Petsec Energy Ltd

ACN 000 602 700

Annual Report for the financial year ended
31 December 2024

Annual Report

For the year ended 31 December 2024

Contents	Page

Petsec Energy Ltd
ABN 92 000 602 700

The Company is an unlisted public company, and its registered office is located at Level 7, Macquarie Business Centre, 167 Macquarie Street Sydney, NSW 2000 Australia.

The Company holds interests in two onshore blocks in the Republic of Yemen, 80 kilometres apart in the Marib Basin – Damis Block S-1, Production Licence and Al Barqa, Block 7 Exploration Licence.

Annual General Meeting

To be held at: 11 a.m. (AEST) on Wednesday, 7 May 2025, at Level 7, Macquarie Business Centre, 167 Macquarie Street Sydney, NSW Australia.

Capital Structure

On 28 February 2025, the Company had 501,071,218 shares on issue.

Annual Report
For the year ended 31 December 2024

Corporate Objective and Strategy

The corporate objective of the Company is to enhance shareholder value by growing its net asset value through successful oil and gas exploration, development, and production. This will enable Petsec Energy to grow into a prominent mid-tier oil and gas exploration and production company that is well-known in the industry for its high calibre of technical expertise, prompt and economical project delivery, and ethical business practices.

The Company's strategy to meet the above objective is to maximise the value of its current reserves onshore in the Republic of Yemen and to explore possibilities to acquire additional oil and gas reserves as they become available.

The Company had primarily concentrated on Louisiana, USA, as its strategic and geographical focus prior to 2014. The acquisition of oil reserves in the Middle East and North Africa (MENA) region, particularly in Yemen, became the focus of this attention in 2014:

- During a period of low oil prices and a challenging political environment that makes it impossible for much larger companies to continue operating, and where our network of relationships and contacts might progress projects.
- With near-term production capacity, which hold the potential to substantially increase the value of the Company.

Yemen, located on the Arabian Plate, has geology comparable to that of Saudi Arabia, including Petroleum Systems that are identical. Yemen is underdeveloped and underexplored holding the potential for the discovery of significant oilfields.

Company Profile and History

Petsec Energy Ltd is an independent oil and gas exploration and production company.

The Company was established on 7 December 1967 and its registered Australian Company Number is: 000 602 700.

The Company was listed on the Australian Securities Exchange ("ASX") from 1980 until 4 April 2022 when its shares were removed from the ASX Official List in accordance with Listing Rule 17.2 as the shares had been in voluntary suspension from trading for a continuous period of two years.

The Company's shares were initially placed in voluntary suspension on 3 April 2020, following the Board's consideration of the confluence of events that affected the Company at the time, particularly the effects of the Coronavirus COVID-19 pandemic, which resulted in an unprecedented collapse in oil and gas prices and a lockdown of government administrative processes around the World. The voluntary suspension provided the time to allow the Company to effectively resolve its cost structure, financing, and business plan to protect and enhance shareholder value during the period of the pandemic.

Unfortunately, the Company was unable to meet the ASX requirements for reinstatement before the two-year anniversary date of entering voluntary suspension and was removed from the official list of ASX.

Historically, the Company through its wholly owned subsidiary companies Petsec Energy Inc. and Petsec Exploration and Production LLC had operations in the shallow waters of the Gulf of Mexico and onshore Louisiana, USA. The Company had been active in the USA since 1989 and had explored and produced offshore in the Gulf of Mexico and onshore in Louisiana, and Texas. The Company has drilled over 100 wells in the USA and had a high success rate of 74% resulting in the discovery of over 30 oil and gas fields, total reserves of 450 billion cubic feet of natural gas equivalent ("Bcfe"), and production of 217 Bcfe.

The Company sold its U.S. oil and gas interests in October 2020 and dissolved its U.S. subsidiaries.

From 2002 to 2011, the Company was active in the Beibu Gulf, China, participating in the drilling of seven exploration wells resulting in three oil fields being discovered. The Company sold its interest in these fields in 2011.

The Company currently holds interests onshore in the Republic of Yemen through its wholly owned subsidiary companies West Yemen Oil (Block S-1), Inc., Oil Search (ROY) Limited, and Petsec Energy Yemen Limited.

In 2014, the Company determined that it wished to pursue both an exploration and an oil reserves acquisitions strategy. Following a strategic review, the Company identified the MENA region as a growth area for the Company where licences with producing oil reserves or near development reserves, with associated high exploration potential, can be acquired at lower prices than those in the USA.

Company Profile and History (continued)

Al Barqa, Block 7 Exploration Licence

In 2014, a 35% non-operated working interest in a large licence (Block 7 – 5,000 square kilometres) area was acquired in Yemen. Two wells drilled on the Block by Oil Search Ltd in 2010 and 2011 discovered the Al Meashar Oilfield, with undeveloped target resources of 11 to 110 million barrels ("MMbbls") of oil. The block also has eight prospects and leads identified with 2D and 3D seismic, the larger four prospects range between 174 and 439 MMbbls of oil potential.

In 2018, the Company acquired a further 40% working interest in the block, securing the Block 7 operatorship, and increasing its total holdings in Block 7 to a 75% working interest.

Damis Block S-1 Production Licence

In late 2015 and early 2016, the Company acquired a 100% working interest in the Damis Block S-1 Production Licence in Yemen, which holds five oil and gas fields containing more than 60 MMbbls of recoverable oil and 600 Bcf of gas. One of the fields, the An Nagyah Oilfield, is developed by 32 wells, with production facilities of 20,000 barrels of oil per day ("bopd") capacity with initial recoverable reserves of 50 MMbbls. The field began production in 2004 and produced 25 MMbbls prior to its suspension in 2014 for political reasons.

The Company attempted to restart production at the An Nagyah Oilfield from 2017 but was denied access to government owned transport facilities, contrary to the Block S-1 Petroleum Sharing Agreement ("PSA"). In late 2019, the then Yemen Oil Minister indicated that approvals would be granted subject to our securing a financially strong Yemen oil producing company to be operator.

Late in 2020, the Company secured a financially strong and experienced Yemen oil producer to operate Block S-1 as required by the legitimate Yemen Minister for Oil, in order to receive government approvals to access export transport facilities which would permit the restart of oil production from the An Nagyah Oilfield in Block S-1.

All the shares of Yemen (Block S-1), Inc., the designated operator of Block S-1 and owner of a 75% working interest, were acquired by Yung Holdings Limited, a Hong Kong domiciled company and subsidiary of the Octavia Energy Corporation, a UK company focused on oil and gas exploration and production in the MENA region. Octavia Energy is financed by members of the Hayel Saeed Anam family, owners of the HSA Group of Companies, one of the Middle East's most successful family enterprises, and Yemen's largest, with over 35,000 employees and a multi-billion dollar annual turnover.

Yung Holdings Limited was established in 2016 to acquire Calvalley Petroleum (Cyprus) Ltd which holds a 50% interest and is the operator of Malik Block 9 in the Masila Basin of Yemen. The block was returned to production in 2019 following an investment of US$45 million, and until September 2022, when Houthi drones stopped all export of Yemen oil, was producing 6,500 bopd, which was trucked to the Block 4 pipeline thence to Bir Ali for export. The Block 9 joint venture includes Hood Oil, owning a 25% interest since 2002, a subsidiary of Hayel Saeed Anam and Co. (H.S.A.), and Medco Energi, an Indonesian listed company, holding a 25% interest.

Following the acquisition, the operator of Damis Block S-1 renamed Yemen (Block S-1), Inc. to Octavia Energy (Block S-1), Inc. (the "Operator") and established its Block S-1 operations offices in Cairo, Egypt and Aden, Yemen.

The Company has since focussed all its efforts on supporting the Operator towards securing the necessary government approvals with the objective of achieving the restart of oil production from the An Nagyah Oilfield.

Refer to section *7. Operations Review of the Directors' Report* for further details.

2024 Year in Review

Corporate

- **Convertible Note Facility ("Facility")** – During the year, the Company accessed an additional US$0.2 million under its Convertible Note Facility to cover administrative expenses, bringing the total drawn under the Facility to US$14.2 million.

  The Noteholders have agreed to extend further support by approving an additional drawdown, ensuring the Company has adequate working capital to meet its operational needs for 2025.

- **YEMEN: Al Barqa Block 7 Letter of Credit ("LoC") litigation** – In 2024, the Company continued to pursue the recovery of its LoC funds, which it was awarded by the Jordanian Court in recognition of the unlawful claim made by the Houthi and subsequently transferred to Arab Bank. Despite the clear ruling by the Court of Cassation in December 2022, which required Arab Bank to repay the LoC monies, the recovery process has been significantly delayed by Arab Bank's repeated legal manoeuvres.

