



# Sacgasco Limited

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Announcement to ASX

13 December 2023

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## Philippines Divestment Update

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Sacgasco Limited (**ASX:SGC**) (“**Sacgasco**” or “**the Company**”) provides the following update regarding the sale of Sacgasco’s wholly owned subsidiaries Nido Petroleum Pty Ltd and Yilgarn Petroleum Philippines Pty Ltd. (together referred to as “**Nido**”).

Sacgasco advises that it has reached agreement with Blue Sky Resources Limited (“**Blue Sky**”) to amend the Share Purchase Agreement (“**SPA**”) entered into 21 July 2023 with a view to completing the divestment transaction upon shareholder approval. It is noted that the original SPA was agreed with Blue Sky International Holdings Inc. – a related entity of Blue Sky Resources Limited.

The Board of Sacgasco are confident that the sale agreement entered into with Blue Sky represents both attractive value and improved terms for the Shareholders of Sacgasco and retains upside exposure to the continuing exploration and development of projects held by Nido. A general meeting of SGC shareholders is anticipated to be held mid- to late-January 2024 to vote on the divestment of the Filipino entities.

Transactional delays encountered in the recent months have resulted in the Company and Blue Sky reopening negotiations to ensure the sale of the assets continued to be equitable for both parties in light of changed conditions.

Concurrently with the improved terms of the sale of Nido, Nido also executed a drilling services contract with Saba Drilling Services Ltd (“**Saba**”) for up to 3 wells, and a Participation Agreement with Blue Sky with respect to Service Contract 6B (“**SC 6B**”). US\$2.1 million has been advanced against the contractual drilling costs for using the Deep Venture drillship to drill Cadlao 4 development well in SC 6B offshore the Philippines. The Participation Agreement will only survive in the unlikely event that SGC shareholders do not approve the SPA. In addition, US\$1.24 million will be released for costs related to offshore Philippines drilling and re-development planning including Extended Well Testing for the Cadlao Oil Field.

The terms of the amended sale agreement are summarised below:

### Sale Consideration

Sale consideration of US\$1,250,000 cash to be paid as follows:

- US\$350,000 to be paid upon Sacgasco receiving approval from Shareholders for the divestment of Nido; and
- US\$900,000 on or before 30 April 2024.

## Contingent Consideration

Contingent consideration has been agreed as follows:

- Cash payment of US\$1,500,000 to be paid to Sagasco within 6 months of production activities commencing at Cadlao; and
- A further cash payment of US\$1,000,000 after 12 months of oil production from the Cadlao Oilfield at a production rate of 3,000 BOPD or more
- A sliding scale royalty on the Cadlao Field of:
  - o Overriding royalty of 3% on production up to 3,000 BOPD net to Nido Participating Interest after PNOEC Farmin;
  - o Overriding royalty of 4% on production of 3,000 to 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin; and
  - o Overriding royalty of 5% on production greater than 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin.
- A sliding scale royalty on all other Nido Service Contracts, except Cadlao as contemplated above, of:
  - o Overriding royalty of 1.5% on production up to 3,000 BOPD net to Nido Participating Interest after PNOEC Farmin;
  - o Overriding royalty of 2% on production between 3,000 and 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin; and
  - o Overriding royalty of 2.5% on production up greater than 5,000 BOPD net to Nido Participating Interest after PNOEC Farmin.

## Effective Date and Conditions Precedent

The Effective Date has been deferred to 1 December 2023.

Nido shall grant to Sagasco an option to participate at a 25% Participating Interest in Service Contract 58, with the option expiring 30 days from advisory that approval from DOE has been obtained to drill an initial well in SC 58 to test prospective reservoirs. Should this option be taken up by Sagasco, the sliding scale royalty contemplated above would be withdrawn, only in respect of SC 58.

The divestment agreement is subject to the Company receiving requisite Shareholder approval in accordance with ASX Listing Rule 11.2. A general meeting of SGC shareholders is intended to be held in mid- to late-January 2024 and the relevant notice will be provided to SGC Shareholders in the coming week.

Under section 4.7 of ASX Guidance Note 12, Sagasco is obliged to satisfy the ASX on an ongoing basis that its planned level of operations is sufficient, and its financial condition is adequate, to warrant its continued listing and the continued quotation of its securities. The ASX generally continues quotation of an entity's securities for a period of up to six months from the date of agreement to dispose of its main undertaking, being 21 January 2024 based on the date of the originally contemplated Share Purchase Agreement with Blue Sky.

As the delays mentioned above have been outside of the control of the Board of Sagasco, the Company is in process of submitting to ASX a request for an extension of time to satisfy the criteria set out in the paragraph above. The Board has been fast tracking due diligence of near-term drilling opportunities within its existing asset portfolio and new venture opportunities.

With the divestment of the Filipino entities now having a clear path to completion, the Board is confident of the Company's capacity to satisfy the ASX that its planned operations, in light of the Company's short list of drilling opportunities under assessment for 2024 activities.

Commenting on the revised transaction, Managing Director Kane Marshall stated:

*“The revised share purchase agreement reflects significantly better terms for our Shareholders both in terms of increased firm and contingent cash components and in retaining upside exposure with our Service Contract royalties. With Nido now having signed a rig contract with Saba, Sagasco has clear line of sight on Philippines activity and future potential value in both our contingent payments and royalties. The revised sale terms allow us to significantly reduce our liabilities on our balance sheet as well as recapitalize the Company so that we can immediately take advantage of both the material drilling opportunities we have short listed in early 2024 and activity leading into improved capital market conditions.”*

Participation Agreement Terms **which apply if the SPA is not approved by SGC shareholders** at a general meeting in January 2024:16

- The Participation Agreement supercedes the previously agreed Farmin Agreement between Nido and Blue Sky (announced 22 August 2022);
- Blue Sky shall achieve an undiluted Participant Interest of 26.3635% after completion of the Nido Farmin (announced 11 February 2022) and the PNOC EC Farmin (announced November 2023) by contributing 30% of the Total Drilling Cost of drilling Cadlao-4;
- By contributing 30% of the Total Drilling Cost of drilling Cadlao-4 Nido can retain a 26.3635% Participant Interest after the PNOC EC Farmin and this BlueSky Participation Agreement are accounted for. Alternatively, Nido can elect to convert that paying interest into a 5% Over-riding Royalty Interest prior to the advised spud date of the Cadlao 4 well in 2024.
- Blue Sky shall be nominated as Operator of SC 6B;

Joint Venture Party	Participating Interests		Funding Interest until Commercial Production	Participating Interests after Funding
	Pre-FIA	Post-FIA		
<b>Nido</b>	<b>9.090%</b>	<b>72.727%</b>	<b>30.00%</b>	<b>26.3635%</b>
Blue Sky – post FIA operator			30.00%	26.3635%
PNOC EC			40.00%	20.00%
Philodrill – pre-FIA Operator	58.182%	17.4546%		17.4546%
Oriental	16.364%	4.9092%		4.9092%
Alcorn	8.182%	2.4546%		2.4546%
Forum	8.182%	2.4546%		2.4546%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Notes:

1. FIA and transfer of Operatorship are subject to DOE approval
2. PNOC EC, Nido and Blue Sky have preferential cost recovery rights for costs incurred up to an including the extended well test and during commercial production (including operating costs), if required.

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

**Kane Marshall**  
**Managing Director**  
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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)**

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