Sagalio Energy
中普能源
Listed on ASX (Stock Code : SAN)

Sagalio Energy Limited
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30 January 2020

DECEMBER 2019 QUARTERLY REPORT

HIGHLIGHTS:

- Continued production on the initial wells on the Marleysu – East Yizbaskent block. Sale of oil recorded a sale revenue of US$168,144 for the 3 months ended 31 December 2019.

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Sagalio Energy Limited (**SAN** or the **Company**) provides the following commentary for the three months ended 31 December 2019.

CONTINUED PRODUCTION

The Company has continued production on the initial wells drilled. The extracted oil were sold to oil refineries in Kyrgyzstan under sale agreements.

For the 3 months ended 31 December 2019, the Company has produced and transported an aggregate of 982 tonnes of oil to Kyrgyzneftegaz OJSC (**KNG**), of which 60% is appropriated to the Company in accordance with the Co-Investment Agreement entered into between the Company and KNG.

The Company has sold a portion of the oil appropriated to the Company and recorded a sale revenue of US$168,144 for the 3 months ended 31 December 2019.

DEVELOPMENT AND EXPLORATION TENEMENTS HELD AT THE END OF QUARTER ENDING 30 JUNE 2019 AND 30 SEPTEMBER 2019

Country	Name of Tenement	Nature	Number of Tenements	Holder	Interest[1,2] as of 30 September 2019	Interest[1,2] as of 31 December 2019
Kyrgyzstan	Marleysu - East Yizbaskent	Development	1	Kyrgyzneftegaz OJSC ("**KNG**")	1. Oil extracted from: (a) new production wells: KNG 40% and PEI 60%; (b) abandoned and non-production wells: KNG 35% and PEI 65%; (c) rejuvenating non-production well or abandoned wells: KNG 60% and PEI 40%; and (d) exploration wells drilled by PEI: KNG 30% and PEI 70% until the exploration works are completed. Subsequently, oil extracted from production wells drilled by PEI will be apportioned after determining oil reserves. 2. Oil extracted from new production wells in layers XIII, XIV and XVIII: (a) during first year of exploitation of each well: KNG 20% and PEI 80% (b) starting from second year of exploitation of wells: KNG 55% and PEI 45%.	Same as interest as of 30 Sep 2019

					3. In addition, for production wells established and funded by PEI: KNG 40% and PEI 60%.	
Kyrgyzstan	Yizbaskent – Arash	Exploration	1	KNG	See (1)(a) - (d) and (3) above.	Same as interest as of 30 Sep 2019
Kyrgyzstan	Susamur	Exploration	1	KNG	See (1)(a) - (d) and (3) above.	Same as interest as of 30 Sep 2019

*Note[1]: The Company's economic interest through its subsidiary PEI LLC ("**PEI**") of oil extracted from each Project arises under a Co-Investment Agreement, a production sharing contract as defined by the SPE PRMS, and is determined by the nature of the area (whether previously exploited or not), the well (whether new, inactive or enhanced), timing of extraction (with PEI having a greater economic interest in oil extracted in earlier years), the layer of extraction and in certain circumstances, the interest to be agreed between KNG and PEI (such agreement to be reached prior to the well in question being drilled or the resource being determined). Such interest was acquired in May 2015 through the acquisition of Quangas Poly Limited, the holding company of PEI.*

Note[2]: Please refer to the Company's FY19 Annual Financial Report dated 30 September 2019, in particular the Directors' Report and Note 7 of the Financial statement regarding the Company's rights under the Co-Investment Agreement and the potential breach of the Co-Investment Agreement.

- End -

For more information:

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Forward Looking Statements

This announcement contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

Certain statements made herein, including statements relating to matters that are not historical facts and statements of Sagalio Energy's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable legislation and "forward-looking statements" within the meaning of applicable provisions. Forward-looking information and statements relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements or information. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate, including the price of oil, anticipated costs and ability to achieve goals, as well as the timing of the completion of any fund-raising activities. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements and information include, among others, oil price volatility, discrepancies between actual and estimated production, reserves and resources, operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities, currency fluctuations, the speculative nature of oil exploration and development, the global economic climate, dilution, share price volatility, competition, loss of key employees, funding requirements and defective title to mineral claims, subsoil use rights or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

All such forward-looking information and statements are based on certain assumptions and analyses made by Sagalio Energy's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements.

Important factors that could cause actual results to differ from these forward-looking statements include those described in the issuer's previous Quarterly Reports, Annual Financial Reports and Prospectus dated 12 February 2015. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking information or statements that other such information or statements will be correct. The reader is cautioned not to place undue reliance on forward-looking information or statements. All forward-looking information and statements herein are made as of the date hereof. Sagalio Energy does not intend or undertake to update or revise forward-looking statements or information, whether written or oral or whether as a result of new information, future events or otherwise, that may be made by Sagalio Energy or on its behalf, except as required by law.