



# Sacgasco Limited

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Announcement to ASX

26 July 2023

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## Philippines Assets Sold for Cash, Royalties and Back-in Rights

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### Highlights

- SGC reduces near term financial commitments through sale of Philippines Subsidiaries (Nido):
  - SGC retains option to participate on same basis as Nido in future SC 58 drilling of large-scale targets, including Balyena.
  - US\$700,000 Cash to be paid at Closing.
  - Bonus payment of US\$1.8 million upon first oil from Cadlao Oilfield drilling and EWT in early 2023.
  - Sliding Scale Overriding Royalty on oil and gas sales from all Nido Service Contracts
- SGC maintain Nido involvement through Technical Advisory Role and a 3-year mutual right to participate on ground floor basis in New Ventures in The Philippines.
- SGC has short-listed, near-term drilling options in its Alberta and California Areas of Operations and in new venture growth opportunities.
- Philippines Drilling Rig commitment by Nido is pending.

Sacgasco Limited (**ASX:SGC**) (“**Sacgasco**” or “**the Company**”) advises that it has signed a binding Share Purchase Agreement with Blue Sky International Holdings Inc to reduce Sacgasco’s risk exposure in the Philippines while retaining material potential benefits through the sale of its wholly owned subsidiaries Nido Petroleum Pty Ltd and Yilgarn Petroleum Philippines Pty Ltd. (together referred to as “**Nido**”).

The sale consideration is US\$2.5 million cash paid as following:

- a. US\$700,000 to be paid upon receipt of funds from the previously announced PNOC farmout.
- b. US\$1.8 Million to be paid within 60 days of successful completion and flow of oil from Cadlao-4, plus
- c. Sliding scale royalty on all Nido Service Contracts or Nido Service Contracts derived therefrom:  
Overriding Royalty of 3% on production up to 3000 BOPD net to Nido Participating Interest.  
Overriding Royalty of 4% on production of 3000 to 5000 BOPD net to Nido Participating Interest.  
Overriding Royalty of 5% on production of greater than 5000 BOPD net to Nido Participating Interest.

Natural Gas produced and sold from Current Nido Service Contracts and direct derivative Service Contract (for example if SC renewals incorporate all or part of current Nido SC) shall be included in the above BOPD (“Barrels of Oil Per Day”) thresholds using a conversion rate of 6 thousand cubic feet of natural gas equals one Barrel of Oil.

The agreement is subject to the confirmation of the farmout agreement with the PNOC Exploration Corporation (“**PNOC**”) by 15 August 2023. (Refer ASX Release of 7 June 2023).

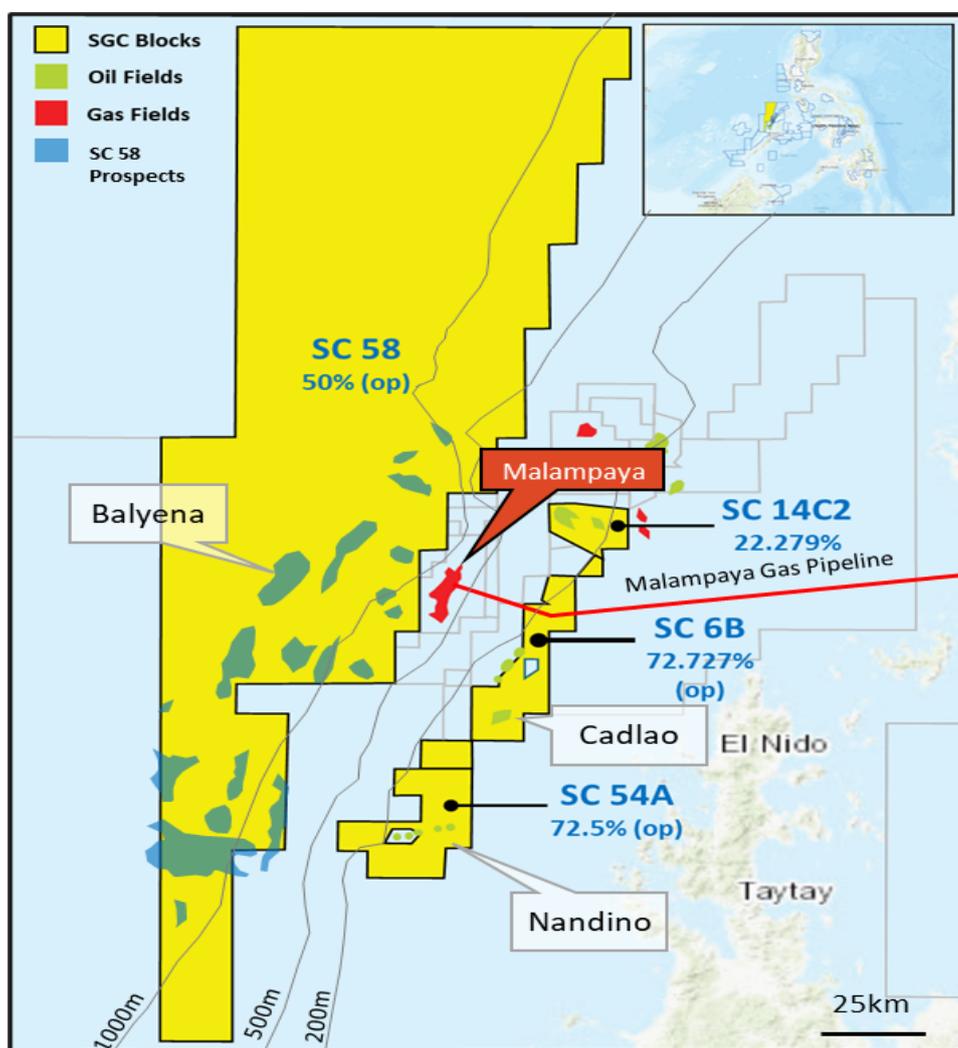
The Effective Date of the transaction is 31 July 2023.

