



Sacgasco Limited

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Announcement to ASX

31 July 2018

June 2018 Quarterly Activity Report

- **Production:**

- Production in line with prior quarter due to Dempsey 1-15 well only being tied in after end of Quarter.
- Field activities are continuing to significantly grow natural gas production.
- Sacgasco's 27 well portfolio, with 13 wells producing gas in the quarter, provide multiple opportunities to bring additional wells back into production.

- **Alvares:**

- Re-entry activities to commence in September Quarter.
- Sacgasco free carried through well bore integrity testing.

- **Prospects Portfolio:**

- Leases over mapped high potential prospects continue to be maintained and acquired for production, rework, appraisal and exploration opportunities.

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 June 2018.

During and after the June quarter, Sacgasco achieved significant operational milestones, particularly the recommencement of natural gas production from the Dempsey 1-15 well, strengthening the Company's position as one of the leading Natural Gas operators in California's world-class Sacramento Basin.

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 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.

These sediments are materially under-explored by industry standards and exhibit 'world class natural gas potential' attributes.

JUNE QUARTER PRODUCTION UPDATE

Combined Production	June 2018 Quarter	March 2018 Quarter
Gross mcf * (100%)	80,783	81,354
Net SGC mcf (after Royalty)	30,435	30,572
<i>*mcf – Thousand Cubic feet gas</i>		

The below table outlines Saccgasco's current operated Well Interests:

Gas Field	SGC Working Interest (WI)	Total Wells	Wells in Production
Rancho-Capay/ Rice Creek East	33-50%	10	6
Los Medanos	90%	3	1
Malton	35-69%	8	5
Dutch Slough	69%	4	0
Denverton Creek	70%	1	1

Activities to Increase Operated Natural Gas Production

Opportunities have been identified in the Saccgasco portfolio of wells for multiples of current production levels. Production for the quarter was in line with the prior quarter due primarily to administrative delays in bringing Dempsey 1-15 back on line.

The Company has continued work on other pipeline connections to facilitate an increase in natural gas production by bringing back online some of its acquired shut-in gas wells.

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

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

Dempsey Natural Gas Project - Appraisal stage (SGC 50% WI)

After the end of the reporting Dempsey 1-15 well was reconnected to natural gas sales pipelines. Dempsey 1-15 is producing gas from Ranch Capay Field Level Kione Sandstone and the combined older Zones 2, 3 and 4.

Figure 1 shows the Dempsey 1-15 well location and associated metering facilities in the Rancho Capay Field Area