  While the Jordanian Court has confirmed that the Houthi's claim on the Block 7 LoC is illegal, and despite the Court's specific instructions for Arab Bank to return the funds in January 2023, the Bank continues to frustrate the enforcement of the judgment. Arab Bank has filed numerous appeals and motions designed to delay or evade compliance with the Court's decision, including attempts to mislead the Execution Judge and submitting multiple requests to challenge the enforcement process.

  The Company has taken every step to contest these delays, successfully challenging Arab Bank's arguments at each stage. However, the continued use of legal loopholes by Arab Bank has resulted in four years of unnecessary legal proceedings, costing the Company and its partners, Mitsui, over US$300,000 in third-party costs. In addition, Arab Bank has effectively retained control of the funds without legitimate justification, even though the Jordanian Courts have determined that the Houthi claim and the actions of Arab Bank were illegal from the outset.

  Despite these setbacks, the Company remains resolute in its commitment to recovering the LoC funds, which are rightfully owed. The Company will continue to pursue all available legal avenues to ensure that the judgment is enforced and that the LoC funds are returned as directed by the Court.

  Refer to "*Note 21. Contingencies and Legal Matters"* within the notes to the consolidated financial statements for further details.

Operations

- **Damis Block S-1 Production Licence, Yemen** – During the year, Block S-1 remained shut-in and under Force Majeure due to the ongoing political instability and conflict in Yemen and the broader Middle East. As a result, oil production within the country continues to be suspended until the situation allows for a safe resumption of activities.

  In November 2024, the joint venture reviewed and finalised the 2025 Work Program & Budget ("WP&B"), which was subsequently submitted to the Ministry of Minerals and Oil in December 2024. The 2025 WP&B largely mirrors the 2024 plan, focusing on the early reactivation of five shut-in wells with an initial production target of 1,000 barrels of oil per day (bopd) from the first well. Over the course of eight months, the production rate is expected to progressively increase to 5,000 bopd.

  As part of the work program, the Central Processing Facility ("CPF") is scheduled for refurbishment and is planned to be back in operation within the same timeframe. The CPF has a processing capacity of 20,000 barrels per day. Additionally, there are 17 An Nagyah Oilfield production wells that could be accessed to support the planned production targets.

  Produced oil will be transported by truck to the Block 4 pipeline, and from there, it will be delivered to the Bir Ali Oil Terminal for export and sale.

2024 Year in Review (continued)

Operations

- **Block 7, Al Barqa Permit, Yemen –** Block 7 remained under Force Majeure throughout 2024, with no activities undertaken during the year.

  The Company continues to await the resolution of the Block 7 LoC litigation, as well as improvements in Yemen's political situation and security. Additionally, no activities will be planned for Block 7 until Damis Block S-1 has been safely returned to production.

Financial

- Net production: nil (previous corresponding period: nil).
- Net oil and gas revenues (after royalties): nil (previous corresponding period: nil).
- EBITDAX: negative US$0.1 million (previous corresponding period: negative US$0.1 million).
- Net profit after tax: loss after tax of US$4.9 million (previous corresponding period: loss after tax of US$4.5 million).
- Cash at 31 December 2024: US$72,000 (previous corresponding period: US$32,000).
- US$15 million Convertible Note Facility: US$14.2 million drawn at 31 December 2024 (previous corresponding period: US$14.0 million).

Chairman's Report

Dear Shareholder,

I am pleased to present the Chairman's Report for the financial year ended 31 December 2024.

Despite the challenges encountered over the past year, our Company has remained resilient and steadfast in overcoming a series of complex geopolitical and legal obstacles in the Middle East, particularly in Yemen, where we hold interests in a major oilfield (Damis Block S-1 Production Licence) and exploration licence (Block 7, Al Barqa Permit).

Geopolitical Developments in the Middle East

During the year, the Middle East has been marked by significant geopolitical challenges, further complicating an already volatile landscape.

In Yemen, the conflict escalated between Houthi rebels and the internationally recognised government, though there have been some signs of progress in peace talks. The humanitarian situation remains critical, with widespread displacement and food insecurity.

The Israeli Palestinian conflict continues to drive regional instability, with ongoing military operations in Gaza and the West Bank, and international calls for a ceasefire. These developments have sparked global diplomatic pressure and concerns over potential escalation.

Syria has experienced a dramatic shift with the collapse of President Bashar al-Assad's regime following a coup. This has led to increased uncertainty and a power vacuum, with various factions competing for control and international powers reassessing their involvement.

In the Gulf, oil production strategies remain central to regional dynamics. The resumption of key oilfield operations is crucial, with fluctuating expectations that may impact global energy markets.

Overall, the Middle East remains in a state of upheaval, with shifting alliances and ongoing crises driving both regional and global attention. Further developments are expected to shape the region's future.

Damis Block S-1 Production Licence, Yemen

The political instability and ongoing conflict in Yemen continued to impact our operations throughout 2024, with Block S-1 remaining shut-in and under Force Majeure. Oil production in Yemen remains suspended as we await improved conditions for a safe resumption of activities.

In November 2024, in conjunction with the Damis Block S-1 joint venture operator we reviewed and finalised the 2025 Work Program & Budget ("WP&B"), which was subsequently submitted for approval to the Ministry of Minerals and Oil in December.

The 2025 WP&B focuses on the reactivation of five shut-in wells, with an initial production target of 1,000 barrels per day (bopd) from the first well. We expect production to progressively increase to 5,000 bopd over the course of eight months. Additionally, the Central Processing Facility is scheduled for refurbishment, with the goal of returning it to full operational capacity of 20,000 bopd.

We remain committed to the successful execution of the 2025 Work Program and will continue to monitor the geopolitical and operational conditions closely. As soon as the situation allows, we will resume production and focus our efforts to restore our operations to full capacity.

Block 7, Al Barqa Permit, Yemen

As with Block S-1, Block 7 remained under Force Majeure throughout 2024, and no activities were undertaken during the year. We continue to await resolution of the Block 7 LoC litigation and improvements in Yemen's political and security situation.

No activities will be planned for Block 7 until Damis Block S-1 is safely returned to production.

We remain committed to monitoring developments closely and will update shareholders as the situation evolves.

Chairman's Report (continued)

Yemen: Al Barqa Block 7 Letter of Credit Litigation

Throughout the year, the Company remained steadfast in its continued pursuit of the recovery of its Block 7 Letter of Credit ("LoC") funds of US$1.68 million.

The Jordanian Court had ruled in December 2022 that the Houthi claim on the LoC was unlawful, and in January 2023, the Court ordered that Arab Bank return the funds. However, despite this clear ruling, Arab Bank has employed a series of legal manoeuvres to delay and frustrate the enforcement of the judgment.

Despite these setbacks, the Company has vigorously contested each delay and successfully challenged Arab Bank's attempts to avoid compliance with the Court's decision. To date, over US$300,000 has been expended on third-party costs due to the prolonged legal proceedings. The Jordanian Courts have consistently affirmed that the actions of both the Houthi and Arab Bank were illegal, and we remain resolute in our commitment to recovering the funds owed to the Company. We will continue to pursue all available legal avenues to ensure the enforcement of the judgment and the return of the LoC funds.

Convertible Note Facility

The Company drew an additional US$0.2 million from its Convertible Note Facility ("Facility") in 2024, bringing the total amount drawn to date under the Facility to US$14.2 million (excluding accrued interest).

This additional support has been crucial in securing the working capital needed to meet our operational requirements while the Company awaits a resolution of the political conflict in Yemen, which would enable the resumption of production at the An Nagyah Oilfield in Damis Block S-1.

Furthermore, we are pleased to report that our Noteholders have agreed to an additional drawdown of the Facility to ensure that the Company has sufficient liquidity to address its working capital needs for the 2025 year. This continued support reflects the confidence our investors have in the long-term potential of the Company, and we are grateful for their ongoing commitment.

Financial Performance

The financial results for the year reflect the ongoing challenges faced by the Company, with no oil production and no associated revenues.

Our earnings before interest, income tax, depreciation, depletion and amortisation, and exploration expense ("EBITDAX") for the year was negative US$0.1 million, which is in line with that of the previous corresponding period EBITDAX.

The Company reported a net loss after tax of US$4.9 million for the year, compared to a loss of US$4.5 million in the prior period, primarily due to interest expense of US$4.8 million related to the US$15 million Convertible Note Facility.

