



Sacgasco Limited

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Announcement to ASX

16 May 2017

SACGASCO'S TCF DEMPSEY PROSPECT FUNDED

- Agreement signed with Empyrean Energy plc (LON: EME) to farm out 25% working interest in Dempsey Prospect in return for funding of US\$1.6 million
- Dempsey-1 scheduled for drilling in next 60 days, targeting 1 Tcf conventional natural gas reservoirs underneath a producing field
- Empyrean also acquiring a promoted 10% interest in 2+Tcf Alvares Appraisal Project
- Empyrean can also earn 25% interest in 3 identified Dempsey-style Prospects on a promoted basis

Sacramento Basin-focused natural gas developer and producer, Sacgasco Limited (ASX: SGC) ("Sacgasco" or "the Company") advises that it has signed a farm-out agreement ("FOA") with London Stock Exchange listed Empyrean Energy plc ("EME" or "Empyrean") for the 1+ Tcf natural gas Dempsey Prospect and other Sacramento Basin assets, onshore California. As a result of this farm-out, Sacgasco now has the necessary funding commitments to drill the Dempsey Prospect.

The Company plans to commence a 3,200 metre (~10,500 feet) combined appraisal and exploration well (Dempsey-1) in the next 60 days to evaluate this world class prospect.

Sacgasco interprets 7 target gas reservoir levels. Individual, unrisks Deterministic Prospective Resources for the primary targets range from 116 Bcf to 352 Bcf of recoverable gas. Should all the stacked reservoirs be full of gas, the cumulative unrisks recoverable Prospective Resources within the prospect could exceed 1 Tcf.

The primary targets are interpreted in a series of Cretaceous sandstone reservoirs that exhibit structurally consistent amplitude anomalies similar to those that are observed on seismic elsewhere in the basin where conventional sandstone reservoirs have trapped natural gas in mapped structural closures, e.g Tulainyo / James and Alvares wells.

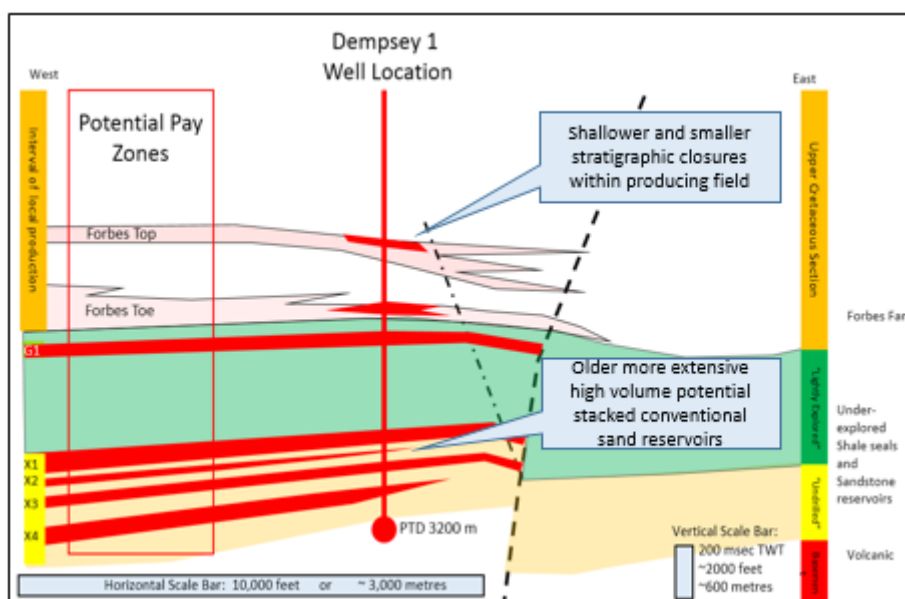


Figure 1: Cross Section through Proposed Dempsey 1 well

On the way to drilling the primary targets the Dempsey well will drill through secondary small (1 to 3 Bcf Deterministic Recoverable Prospective Resource) seismic amplitude defined, interpreted extensions of the shallow producing Forbes Sandstone reservoir system.

Further details were included in the Company’s ASX release dated 4 September 2014: *“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.”*

This farm out, in conjunction with previously announced farmout agreements, will see Sargasco fund approximately 28% of the expected Dempsey drilling costs to retain a 55% working Interest (WI) in the Dempsey Prospect.

After Farm-in Working Interests in the Dempsey Gas Project:

Sargasco Limited (ASX: SGC) (Operator)	55%
Bombora Natural Energy Pty Ltd (BNE)	10%
Xstate Resources Limited (ASX: XST)	10%
Empyrean Energy plc	25%

Empyrean has also agreed to pay US\$20,000 and 13.33% of the next Alvares appraisal well drilling costs to earn 10% WI in the Alvares Project estimated by Sacgasco to have over 2 Tcf* of best-estimate recoverable Prospective Resources.