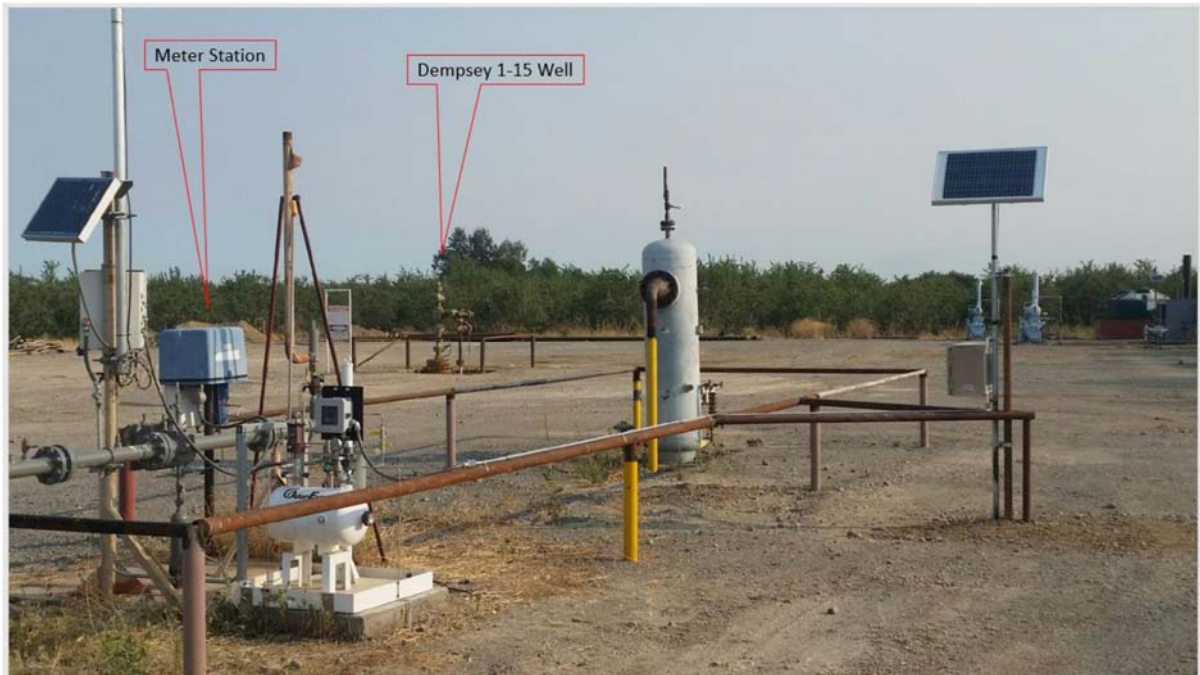


Fig 1: Dempsey Well and Associated Sales Facilities

Sagasco is also advancing with the connection of a number of other idle wells from the Rancho Capay and other gas fields. Production from other wells will add materially to Sagasco's growing production profile.

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, and recently drilled 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 prospectively of extensive high-pressure gas shows discovered while drilling for oil in 1982.

The initial task will be to test the integrity of the existing casing and if safe, then to test various zones of gas saturated reservoirs in the well.

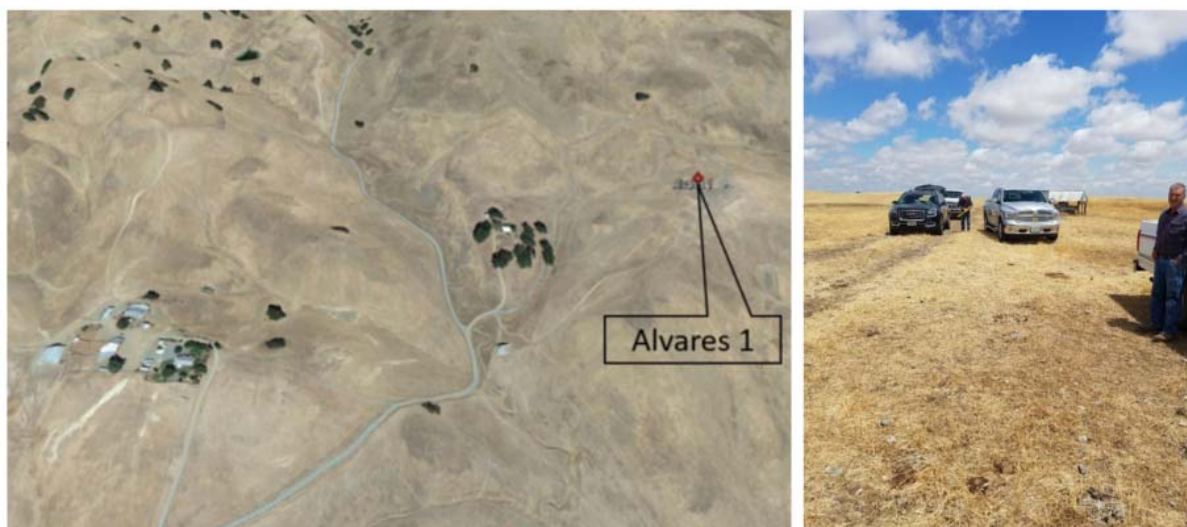


Figure 2: Alvares location in rolling rangeland

The Alvares well had an extensive column of high pressure gas shows which were not fully evaluated at the time of drilling due to the oil focus of the operators. 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.