As of 31 December 2024, the Company had cash on hand of US$72,000 and the carrying value of the Convertible Note Facility including accrued interest was US$34.0 million.

Outlook 2025

Despite the challenges faced in 2024, the Company remains committed to executing its strategy and creating value for shareholders. We are grateful for the continued support of our stakeholders, including our Noteholders and partners.

As we move into 2025, we remain committed to and optimistic about overcoming the challenges ahead, including resolving our Block 7 LoC litigation and the achievement of peace in the Middle East, which will pave the way for the resumption of production in Yemen.

We will continue to provide updates on our progress and are confident that our efforts will lead to long-term success.

Thank you for your continued support.

TN Fern

Chairman

Directors' Report
For the year ended 31 December 2024

The directors present their report together with the Financial Report of Petsec Energy Ltd ("the Group"), being Petsec Energy Ltd (the Company) and its subsidiaries, for the financial year ended 31 December 2024 and the independent auditor's report thereon.

1. Directors

The names and particulars of the qualifications and experience of each director during or since the end of the financial year are:

Terrence N Fern

Executive Chairman

Mr Fern has been a director since 1987 and has over 50 years of extensive international experience in petroleum and minerals exploration, development, and financing. He holds a Bachelor of Science degree from the University of Sydney and has followed careers in both exploration geophysics and natural resource investment.

Barry J Dawes

Non-executive Director

Chairman of the Audit Committee and member of the Nomination and Remuneration Committee

Mr Dawes has been a director since September 2020 and is a graduate of Sydney University in Geology with studies in Economics and Geography at ANU and has over 40 years' experience in the resources investment sector. Mr Dawes has worked in senior executive roles in investment management with BT Australia, equities research for Deutsche Bank and equities research and corporate finance for Macquarie Bank.

Mr Dawes is the founder and principal of Martin Place Securities, a specialised small cap resources stock broking firm set up in 2000 and has been a long-term supporter of the Company.

Francis M Douglas

Non-executive Director

Chairman of the Nomination and Remuneration Committee and member of the Audit Committee

Mr Douglas has been a director since September 2020 and is a graduate of the University of Queensland and the University of Cambridge in Law. He has been a member of the NSW Bar since 1975 and a Kings Counsel (K.C.) since 1988. He has practiced in all areas of commercial law including international commercial arbitration. He has extensive experience in mineral and oil and gas related matters.

Brent D Emmett

Technical Director

Member of the Audit and Nomination and Remuneration Committees

Mr Emmett has been a director since November 2020 and has over 45 years' experience in petroleum exploration, exploration and production management and investment banking. He holds a Bachelor of Science First Class Honours degree in physics and geophysics from Adelaide University.

Mr Emmett began work as an explorationist in Australia, Papua New Guinea, and New Zealand for Esso (now ExxonMobil) and then Elf Aquitaine. He joined Ampolex as Exploration Manager in 1983 and filled general management roles in North and South America, International and Business Development, and was a member of the Executive Committee. From 1997 until 2001 Mr Emmett was Managing Director – Oil & Gas Advisory with the investment banking firm of CIBC World Markets. Mr Emmett was the Chief Executive Officer and Managing Director of Horizon Oil for 17 years, where he was a member of the risk management and disclosure committees. He retired as CEO of Horizon Oil in June 2018 and remains actively involved in the oil business as a senior advisor to industry participants. Mr Emmett is a Director of Australian Doctors International.

2. Executive Officers

Paul Gahdmar

Chief Financial Officer and Company Secretary

Mr Gahdmar joined the Company in 1999 as the Financial Accountant of the Petsec Energy Ltd group and has since held several management positions within the Company. Mr Gahdmar was appointed as the Company Secretary of Petsec Energy Ltd in 2008 and took on the position of Chief Financial Officer in addition to his current role as Company Secretary, effective 1 January 2021.

Mr Gahdmar has over 30 years of experience in corporate accounting and finance in listed companies within the mining and resources industry. Mr Gahdmar holds a Master of Business and Technology degree from The University of New South Wales and a Diploma in Investor Relations from the Australasian Investor Relations Association. Mr Gahdmar is a Fellow of the Institute of Public Accountants.

3. Directors' meetings

The Board has a formally constituted Audit Committee and a Nomination and Remuneration Committee. Mr Dawes chairs the Audit Committee and Mr Douglas the Nomination and Remuneration Committee. Messrs Douglas, Dawes, and Emmett are members of the two committees.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are as follows:

	Regular Board Meetings	Additional Board Meetings	Audit Committee Meetings	Nomination & Remuneration Committee Meetings
Total number held during the year	***8***	***-***	***4***	***2***
T N Fern [1]	8	-	4	2
B J Dawes	8	-	4	2
F M Douglas	6	-	2	1
B D Emmett	7	-	4	2

[1] *Mr Fern attended the Audit and Nomination & Remuneration Committee meetings as an invitee.*

4. Remuneration report

The Remuneration Report is set out on pages 18 to 25 and forms part of the Directors' Report for the financial year ended 31 December 2024.

5. Principal activities

The principal activities of the Group during the year were focused on securing and progressing its oil interests in two lease blocks, onshore in the Republic of Yemen – the Damis Block S-1 Production Licence and the Al Barqa, Block 7 Exploration Permit.

6. Financial review

The Group reported a net loss after tax of US$4.9 million for the twelve months ended 31 December 2024 (previous corresponding period: net loss after tax of US$4.5 million) after the recognition of net financial expense of US$4.8 million in relation to the Convertible Note Facility ("Facility").

Net financial expense of US$4.8 million (previous corresponding period: US$4.4 million) comprised expenditure incurred in connection with the Facility, including interest expense and penalty fees.

Since the sale of the Company's U.S. oil and gas production interests in the financial year 2020, there has been no oil and gas production, or revenues generated in both the current and previous corresponding periods.

The Group continues to await authorisation and approval from the Yemen Ministry of Oil & Minerals to access export transport infrastructure, and for security conditions to improve in Yemen. These developments are crucial for restarting oil production from its An Nagyah Oilfield in Block S-1.

The restart of oil production at the An Nagyah Oilfield, given current oil prices, is expected to generate sufficient income over the field's lifetime to meet repayment obligations of the Group's debt and provide additional revenue. The Group holds a 25% interest in Block S-1, held by the Company's West Yemen Oil (Block S-1) Inc., entitling it to a carry of all costs throughout the licence period.

No lease operating costs were incurred during the current period (previous corresponding period: nil).

Geological, geophysical, and administrative costs for the current period totalled US$0.2 million (previous corresponding period: US$0.2 million).

The Group reported negative earnings before interest, income tax, depreciation, depletion and amortisation, and exploration expense ("EBITDAX") of US$0.1 million for the current period (previous corresponding period: negative EBITDAX of US$0.1 million).

Financial position

Cash Deposits

As at 31 December 2024, the Company held cash deposits of US$72,000 (31 December 2023: US$32,000). The cash deposits were held in Australian and US dollars.

6. Financial review (continued)

Financial position (continued)

Convertible Note Facility

At 31 December 2024, the Company had drawn down US$14.2 million under its US$15 million Convertible Note Facility Agreement. Refer "*Note 15 – Interest bearing loans and borrowings*" in the notes to the consolidated financial statements for further details.

7. Operations review

Petsec Energy Ltd (the "Company") is an independent oil and gas exploration and production company. The Company holds interests in two onshore blocks in the Republic of Yemen, 80 kilometres apart in the Marib Basin – Damis (Block S-1) Production Licence and Al Barqa, Block 7, Exploration Licence.

Middle East and North Africa ("MENA")

Yemen

The Company holds rights to working interests in two blocks in Yemen, 80 kilometres apart in the Marib Basin – the Damis Block S-1 Production Licence and Al Barqa, Block 7 Exploration Licence.

The Damis Block S-1 Production Licence in the Shabwah Governate contains five oil and gas fields, with target resources of approximately 60 million barrels of oil and 600 Bcf of natural gas. One field, the An Nagyah Oilfield is developed, with 32 wells, and has associated production facilities capable of producing 20,000 bopd, connected by an 80,000 bopd pipeline to Block 5 and the Marib Pipeline which terminates at the Ras Isa Oil Export Terminal on the Red Sea to the West. The Marib Pipeline and Ras Isa Oil Export Terminal have been shut since March 2015 due to the Saudi Coalition embargo on oil lifting from the Port of Hodeidah because of the Houthi control of Hodeidah.

