 | Cash and cash equivalents at end of period | 1,146 | 1,146 |

| 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 | 1,146 | 514 |
| 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) | 1,146 | 514 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|------------------------------------|
| 6.1 | Aggregate amounts of payments to related parties and their associates included in item 1 | 33 |
| 6.2 | Aggregate amounts 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 amounts 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 | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 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. | | |
| | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (1,006) |
| 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) | (1,006) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 1,146 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 1,146 |
| 8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 1.14 |
| <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?

Answer:

No. Following the acquisition of BCP Enterprises Pte. Ltd on 1 July 2021, operational costs during the period included \$907 thousand for retirement and retrenchment costs of staff employed in the Philippines operations. This is a one off cash outflow item covered by cash acquired at the time of acquisition.

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?

Answer:

No. Currently it is not anticipated that the entity will need to raise capital in the short-term as the Company's producing interests are expected to continue to generate positive cash flow.

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?

Answer:

Yes. The entity expects to be able to continue operations as noted in 8.8.1 and 8.8.2 above, namely that redundancy payments will not recur and the Company expect to continue to receive positive cash flow from its producing assets.

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: 29 October 2021

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 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.

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