



Sacgasco Limited

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Announcement to ASX

29 January 2021

DECEMBER 2020 QUARTERLY ACTIVITY REPORT

HIGHLIGHTS

- Sacgasco acquiring 30% working interest in 1,000 BOPD from Producing Oil Fields in Alberta, Canada
- Placement of \$2,300,000 of SGC shares at 3.5c per share.
- Sacgasco acquiring 20% working interest in 500 BOPD from Reactivated Oil Fields in Alberta, Canada
- Drilling of Borba 1-7 well expected to commence in February 2021. Location and Access and Cellar, Surface Conductor, Rat and Mouse Holes installed
- Continuing to review new opportunities and prospects to add resilience and sustainability to the strong Sacramento Basin portfolio of projects.

Sacgasco Limited (ASX:SGC) ("Sacgasco" or "the Company") is pleased to provide the Quarterly Activities Report for the calendar quarter ending 31 December 2020.

EXPLORATION, APPRAISAL AND NEW VENTURES

ONSHORE CANADA

Sacgasco announced on 20 November 2020 that it was acquiring 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 oil per day (~300 BOPD net to SGC WI after Close). The acquisition is subject to approval by the Alberta Energy Regulator (**AER**). The asset purchase is expected to close in February 2021.



Figure 1: Pump jack at Red Earth field

Subsequent to the end of the reporting Quarter, Sargasco announced on 28 January, 2021 that it intends to acquire a 20% WI in more oil and gas producing assets (“**Assets**”) in southern Alberta, Canada. The Assets consists of oil and gas fields and associated production equipment, located between Edmonton and the USA border.

Current production is around 100 BOPD and steps are currently being taken to bring selected wells back into production at an expected gross (100%) rate of 500 BOPD before Closing (expected in early March 2021).

The majority of the oil and gas wells being acquired in the latest acquisition have been produced for many years. The average production for the last 5 years, before the Asset wells were shut-in during 2020 due to COVID 19 related low oil prices, was over 2,000 BOEPD. During 2019 the Asset wells averaged 1,400 BOEPD (16% Natural Gas).

The **combined Alberta acquisitions**, including the current planned acquisition, reserve estimates at 31 December 2019 are included in the table below.

Net reserves are after oil and gas lease royalty has been deducted.

Red Earth and Assets Combined Reserves Table - SGC (31 Dec 2019)	Net Red Earth Entitlement to SGC at 30% Working Interest	Net Assets Entitlement to SGC at 20% Working Interest	Total Net Canada entitlement to SGC after Close
	(Barrels of Oil)	(Barrels of Oil Equivalent)	(Barrels of Oil Equivalent)
Proved Producing (PDP)	751,800	660,360	1,412,160
Proved Developed Not Producing (PDNP)	423,300	54,480	477,780
Proved Undeveloped (PUD)	135,600	18,280	153,880
Total Proved (1P) Reserve	1,310,700	733,120	2,043,820
<i>Probable Reserves (Prob)</i>	<i>691,500</i>	<i>271,140</i>	<i>962,640</i>
Total Proved plus Probable (2P) Reserves	2,002,200	1,004,260	3,006,460



Representative Asset Oilfield Production Facilities

ONSHORE CALIFORNIA

Borba Natural Gas Prospect Drilling (Sagasco 76% Working Interest)

The Company announced on 21 December 2020 the installation of the cellar, drilling and installation of the 20-inch surface conductor pipe to 50 feet depth. Drilling of the Rat and Mouse Holes was completed in readiness for the mobilization of Graham Drilling's Rig 9. This work was completed despite the stringent measures put in place to help manage the spread of COVID-19 in California. Previously in the quarter, the construction of the all-weather drilling-pad and future production-base has been completed.

Preparations are on track for spudding the Borba 1-7 well in early February. The well is planned to be drilled directionally to Basement to intersect multiple stacked, 3D-seismic amplitude which are interpreted to be indicative of Natural Gas accumulations in conventional sandstone reservoirs. Natural Gas is in high demand and commands a premium price in the undersupplied California Natural Gas Market which is equivalent in size to the entire Australian domestic Natural Gas market. Sagasco JV infrastructure is available nearby to enable a quick start to sales of discovered Natural Gas at Borba. The well is expected to take some 25-35 days to drill.

Sacramento Basin

The Company continued to maintain leases in the Sacramento Basin during the quarter. Sagasco has a working interest 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	December 2020 Quarter	September 2020 Quarter
Gross mcf * (100%)	35,899	38,062
Net SGC mcf (after Royalty)	18,892	21,008
<i>*mcf – Thousand Cubic feet gas</i>		

Overall gas flows were reduced in the quarter by operational interruptions.

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.

The relevant Natural Gas prices in California for the last quarter have been at greater than historical premiums to USA benchmark Henry Hub natural gas prices. They are currently some 133% of the USA benchmark Henry Hub natural gas prices.

CURRENT QUARTER OBJECTIVES

- Complete acquisition of Red Earth Producing Assets.
- Complete acquisition of Additional Alberta Assets
- Drilling of the Borba 1-7 well. The well is expected to take some 25 to 35 days to drill.
- Finalise and release the Borba Resource Report by an independent party.
- Ongoing review of potential conventional oil and gas projects that have a strategic fit with Sacgasco's current assets and strategy.

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

The company announced on 24 December it was holding a General Meeting of shareholders in January 2021. Subsequent to the end of the quarter all resolutions were passed.

Appendix 5B Quarterly Cash Flow report includes \$61,000 at Line 6.1 under “Payments to related parties of the entity and their associates”. This includes the payment of loan interest, office lease, and company secretarial and accounting management fees.

SACGASCO CAPITAL STRUCTURE

ISSUED CAPITAL at 28 January 2021	
Ordinary Shares (ASX: SGC) *	341,775,731
Listed Options (ASX: SGCOA)	133,429,938
Unlisted Options exercisable @ 4 cents by 31 December 2021	19,000,000
NOTE:	
<ul style="list-style-type: none"> * Includes 517,241 shares issued in January 2021 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 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. Sacgasco is acquiring such assets in Alberta Canada and continue to evaluate other similar acquisitions.

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 48 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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	94	689
1.2 Payments for		
(a) exploration & evaluation	(312)	(501)
(b) development	-	-
(c) production	(179)	(1,022)
(d) staff costs	(33)	(67)
(e) administration and corporate costs	(125)	(468)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(22)
1.6 Income taxes paid	-	(4)
1.7 Government grants and tax incentives	5	20
1.8 Other (JV receipts)	17	199
1.9 Net cash from / (used in) operating activities	(535)	(1,176)
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 (12 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)	2,336	2,336
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	(137)	(144)
3.5	Proceeds from borrowings	170	671
3.6	Repayment of borrowings	(170)	(209)
3.7	Transaction costs related to loans and borrowings	-	(22)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,199	2,632
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	80	283
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(535)	(1,176)
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 (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,199	2,632
4.5	Effect of movement in exchange rates on cash held	(14)	(9)
4.6	Cash and cash equivalents at end of period	1,730	1,730

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	1,730	80
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)	1,730	80

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	61
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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	270	270
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	402	402
7.4	Total financing facilities	672	672
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>Three 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 July 2021, - Facility with Gary John Jeffery, dated 17 July 2020 for \$100,000, extended until 24 July 2021, - Facility with Dungay Resources Pty Ltd, a company associated with Gary Jeffery, dated 17 September 2018 for \$70,000, extended to 17 March 2021, and <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>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(535)
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)	(535)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,730
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,730
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.23
	<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?

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?

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?

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 January 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.