In 2020, a pipeline between Block 5 and Block 4 was completed which will allow An Nagyah oil to flow to Block 5 thence South through the Block 4 pipeline to the Rudum Export Terminal at Bir Ali, for export and sale.

Al Barqa, Block 7 Exploration Licence is a 5,000 square kilometre (1,235,527 acres) area in the Shabwah Governate, which holds the undeveloped Al Meashar Oilfield discovery with target resources of 11 to 110 million barrels of oil and four prospects which range between 174 and 439 MMbbls potential.

Damis (Block S-1), Republic of Yemen

Petsec: 25% carried working interest (20.625% participating interest)

Petsec Energy acquired 100% of the block late 2015/early 2016 from wholly owned subsidiaries of Occidental Petroleum Corporation and TransGlobe Energy Corporation.

Damis (Block S-1) is located approximately 80 kilometres to the southwest of Block 7 and holds five sizeable oil and gas discoveries:

- the developed and productive (until suspended in 2014), An Nagyah Oilfield; and
- a further four undeveloped oil and gas fields – Osaylan, An Naeem, Wadi Bayhan, and Harmel.

The developed An Nagyah Oilfield has produced around 25 million barrels of oil since start of production in 2004 out of the original recoverable reserves of 50 million barrels of oil. [1]

The four undeveloped fields hold substantial oil and gas resources of approximately 35 MMbbls of oil and 600 Bcf of gas [2] representing substantial potential future growth of reserves and production for the Company.

The Company had been seeking, since 2017, government approvals to access government owned export transport facilities. In late 2019, the then Yemen Oil Minister indicated that those approvals were predicated on the Company securing a financially strong and experienced Yemen oil producer to operate Block S-1.

Late in 2020, the Company secured a financially strong and experienced Yemen oil producer to operate Block S-1 satisfactory to and as required by the legitimate Yemen Minister for Oil, in order to receive government approvals to access export transport facilities which would permit the restart of oil production from the An Nagyah Oilfield in Block S-1.

1. *Based on estimates by previous operator and DeGolyer and McNaughton Canada Limited. The Company intends to commission a new reserves report after the resumption of production.*
2. *Source: Wood Mackenzie Asia Pacific Pty Ltd (November 2015)*

7. Operations review (continued)

MENA (continued)

Damis (Block S-1), Republic of Yemen (continued)

Petsec: 25% carried working interest (20.625% participating interest)

All the shares of Yemen (Block S-1), Inc., the designated operator of Block S-1 and owner of a 75% working interest, were acquired by Yung Holdings Limited, a Hong Kong domiciled company and subsidiary of the Octavia Energy Corporation, a UK company focused on oil and gas exploration and production in the MENA region. Octavia Energy is financed by members of the Hayel Saeed Anam family, owners of the HSA Group of Companies, one of the Middle East's most successful family enterprises, and Yemen's largest, with over 35,000 employees and a multi-billion dollar annual turnover.

Yung Holdings Limited was established in 2016 to acquire Calvalley Petroleum (Cyprus) Ltd which holds a 50% interest and is the operator of Malik Block 9 in the Masila Basin of Yemen. The block was returned to production in 2019 following an investment of US$45 million, and until recently was producing 6,500 bopd, which was trucked to the Block 4 pipeline thence to Bir Ali for export. The Block 9 joint venture includes Hood Oil, owning a 25% interest since 2002, a subsidiary of Hayel Saeed Anam and Co. (H.S.A.), and Medco Energi, an Indonesian listed company, holding a 25% interest.

Following the acquisition, the Operator of Damis Block S-1 renamed Yemen (Block S-1) Inc. to Octavia Energy (Block S-1), Inc. and has established its Block S-1 operations offices in Cairo, Egypt and Aden, Yemen.

The Operator has spent the past four years preparing for the restart of oil production by establishing operations offices in Cairo, Egypt and Aden, Yemen, engaging with the Yemen Oil Ministry, local tribes, contractors, unions, and staff, and securing testing equipment.

Throughout the year, Block S-1 remained shut-in and under Force Majeure due to the ongoing political instability and conflict in Yemen and the wider Middle East. As a result, oil production in the country remains suspended until conditions allow for a safe resumption of activities.

In November 2024, the joint venture reviewed and finalised the 2025 Work Program & Budget (WP&B), which was submitted to the Ministry of Minerals and Oil in December 2024. The 2025 WP&B is largely consistent with the previous year's plan and focuses on the early reactivation of five shut-in wells. Initial production from the first well is targeted at 1,000 barrels of oil per day ("bopd"), with expectations to ramp up to 5,000 bopd within eight months.

The refurbishment of the Central Processing Facility ("CPF") is also part of the 2025 work program, with plans for it to be fully operational within the same timeframe. The CPF has a capacity of 20,000 barrels per day. Additionally, there are 17 production wells in the An Nagyah Oilfield that can be brought into production to support the targeted output.

The produced oil will be transported 70 kilometres by truck to the Block 4 pipeline and then shipped to the Bir Ali Oil Terminal for export and sale.

Block 7, Al Barqa Permit, Republic of Yemen

Petsec: 75% working interest (63.75% participating interest)

Petsec Energy acquired its interest in the Al Barqa (Block 7) Exploration Licence in Yemen over the period 2014-2017 from AWE, Mitsui, and Oil Search Ltd. The Company has operatorship of the block through its wholly owned subsidiary Oil Search (ROY) Limited and holds a 75% working interest (63.75% participating interest) in the Al Barqa (Block 7) Joint Venture.

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) in the Shabwah Basin, located approximately 340 kilometres East of Sana'a, and 14 kilometres East of OMV's Habban Oilfield in Block S-2 which holds ultimate recoverable reserves of 350 million barrels of oil.

Block 7 contains the undeveloped Al Meashar Oilfield discovered in 2010 by Oil Search Ltd, and eight prospects and leads each holding significant oil potential identified by 2D and 3D seismic surveys. The four largest prospects range in target size from 174 MMbbls to 439 MMbbls.

The two discovery wells of the Al Meashar Oilfield (target resource of 11 MMbbls to 110 MMbbls) in 2010 and 2011, are suspended for future production. In 2010/2011, short-term testing of the two Al Meashar wells delivered flow rates ranging from 200 to 1,000 bopd. The wells intersected an 800-metre oil column in the Kuhlan and Basement formations, the same formations and oil as OMV's Habban Oilfield, which has an oil column of 945 metres and is located 14 kilometres to the West.

7. Operations review (continued)

MENA (continued)

Block 7, Al Barqa Permit, Republic of Yemen

Petsec: 75% working interest (63.75% participating interest)

The Habban Oilfield holds estimated ultimate recoverable reserves of 350 million barrels of oil and over the past four years has variously produced between 4,000 bopd and 14,000 bopd into the Block 4 export pipeline to the export port of Bir Ali to the South. Prior to March 2015 when all Yemen oilfields were shut-in because of the civil war, OMV was producing 30,000 bopd, trucked to Block 18 for pipeline transport West to Ras Isa on the Red Sea. No oil has been exported from Yemen since September 2022, because of Houthi drones stopping oil export from the terminals at Bir Ali and Mukhalla, on the Arabian Sea.

Oil and Gas Reserves

Petsec Energy Group Net Reserves as of 1 January 2025

Oil Equivalent (Mboe [1])	Net Proved Reserves [3]	Net Probable Reserves [3]	Net Proved and Probable Reserves [3]
Yemen Reserves [2]			
Reserves as of 1 January 2024	1,135.0	277.0	1,412.0
Additions/(revisions)	-	-	-
Total Petsec Energy Group Reserves as of 1 January 2025	**1,135.0**	**277.0**	**1,412.0**
Developed	***1,135.0***	***277.0***	***1,412.0***
Undeveloped	***-***	***-***	***-***

Footnotes

1. *Mboe = One thousand barrels of oil equivalent (using a ratio of approximately six thousand cubic feet of natural gas to one barrel of oil).*

2. *The reserve assessments presented in the table above and throughout this report are consistent with that disclosed in the section "Oil and Gas Reserves" in the Company's 2023 Annual Report lodged with ASIC on 28 February 2024.*

   The reserves are stated only for oil in the An Nagyah Oilfield and are unchanged from the initial assessment announced to the ASX on 15 March 2016 using a Brent oil price of US$30/bbl and 5,000 bopd trucked 580 kilometres to PetroMasila's Block 14 truck unloading facilities. The reported reserves represent the Company's 25% interest share. The Company intends to commission a new reserves report after the resumption of production at the An Nagyah Oilfield.