Anticipated Closing Date is 15 August 2023.

The agreement is subject to the Company receiving requisite shareholder approval under ASX Listing Rule 11.2 for disposal of a main undertaking. The Company intends to commence discussions with ASX immediately regarding requirements under ASX LR 11.2 and will hold a shareholder meeting as expeditiously as possible following ASX consultation.

Under section 4.7 of ASX Guidance Note 12, Sacgasco is obliged to satisfy ASX on an ongoing basis that its level of operations going forward is sufficient, and its financial condition is adequate, to warrant its continued listing and the continued quotation of its securities. ASX generally continues quotation of an entities securities for a period of up to six months from the date of agreement to dispose of its main undertaking, being 21 January 2024 in the case of Sacgasco’s sale agreement.

The Company is confident of its ability to satisfy ASX that its operations going forward are sufficient via the operations in Canada and California that will receive increased focus and resource. Additionally, the Company is confident of satisfying ASX regarding adequate financial position from cash flows from recent asset sales and continued operations in Canada.



**Nido Service Contracts in the Philippines with Prospects in SC 58 highlighted**

**Sacgasco's Chairman Andrew Childs commented:**

*"The agreement to remove the direct risks of drilling in the offshore Philippines while retaining material future potential benefits for Sacgasco was compelling. It provides upfront cash, a cash bonus on first oil from Cadlao drilling and Overriding Royalties from any future production of oil and gas from all the Nido Service Contracts.*

*I am aware there is often some confusion over the calculation of Overriding Royalty. The following is an example: If the applicable net oil production rate is 3000 BOPD and oil sales price is US \$70 per BO then an overriding royalty of 3% would realise US\$ 6,300 per day.*

*This agreement, when implemented, reduces Sacgasco's imminent capital requirements and associated drilling risk. The future potential cash and royalty benefits from Cadlao alone can reasonably be estimated to be more than Sacgasco's current market capitalisation.*

*The agreement also provides Sacgasco with an option to participate on a ground floor basis in any Nido Philippines new ventures, **and more importantly to participate in the any future drilling in the SC 58 area on the same basis as Nido. SC 58 has always been, and continues to be, the most exciting opportunity for our shareholders in the Philippines.***

*The sale of Nido will enable Sacgasco to refocus its search for growth assets that can make a greater contribution to near term shareholder value.*

*The Operator of the Deep Venture Drillship has advised that the drilling rig is anticipated to be ready to drill the Cadlao 4 well by January 2024.*

*The availability of the Deep Venture rig in the Philippines is important because it has the flexibility to drill in shallow and deeper water using anchored to dynamically positioned modes. This flexibility covers many of the requirements of Offshore Philippines oil and gas operations, and particularly Nido's future drilling needs!"*

**For and on behalf of the Board of Sacgasco Limited.**

**Andrew Childs**  
**Chairman**  
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**About Sacgasco Limited (ASX: SGC)**

***Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on under-explored, recently over-looked, world class oil and gas opportunities near under-supplied markets. Sacgasco's Natural Gas activities include Hydrogen and Helium.***

***The Company is currently focussed on conventional oil and gas exploration and production in the Sacramento Basin in California, Alberta Province in Canada and offshore The Philippines.***

***Sacgasco has a portfolio of natural gas and oil producing wells as well as prospects and discoveries at various exploration and appraisal stages.***

***The Company is targeting supply to the local Californian and Canadian oil and gas markets and the burgeoning Asian market.***

***Sacgasco is in the process of evaluating both acquisition and sales of oil and gas producing and exploration assets to enhance the Company's strategic needs.***

**[www.sacgasco.com](http://www.sacgasco.com)**

**Twitter: @SacGasCo**