Alvares Working Interests:

After Farm-in Working Interests in the Alvares Gas Project:

Sacgasco Limited (ASX: SGC) (Operator)	59%
Xstate Resources Limited (ASX: XST)	21%
Bombora Natural Energy Pty Ltd (BNE)	10%
Empyrean Energy PLC	10%

Empyrean will join Sacgasco in exploration along the Dempsey trend and has the option to pay promoted drilling costs to earn 25% WI in three additional prospects with cumulative "Tcf-size" best estimate recoverable prospective resource potential.

Earning basis as follows:

- Prospect #1: EME pays 50% of drilling cost to earn 25% WI
- Prospect #2: EME pays 37.5% of drilling cost to earn 25% WI
- Prospect #3: EME pays 37.5% of drilling cost to earn 25% WI

Further details on the Dempsey and Alvares Projects have been included in previous Sacgasco presentations available through the ASX website or on Sacgasco's website: www.sacgasco.com

Sacgasco's Managing Director Gary Jeffery commented:

"Sacgasco welcomes Empyrean to the joint venture. EME becomes the latest company to farmin to Sacgasco's multi-Tcf prospect portfolio with multi-well options to unlock the huge gas potential of the North Sacramento basin.

Empyrean have a highly successfully track record of exploring in the USA and rewarding their shareholders with positive exploration and development outcomes. Their extensive experience will be highly complementary to the Sacgasco joint venture, and based on our dealings with them to date, we believe the EME team will be a great fit as we look forward to unlocking the true potential of the Sacramento Basin.

The recent farm-outs provide Sacgasco with the financial capacity to move forward with the drilling of Dempsey. Detailed planning for spud is now well underway.

Based on current agreements, Sacgasco will fund around 28% of the Dempsey well costs while retaining 55% Working Interest which is within Sacgasco's funding capability. Our extensive portfolio of Sacramento Basin Assets continues to attract interest from other companies and additional farm outs are currently under consideration.

Sacgasco is committed to building a world-class natural gas business in the energy-hungry Californian market, and we look forward to providing our shareholders with further updates as we realize this exciting phase in the Company's development."

Empyrean CEO and Director Tom Kelly commented:

"Empyrean is excited to be working alongside Sacgasco in the highly productive and prospective Sacramento Basin. We hope to help Sacgasco leverage off of many determined years of pre-drilling geological exploration and experience to unlock the potential that these large conventional gas prospects hold. The Sacramento Basin projects package adds balance to Empyrean's portfolio in a number of important ways.

Firstly, it provides geographical balance - Empyrean has had operations in California and the USA since 2005 and is very comfortable with the framework for oil and gas exploration and development in this part of the world. Secondly, it provides an onshore focus for the Company - Empyrean's Pearl River Mouth Basin Oil Project, in China and its Duyung PSC, in Indonesia are both offshore hydrocarbon exploration projects with transformational upside potential. Adding an onshore USA project with similar transformational upside potential helps to build a robust exploration portfolio. Thirdly, we are spreading the statistical risk across our portfolio by choosing excellent, potentially transformational, targets in countries that have strong demand for any discovered hydrocarbons.

And lastly, we have added a project that includes surface infrastructure with the first high impact well to be drilled shortly that can provide the Company with almost instant cash flow should the well be successful. The next three months will be very exciting for our Company with potentially transformational drilling and 3D seismic on all three of Empyrean's new projects."

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 conventional gas exploration in the Sacramento Basin, onshore California. Sacgasco 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 is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.sacgasco.com

Twitter: @SacGasCo

About Empyrean Energy Plc (LON: EME)

Empyrean is a London AIM listed oil and gas explorer with three potentially high impact new projects. Empyrean has a 1800km² offshore oil permit located in the Pearl River Mouth Basin, China where it will commence 3D seismic Q2, 2017 to further mature two large oil prospects, Jade and Topaz. The permit is directly South East of the billion barrel+ Lihua Field operated by CNOOC and two recent discoveries to the permits West and South further enhance the merit of Jade and Topaz. Empyrean is operator and holds 100% of the exploration rights through to commercial discovery where CNOOC have a back-in right to 51%.

Empyrean also has a 10% interest in West Natuna Exploration Limited that holds 100% of the Duyung PSC in offshore Indonesia and is targeting the Mako Shallow Gas Discovery that has an independently verified 2C and 3C gas resource of between 430-650 Bcf recoverable gas. Empyrean is able to increase its interest in Duyung to 20% by paying a further US\$2m by 26 May 2017. The Mako South-1 well is being planned take core, run a full suite of modern logs and conduct a flow test commencing June 2017.

Empyrean also has a joint venture with ASX listed Sacgasco Limited on a suite of projects in the Sacramento Basin, onshore California, USA. The joint venture will be drilling and testing the Dempsey Prospect, a 1 Tcf gas target in Q3, 2017.

www.empyreanenergy.com