   The Company confirms that it is not aware of any new information or data that materially affects the information included in these announcements, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

3. *Net reserves mean those reserves representing the Company's net revenue interest (or net economic interest). In Yemen, it is reserves net of those reserves used to meet all costs - operational, government taxes and government participation in Yemen, according to the terms of the Damis (Block S-1) Petroleum Sharing Agreement (PSA) with the Yemen government. The Yemen net reserves are free of all costs.*

To ensure accuracy and compliance of reserves estimations, the Company has put in place a robust process that incorporates the following governance arrangements and internal controls:

- At least once a year, as part of the year-end reporting procedures, the Company's producing oil and gas reserves are to be reviewed by an external, independent expert. The independent verified reserves are to be used as the basis for depreciation, depletion, and amortisation calculations.
- All releases or reports containing statements of reserves are to be in accordance with ASX listing rules, requiring sign-off for content and context by an appropriately qualified person and in accordance with the Company's Reserves Policy.

8. Objectives, strategy, future performance, and risks

It is the Group's objective to increase the value of the Company and thus shareholder value through successful oil and gas exploration, development, and production, and through acquisitions. The Group's strategy to meet the above objective is to produce its current reserves in Damis (Block S-1), Yemen and to explore opportunities to acquire other oil and gas reserves as they become available.

The Group's strategy considers the expected operating and market conditions, together with general economic conditions, which are inherently uncertain. The Group has in place, structured and proactive risk management and internal control systems to manage material risks. Certain of those risks are inherent to the Group's business, such as drilling for, producing, and marketing oil and gas. Although the Group is committed to minimising its risk exposure, many risks are largely beyond the control of the Group and its directors. Moreover, other more general risks associated with the vicissitudes of commercial life, political change, and cyclical economic conditions are risks that the Group cannot control. The following are those risks which management and the Board consider to be material business risks that could adversely affect the achievement of the financial prospects of the Company discussed above:

Drilling and Production Risks

Drilling for oil and natural gas is subject to numerous risks. Paramount is the risk that drilling operations will not result in the discovery of commercially productive oil or natural gas reservoirs. Also, projects are subject to economic risks. Before beginning a drilling project, the Company can only estimate the cost of drilling and completing wells as many indeterminable factors can affect the total cost. For example, oil and natural gas drilling and production activities may be extended, shortened, delayed, or cancelled because of a variety of factors, many of which are beyond the Company's control. These risks may negatively impact the economics of drilling projects. In part, these factors include:

- Unexpected drilling conditions including abnormal geological pressure or irregularities in formations.
- Equipment failures or accidents.
- Weather conditions, including hurricanes and other tropical weather disturbances.
- Shortages in experienced labour.
- Shortages, delays in the delivery, or high cost of drilling rigs and equipment.
- Constraints on access to transportation systems (pipelines) delaying sale of oil and natural gas.
- Reduction or losses of resources or reserves.
- Acquiring and maintaining title to its interests.
- Unresolved landowner or regulatory issues; and
- Inability of third-party joint venture partners to participate in or fund their share of drilling and production activities.

Operating Risks

The exploration for and development and production of oil and natural gas involves a variety of industry operating risks. If any of these industry-operating risks occur, the Company could have substantial losses. Substantial losses could include injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. These risks include:

- Fire, explosions, blow-outs, and surface cratering.
- Lost or damaged oilfield drilling pipe and service tools.
- Casing or cement failures.
- Environmental hazards caused by oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases; and
- Hazards of marine operations such as capsizing, collision and adverse weather and sea conditions.

Pricing Risks

The marketing and sale of oil and natural gas is subject to the risk of adverse commodity price fluctuations that impact cash flow. Some factors that affect commodity prices include:

- Relatively minor changes in the supply of and demand for oil and natural gas.
- Market uncertainty.
- The level of consumer product demand.
- Weather conditions.

8. Objectives, strategy, future performance, and risks (continued)

Pricing Risks (continued)

- Domestic and foreign governmental regulations.
- The price and availability of alternative fuels.
- Technological advances affecting oil and natural gas consumption.
- Political and economic conditions in oil producing countries, particularly those in the Middle East.
- Policies of the Australian and foreign governments.
- The foreign supply of oil and natural gas.
- The price of oil and natural gas imports; and
- General economic conditions.

To reduce the impact of price fluctuations, from time to time, the Company has used derivative financial instruments, such as natural gas swaps, puts and costless collars, on a portion of its future production. However, such hedging activities may not be sufficient to protect the Company against the risk of price declines and may limit income and liquidity if prices rise.

- Hedging activities that are intended to reduce the risk of downward price fluctuations on a portion of our future production may limit the Company's potential income if oil and gas prices rise above a level established by its hedge instruments.
- Hedging counterparties require collateral when the mark-to-market value of our hedge instruments is in the counterparties' favour and exceeds the Company's credit limits with such counterparties. As a result, the Company may be required to provide substantial security to the counterparties when commodity prices change significantly. The security provided may be in the form of cash or letters of credit, and thus, could have a significant impact on the Company's liquidity.

Exchange Rate Risks

Adverse exchange rate variations between the U.S. dollar and the Australian dollar may impact upon cash balances held in Australian dollars. Since most of the Company's operations are conducted in U.S. dollars, the Company generally maintains a substantial portion of its cash balances in U.S. dollar accounts. Occasionally, however, it may have some cash deposits in Australian dollar accounts. Until these funds are converted into U.S. dollars, the U.S. dollar value of the deposits will change as the exchange rate between the two currencies fluctuates.

Other Risks

Other factors can impact the environment in which the Company operates and thus can affect its ability to perform as desired. Such factors include:

- Changes in legislation and Government regulation in the countries in which the Company operates.
- Political and societal risks from wars, social and ethnic unrest, changes in government and insurgencies in the districts, regions, and countries in which the Company operates.
- Environmental risks from existing and new regulations and standards being applied in the jurisdictions in which the Company operates.
- General economic conditions in the countries in which the Company operates.
- Stock market conditions in Australia.
- Fluctuations in asset values; and
- Availability of and access to capital.

9. Dividends

Directors do not recommend the payment of a dividend for the financial year ended 31 December 2024. No dividends were paid during the financial year.

10. Significant changes in state of affairs

There were no significant changes to the state of affairs of Petsec Energy during the financial year, other than those detailed in the "Financial review" and "Operations review" sections of this report.

11. Environmental regulation

The Group's oil and gas exploration and production activities are subject to significant environmental regulation under legislation in the jurisdictions where it has operations. The Group is committed to achieving a high standard of environmental performance and compliance with all lease conditions. Directors are not aware of any breach of environmental compliance requirements relating to the Group's activities during the year.

12. Likely developments

The Group's primary objectives for 2025 will be as follows:

- **Support the Operator in restarting the An Nagyah Oilfield**: We will continue to assist the Operator in their efforts to resume operations at the An Nagyah Oilfield, located within the Damis Block S-1 Production Licence. A successful restart will generate cash flow for the Group, enabling the repayment of the Convertible Note Facility, enhancing the Group's balance sheet, and potentially facilitating the development of Block 7.
- **Recover the Block 7 Letter of Credit ("LoC") monies**: We will actively pursue the recovery of the Group's US$1.68 million fraudulently claimed under the Block 7 LoC, which are currently held by Arab Bank.
- **Explore New Oil and Gas Opportunities**: We will assess and consider new oil and gas production opportunities outside of Yemen as they arise, expanding our portfolio and strategic growth.

13. Directors' interests

The relevant interest of each director in the shares or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
T N Fern	77,194,372	Nil
B J Dawes	6,473,579	3,000,000
F M Douglas	Nil	3,000,000
B D Emmett	Nil	6,000,000

14. Share options

Options granted to directors and officers of the Company (key management personnel)

Options under the Employee Option Plan

During or since the end of the financial year:

- No unlisted options over ordinary shares in the Company were granted to or exercised by key management personnel under the Employee Option Plan (2023: nil).
- No unlisted options over ordinary shares were forfeited (2023: 6,700,000).

Options outside the Employee Option Plan

During or since the end of the financial year:

- 9,000,000 unlisted options over ordinary shares in the Company were granted to key management personnel outside the Employee Option Plan (2023: nil) – approved by Shareholders at the General Meeting held on 8 May 2024.
- 10,000,000 unlisted options over ordinary shares were forfeited (2023: 2,000,000).