As previously announced Sacgasco's share of up to US\$200,000 in drilling and evaluation costs to assess the feasibility of re-entering the Alvares 1 well bore (previously plugged) to evaluate the well bore integrity is carried by another joint venturer.

Under the revised program the well bore will be assessed for its suitability for directly testing various gas saturated reservoirs interpreted from petrophysical and mud logs and seismic in the Alvares well.

State-of-the-art through-casing gas detection logs, and high penetration perforating tools are planned to be used for testing.

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.

TENEMENT LIST (as 30th June 2018)

Project name	Location	Working Interest (WI)*
<i>Dempsey Project</i>	Sacramento Basin Onshore Northern California	50%
<i>Alvares Project</i>	Sacramento Basin Onshore Northern California	39%
<i>Dempsey Trend Prospects</i>	Sacramento Basin Onshore Northern California	36%
<i>Los Medanos Gas Field</i>	Sacramento Basin Onshore Northern California	90%
<i>Malton Gas Field</i>	Sacramento Basin Onshore Northern California	35-69%
<i>Dutch Slough Gas Field</i>	Sacramento Basin Onshore Northern California	69%
<i>Denverton Gas Field</i>	Sacramento Basin Onshore Northern California	70%
<i>Rancho Capay Gas Field</i>	Sacramento Basin Onshore Northern California	33-50%
<i>East Rice Creek Gas Field</i>	Sacramento Basin Onshore Northern California	50%

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

CORPORATE

On the 30th April 2018 the Company placed 10,000,000 ordinary shares at 5 cents per share to raise A\$500,000 before costs under the Company's existing share placement capacity pursuant to Listing Rule 7.1A.

NEAR TERM OBJECTIVES

Sacgasco's immediate 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 updates on existing producing wells and other field development activities. Sacgasco has an active second half planned.

SACGASCO CAPITAL STRUCTURE

ISSUED CAPITAL at 31 July 2018	
Ordinary Shares	257,790,949
Unlisted Options exercisable @ 10 cents 30 September 2019	10,000,000
Unlisted Options exercisable @ 15 cents 31 December 2019	27,000,000
Note:	
In early April 2018, 446,429 shares as part payment of director's fees and 521,429 shares as payment of consulting fees as approved by shareholders were issued.	
In July 2018, 937,500 shares as part payment of director's fees, and 1,102,576 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.

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 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 JUNE 2018

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	209	404
1.2 Payments for		
(a) exploration & evaluation	(68)	(1,100)
(b) development	-	-
(c) production	(1,234)	(1,304)
(d) staff costs	(12)	(23)
(e) administration and corporate costs	(481)	(899)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(5)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (<i>Net JV Receipts</i>)	578	1,216
1.9 Net cash from / (used in) operating activities	(1,009)	(1,711)
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>)	-	-

Mining exploration entity and oil and gas exploration entity quarterly 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) 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	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	(25)	(27)
3.5	Proceeds from borrowings	-	50
3.6	Repayment of borrowings	(14)	(36)
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	461	487

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,348	2,005
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,009)	(1,711)
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)	461	487
4.5	Effect of movement in exchange rates on cash held	31	50
4.6	Cash and cash equivalents at end of period	831	831

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	831	1,348
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)	831	1,348

Included in the above balance is \$412,000 of cash held by Peoco LLC, a wholly owned subsidiary of Sacgasco, which represents cash calls made by Peoco LLC for exploration expenditure incurred up to 30 June 2018 but not yet paid. 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	17
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 and interest payable on loans received from Directors.

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	50	50
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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation (net)	412
9.2 Development	-
9.3 Production	-
9.4 Staff costs	23
9.5 Administration and corporate costs	81
9.6 Other	-
9.7 Total estimated cash outflows	516

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 July 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.