Option grants to persons other than key management personnel

During the year, the expiration date of 3,000,000 unlisted options over ordinary shares in the Company, granted to Mr John Rees as part of the transaction fee related to the divestment of a 75% interest in Damis Block S-1, was extended by two years to 30 September 2026.

14. Share options (continued)

Option grants to persons other than key management personnel (continued)
The options were originally issued in August 2021 with an expiry date of 30 September 2022 and were later extended to 30 September 2024.

The options have an exercise price of 2.1 cents per option over ordinary shares.

During or since the end of the financial year, no ordinary shares have been issued by the Company as result of the exercise of options.

15. Indemnification and insurance of officers

The Company's directors' and officers' liability insurance expired on 7 June 2020 at 4.00 p.m.

The Company was not able to renew the policy due to several factors, including the financial circumstances of the Company at that time and the drastic change in the insurance market which resulted in insurers reducing capacity, increasing deductibles and significant increasing policy premiums.

16. Non-audit services

Details of the amounts paid or payable to the Company's auditor for non-audit services provided during the financial year are outlined in "*Note 7 – Auditor's remuneration*" of the accompanying Financial Statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor or by another person or firm on the auditor's behalf, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

17. Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 26 and forms part of the Directors' Report for the financial year ended 31 December 2024.

18. Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

19. Consolidated Entity Disclosure Statement

The information disclosed in the attached consolidated entity disclosure statement is true and correct.

20. Events subsequent to balance date

Other than as disclosed, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

This report is made with a resolution of the directors:

T N Fern
Director

Sydney, 28 February 2025

20. Remuneration Report

20.1 Introduction

This Remuneration Report forms part of the Directors' Report. It outlines the overall remuneration strategy, framework and practices adopted by the Company and the Group ("Petsec Energy Group") for the year ended 31 December 2024 and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and its regulations.

In accordance with the *Corporations Act 2001*, remuneration details are disclosed for the Petsec Energy Group's Key Management Personnel.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Petsec Energy Group. Key management personnel comprise the directors of the Company and senior executives of the Petsec Energy Group, whose names appear in the tables in section 20.5 of this report.

20.2 Executive summary

The Board's remuneration policy is to provide fair and market competitive levels of remuneration for all employees, including directors and key management personnel in order for the Company and the Petsec Energy Group to benefit by attracting and retaining a high-quality team.

The Company has a Nomination and Remuneration Committee to assist the Board in the implementation and administration of the remuneration policy – refer to *section 20.3,* below.

The key developments during the year in the implementation and administration of the remuneration policy included:

- The annual review of key management personnel performance.
- Annual review of the Nomination & Remuneration Committee Charter.

20.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the appointment and induction process for directors and committee members, and the selection, appointment, and succession planning process of the Company's Chief Executive Officer. The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, and expertise of each position. When a vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary.

The Committee reviews and makes recommendations to the Board on compensation packages and policies applicable to the executive officers and directors of the Petsec Energy Group. It is also responsible for oversight of employee share and option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies, deeds of access and indemnity, and professional indemnity and liability insurance policies.

Executive compensation and other terms of employment are reviewed annually by the Nomination and Remuneration Committee having regard to performance against goals set at the start of the year, relevant corporate information, and where appropriate independent expert advice.

The Nomination and Remuneration Committee comprised the following members during the year:

- F M Douglas (Chairman) – Independent Non-executive Director
- B J Dawes – Independent Non-executive Director
- B D Emmett – Technical Director

The Board policy is that the Nomination and Remuneration Committee will comprise a majority of non-executive directors and a non-executive chairman.

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met twice during the year and the Committee members' attendance record is disclosed in the table of directors' meetings.

The Nomination and Remuneration Committee's Charter is available on the Company's website www.petsec.com.au.

20. Remuneration Report (continued)

20.4 Principles of compensation

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Nomination and Remuneration Committee obtains peer comparisons and/or independent advice on the appropriateness of compensation packages of the Petsec Energy Group, given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of the Company's objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures consider:

- The capability and experience of the key management personnel; and
- The ability of key management personnel to control the relevant performance of their segment of operation.

Compensation packages include a mix of fixed compensation and performance-based incentives, including equity-based incentives as set out below.

In addition to their salaries, the Petsec Energy Group also provides non-cash benefits to its key management personnel as set out below and contributes to post-employment defined contribution superannuation plans in Australia.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds in Australia. Non-cash benefits comprise employer payments towards life and salary continuance insurance benefits.

The Nomination and Remuneration Committee reviews compensation levels and other terms of employment annually through a process that considers individual, segment and overall performance of the Company against goals set at the start of the year. In addition, where necessary, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the marketplace.

Performance-linked compensation

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding the Company's financial objectives and agreed individual objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash or ordinary shares in the Company, while the long-term incentive (LTI) is provided as either shares or options over ordinary shares of the Company under the rules of the Employee Share and Option Plans approved by shareholders at the Annual General Meeting held on 28 May 2021 (see Note 17(b)). The maximum number of securities in aggregate that may be issued under the Employee Share and Option Plans is 21,033,215.

Short-term incentive

Short-term incentives are provided to key management personnel through discretionary bonuses as determined and granted by the Company's Nomination and Remuneration Committee. Factors considered by the Committee when granting discretionary bonuses include personal performance, the achievement of strategic objectives, and the retention and motivation of employees.

No short-term incentives were awarded to key management personnel during the year.

Long-term incentive

Certain key management personnel are also provided with long-term incentives through participation in the Company's Employee Share and Option Plans, subject to the approval of the Committee. Key management personnel are typically offered options on an annual basis with the exercise price of the shares or options based on the weighted average market price of the Company's ordinary shares for the five trading days preceding the date of issue, subject to a minimum exercise price of 20 cents.

During the year, no shares or options over ordinary shares were issued to key management personnel as long-term incentive compensation under the Employee Share and Option Plans (previous corresponding period: nil).

20. Remuneration Report (continued)

20.4 Principles of compensation (continued)

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous four financial years.

	2024	2023	2022	2021	2020
Loss attributable to owners of the company [1]	(US$4,945,000)	(US$4,537,000)	(US$1,694,000)	(US$3,021,000)	US$1,266,000
Dividend paid	-	-	-	-	-
Closing share price as at 31 December [2]	n/a	n/a	n/a	A$0.021	A$0.021
Change in share price	n/a	n/a	n/a	-	(A$0.035)

1. *Net profit/(loss) amounts for 2020 to 2024 have been calculated in accordance with Australian Accounting Standards (AASBs).*
2. *Petsec Energy Ltd was removed from the Official List of the ASX on 4 April 2022.*

Service and employment agreements

Remuneration and other terms of engagement of executive employees are formalised in service agreements that are unlimited in term but capable of termination by varying periods of notice or by payment of an amount in lieu of notice. The service agreements generally outline the components of compensation paid, but do not prescribe how compensation levels are modified from year-to-year. Compensation levels are reviewed each year in light of cost-of-living changes, performance, and changes in the scope of the role performed by the executive and changes required to meet the principles of the compensation policy.

The Executive Chairman, Mr Fern, is engaged via Geofin Consulting Services Pty Limited ("Geofin"), a company of which Mr Fern is a director. The Company may terminate this agreement without cause by giving not less than twelve months' notice or pay an amount equal to the fees for twelve months in lieu of notice. Mr Fern may terminate the agreement with not less than six months' notice. In the event of a breach of the agreement by the Company, Mr Fern may terminate the agreement by giving one month's notice and would be entitled to a payment equal to fees for a twelve-month period.

Non-executive directors

Directors' fees are set having regard to periodic advice from external remuneration consultants, market surveys and the level of fees paid relative to those of other comparable companies. Directors' fees comprise base fees, plus statutory superannuation for Australian directors. Directors are also entitled to reasonable travel, accommodation and other expenses incurred in attending meetings or while engaged on Company business.

Non-executive directors do not receive performance-related compensation. Directors' fees cover all main Board activities and membership of committees and are subject to the aggregate limit of A$300,000 approved by shareholders at the 1996 Annual General Meeting.

In 2020, the current directors, Messrs. Barry Dawes, Francis Douglas, and Brent Emmett, accepted that there would be no cash remuneration paid until such times as the Company has substantial free cashflow and regains profitability. In place of cash payment for director fees, the Company has granted a total of 12,000,000 options to the directors. Shareholder approval for the issuance of these options was obtained at the Annual General Meetings held in May 2021 and May 2024.

Directors' Report

For the year ended 31 December 2024

20. Remuneration Report (continued)

20.5 Directors' and Executive Officers' Remuneration Report

Details of the nature and amount of remuneration for the key management personnel consisting of each director and executive officer of the Company and the Group are:

			Short-term benefits				Post-employment benefits		Share-based payments	Total US$	Proportion of remuneration performance related %	Accounting fair value as proportion of remuneration %
			Salary & fees US$	Short-term incentive/ retention cash bonus US$	Other benefits US$	Service agreements US$	Superannuation benefits US$	Termination benefits US$	Accounting fair value US$			
Directors [1]												
Executive												
T N Fern [1]	Executive Chairman	**2024**	-	-	-	-	-	-	-	-	-	-
(Note 1)		2023	-	-	-	-	-	-	-	-	-	-
B D Emmett [1]	Technical Director	**2024**	-	-	-	-	-	-	**116**	**116**	-	**100.0**
		2023	-	-	-	-	-	-	624	624	-	100.0
Non-executive												
B J Dawes [1]	Director	**2024**	-	-	-	-	-	-	-	-	-	-
		2023	-	-	-	-	-	-	184	184	-	100.0
F M Douglas [1]	Director	**2024**	-	-	-	-	-	-	-	-	-	-
		2023	-	-	-	-	-	-	184	184	-	100.0
Total directors' remuneration		**2024**	-	-	-	-	-	-	**116**	**116**	-	**100.0**
		2023	-	-	-	-	-	-	992	992	-	100.0

1 *Australian-based directors' remuneration amounts are actually paid in Australian dollars and presented in US dollars at the following average FX rates i) 2024 – 0.6592 ii) 2023 – 0.6648.*

20. Remuneration Report (continued)

20.5 Directors' and Executive Officers' Remuneration Report (continued)

Details of the nature and amount of remuneration for the key management personnel consisting of each director of the Company and executive officer of the Company and the Group are:

			Short-term benefits				Post-employment benefits		Share-based payments	Total US$	Proportion of remuneration performance related %	Accounting fair value as proportion of remuneration %
			Salary & fees US$ *Note 3*	Short-term incentive/ retention cash bonus US$ *Note 4*	Other benefits US$ *Note 5*	Service agreements US$	Superannuation benefits US$	Termination benefits US$	Accounting fair value US$ *Note 6*			
Executives												
P Gahdmar [1] *(Note 2)*	Company Secretary, Group Financial Controller	**2024**	**-**	**-**	**-**	**88,003**	**-**	**-**	**-**	**88,003**	**-**	**-**
		2023	-	-	-	88,352	-	-	-	88,352	-	-
Total executive remuneration		**2024**	**-**	**-**	**-**	**88,003**	**-**	**-**	**-**	**88,003**	**-**	**-**
		2023	-	-	-	88,352	-	-	-	88,352	-	-
Total directors and executive officer remuneration		**2024**	**-**	**-**	**-**	**88,003**	**-**	**-**	**116**	**88,119**	**-**	**0.1**
		2023	-	-	-	88,352	-	-	992	89,344	-	1.1

1. *Australian-based executive officers' remuneration amounts are actually paid in Australian dollars and presented in US dollars at the following average FX rates i) 2024 – 0.6592 ii) 2023 – 0.6648.*

20. Remuneration Report (continued)

20.5 Directors' and Executive Officers' Remuneration Report (continued)

Notes

1) Included in service agreements above are amounts which are paid or are payable to, a company of which Mr Fern is a director.
   During the year, a company of which Mr Fern is a director provided management services to the Company and its controlled entities. The dealings were in the ordinary course of business and on normal terms and conditions.
   Mr Fern did not receive a fee for his services as Executive Chairman of Petsec Energy Ltd during the year (2023: nil).
2) Included in service agreements above is an amount of US$88,003 (2023: US$88,352) which was paid or is payable to, a company of which Mr Fern is a director and through which Mr Gahdmar provided services.
3) Salary and fees for certain specified executives includes the movement during the reporting period of accruals for annual leave and long service leave.
4) Short-term incentive/retention cash bonuses represent discretionary bonus amounts granted based on several factors including personal performance, the achievement of strategic objectives, retention, and motivation of employees.
5) Other benefits represent amounts paid on behalf of key management personnel in respect of insurance, car parking, fringe benefits.
6) The fair value of options and shares is calculated at the date of the grant using the Black-Scholes model and allocated to each reporting period over the period from grant date to vesting date.

No termination payments were paid to key management personnel during the year (2023: nil).

The following table sets out the factors and assumptions used in determining the fair value of the shares or options issued to key management personnel.

Grant date	Expiry date	Average fair value per option	Exercise price	Price of shares on grant date	Weighted Average estimated volatility	Risk-free interest rate	Dividend yield
28/05/21 [1]	15/06/25	A$0.001	A$0.02	A$0.021	3.6%	0.09%	-
16/05/24 [2]	20/05/27	-	A$0.001	n/a	0.0%	3.875%	-
16/05/24 [3]	17/06/27	-	A$0.001	n/a	0.0%	3.79%	-
16/05/24 [4]	17/06/27	-	A$0.001	n/a	0.0%	3.79%	-

1 *Issued to B. Emmett. Options vest between 15 June 2022 and 15 June 2024 at a minimum share price of A$0.02.*

2 *Issued to B. Dawes. Options vest between 20 May 2024 and 20 May 2026 at a minimum share price of A$0.001.*

3 *Issued to F. Douglas. Options vest between 17 June 2024 and 17 June 2026 at a minimum share price of A$0.001.*

4 *Issued to B. Emmett. Options vest between 17 June 2024 and 17 June 2026 at a minimum share price of A$0.001.*

20.6 Analysis of short-term incentive/retention cash bonuses included in remuneration

Amounts included in remuneration for the financial year, within the table included in Note 20.5 of this Directors' Report, represent the amount that vested in the financial year based on several factors including achievement of personal goals, satisfaction of specified performance criteria, retention, and motivation of employees.

No amounts vest in future financial years in respect of the short-term incentives and bonus schemes for the 2024 year. No amounts were forfeited due to the performance or service criteria not being met in relation to the current financial year.

20. Remuneration Report (continued)

20.7 Equity instruments

Options over equity instruments granted as compensation

All options refer to unlisted options over ordinary shares of Petsec Energy Ltd, which are exercisable on a one-for-one basis.

During the year, no options were granted to key management personnel pursuant to the Employee Option Plan (2023: nil).

The movement during the reporting period in the number of options under the Employee Option Plan held, directly, indirectly, or beneficially, by each key management personnel, including their related parties, is as follows:

	Held at 1 January 2024	Granted as compensation	Exercised	Other changes [1]	Held at 31 December 2024	Vested during the year	Vested and exercisable at 31 December 2024
Directors							
T Fern	-	-	-	-	-	-	-
B Emmett	-	-	-	-	-	-	-
B Dawes	-	-	-	-	-	-	-
F Douglas	-	-	-	-	-	-	-
Executives							
P Gahdmar	-	-	-	-	-	-	-

[1] *Other changes represent shares and options that expired or were forfeited during the year.*

During the year:

- 9,000,000 options over ordinary shares in Petsec Energy Ltd were granted to key management personnel outside the Employee Option Plan (2023: nil).
- 10,000,000 options over ordinary shares were forfeited (2023: 1,000,000).

The movement during the reporting period in the number of options outside the Employee Option Plan held, directly, indirectly, or beneficially, by each key management personnel, including their related parties, is as follows:

	Held at 1 January 2024	Granted as compensation [1]	Exercised	Other changes [2]	Held at 31 December 2024	Vested during the year	Vested and exercisable at 31 December 2024
Directors							
T Fern	-	-	-	-	-	-	-
B Emmett	6,000,000	3,000,000	-	(3,000,000)	6,000,000	2,000,000	4,000,000
B Dawes	3,000,000	3,000,000	-	(3,000,000)	3,000,000	1,000,000	1,000,000
F Douglas	3,000,000	3,000,000	-	(3,000,000)	3,000,000	1,000,000	1,000,000
Executives							
P Gahdmar	1,000,000	-	-	(1,000,000)	-	-	-

[1] *Options exercisable at a share price of A$0.001.*
[2] *Other changes represent shares and options that expired or were forfeited during the year.*

Exercise of options granted as compensation

No shares were issued on the exercise of options previously granted as compensation to key management personnel during the reporting period (previous corresponding period: nil).

20. Remuneration Report (continued)

20.7 Equity instruments (continued)

Movements in fully paid ordinary shares

The movement during the reporting period in the number of ordinary shares in Petsec Energy Ltd held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 January 2024	Granted as compensation	Purchases	Received on exercise of options	Disposal/ Removal of relevant interest	Held at 31 December 2024
Directors						
T Fern	77,194,372	-	-	-	-	77,194,372
B Dawes	6,473,579	-	-	-	-	6,473,579
F Douglas	-	-	-	-	-	-
B Emmett	-	-	-	-	-	-
Executives						
P Gahdmar	400,000	-	-	-	-	400,000

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PETSEC ENERGY LTD AND CONTROLLED ENTITIES
ABN 92 000 602 700

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Petsec Energy Ltd.

As the auditor for the audit of the financial report of Petsec Energy Limited for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

MNSA Pty Ltd
MNSA Pty Ltd

Allan Facey
Director

Sydney
Dated this 28th of February 2025

Consolidated statement of profit and loss and other comprehensive income

For the year ended 31 December 2024

	Note	2024 US$'000	2023 US$'000
Continuing operations			
Other revenue/(expenses)	5	**(1)**	10
Lease operating expenses		**-**	-
Geological, geophysical, and administrative expenses		**(156)**	(165)
Depreciation, depletion, amortisation, and reclamation		**(1)**	(1)
Operating loss		**(158)**	(156)
Financial income	8	**1**	1
Financial expenses	8	**(4,788)**	(4,382)
Net financial expense		**(4,787)**	(4,381)
Loss before income tax		**(4,945)**	(4,537)
Income tax benefit/(expense)	9	**-**	-
Loss for the period		**(4,945)**	(4,537)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		**19**	(58)
Total comprehensive loss for the period		**(4,926)**	(4,595)

	Note	US Dollars 2024	2023
Loss per share			
Basic and diluted loss per share	10	**(0.01)**	(0.01)

The consolidated statement of profit and loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 31 to 62.

Consolidated statement of changes in equity

For the year ended 31 December 2024

In thousands of USD	Share capital US$'000	Translation Reserve US$'000	Share-based compensation US$'000	Option Reserve US$'000	Accumulated losses US$'000	Total Equity US$'000
Balance at 1 January 2023	5,346	1,979	3	405	(31,389)	(23,656)
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(4,537)	(4,537)
Other comprehensive income						
Foreign exchange translation differences	-	(57)	-	(1)	-	(58)
Total other comprehensive income/(loss)	-	(57)	-	(1)	-	(58)
Total comprehensive income/(loss) for the period	-	(57)	-	(1)	(4,537)	(4,595)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Vesting of share options	3	-	(3)	-	-	-
Share-based payments expense	-	-	1	-	-	1
Total transactions with owners	3	-	(2)	-	-	1
Balance at 31 December 2023	5,349	1,922	1	404	(35,926)	(28,250)
Balance at 1 January 2024	**5,349**	**1,922**	**1**	**404**	**(35,926)**	**(28,250)**
Total comprehensive income/(loss) for the period						
Loss for the period	**-**	**-**	**-**	**-**	**(4,945)**	**(4,945)**
Other comprehensive income/(loss)						
Foreign exchange translation differences	**-**	**55**	**-**	**(36)**	**-**	**19**
Total other comprehensive income/(loss)	**-**	**55**	**-**	**(36)**	**-**	**19**
Total comprehensive income/(loss) for the period	**-**	**55**	**-**	**(36)**	**(4,945)**	**(4,926)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share issue/(cancelled)	**27**	**-**	**-**	**-**	**-**	**27**
Vesting of share options	**1**	**-**	**(1)**	**-**	**-**	**-**
Share-based payments expense	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners	**28**	**-**	**(1)**	**-**	**-**	**27**
Balance at 31 December 2024	**5,377**	**1,977**	**-**	**368**	**(40,871)**	**(33,149)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 31 to 62.

Consolidated statement of financial position

As at 31 December 2024

	Note	2024 US$'000	2023 US$'000
ASSETS			
Current assets			
Cash		**72**	32
Other receivables	11	**-**	42
Prepayments		**12**	13
Total current assets		**84**	87
Non-current assets			
Other receivables	11	**1,000**	1,000
Property, plant, and equipment		**3**	2
Oil and gas properties	12	**-**	-
Total non-current assets		**1,003**	1,002
Total assets		**1,087**	1,089
LIABILITIES			
Current liabilities			
Trade and other payables	14	**34**	79
Total current liabilities		**34**	79
Non-current liabilities			
Trade and other payables		**115**	119
Secured borrowings	15	**33,966**	29,008
Fair value of derivative instruments	16	**-**	-
Employee benefits provisions		**121**	133
Total non-current liabilities		**34,202**	29,260
Total liabilities		**34,236**	29,339
Net assets		**(33,149)**	(28,250)
EQUITY			
Issued capital		**5,377**	5,349
Reserves		**2,345**	2,327
Accumulated losses		**(40,871)**	(35,926)
Total equity		**(33,149)**	(28,250)

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 31 to 62.

Consolidated statement of cashflows

For the year ended 31 December 2024

	Note	2023 US$'000	2023 US$'000
Cashflows from operating activities			
Cash payments to suppliers and employees		**(159)**	(140)
Net cash (used in) operating activities	28	**(159)**	(140)
Cashflows from investing activities			
Payments for property, plant, and equipment		**(1)**	(1)
Net cash (used in)/from investing activities		**(1)**	(1)
Cashflows from financing activities			
Proceeds from drawdown of convertible note facility		**200**	-
Proceeds from issue of options – net of transaction costs		**1**	-
Net cash (used in)/from financing activities		**201**	-
Net (decrease)/increase in cash and cash equivalents		**41**	(141)
Cash and cash equivalents at 1 January		**32**	173
Effects of exchange rate changes on cash held		**(1)**	-
Cash and cash equivalents at 31 December		**72**	32

The consolidated statement of cashflows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 31 to 62.

Notes to the consolidated financial statements

For the year ended 31 December 2024

1. Reporting entity

Petsec Energy Ltd (the “Company”) is a company domiciled in Australia. The registered office of the Company is Level 7, Macquarie Business Centre, 167 Macquarie Street, Sydney NSW 2000. The consolidated financial statements of the Company as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the “Group”).

The financial report is presented in United States dollars, which is the Group’s choice of presentation currency.

The Group is a for-profit entity and is primarily involved in oil and gas exploration and production with operations onshore in the Republic of Yemen.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (IASB).

The Board of Directors approved the financial statements on 28 February 2025.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with that instrument, all financial information presented in US dollars has been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3 (d) – Exploration, evaluation properties and oil and gas properties, Note 3(l) Rehabilitation provision and Note 3 (r) – Income tax.

The estimated recoverable amount of oil and gas assets is based on discounted cash flow projections which are based on estimates and assumptions that are subject to change. Key assumptions include the ultimate prices realised on the sale of oil and gas and the reserves ultimately recovered. A sustained deterioration in prices or reduction in reserves may result in future asset impairments.

(d) Going concern basis of preparation

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As at 31 December 2024, the Group had a cash balance of US$72,000 (31 December 2023: US$32,000) and current net assets of US$50,000 (31 December 2023: current net assets of US$8,000).

In addition, the group incurred a loss from continuing operations of US$4,945,000 (31 December 2023: loss of US$4,537,000) and had net cash outflows from operating activities of US$159,000 during the period (31 December 2023: US$140,000).

The Group has a Convertible Note Facility (“Facility”) of US$15.0 million excluding interest (refer Note 16 for further details).

As at 31 December 2024, the Group had drawn down US$14.2 million under the Facility (31 December 2023: US$14.0 million). The carrying value of the Facility at 31 December 2023 including accrued interest and excluding the fair value of the conversion option is US$34.0 million (31 December 2023: US$29.0 million).

(d) Going concern basis of preparation (continued)

The directors have approved cash flow projections which support the going concern basis of preparation. The preparation of these projections incorporates several assumptions and judgements, and we have concluded that the range of possible outcomes considered in arriving at this judgement do not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

3. Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Company and Group.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost, less accumulated impairments.

(ii) Joint operating arrangements

Joint operating arrangements are those legal entities over whose activities the Group has joint control, whereby the Company has rights to the assets and obligations for the liabilities relating to the arrangement. The interest of the Group in unincorporated joint operating arrangements and jointly operated assets are brought to account by recognising in its financial statements the Company's share of the arrangements underlying assets and liabilities, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint arrangements.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The functional currency of the Company and its Australian subsidiaries is Australian dollars (A$), and the functional currency of the Company's overseas subsidiaries is United States dollars (US$).

The financial statements are presented in United States dollars. The Group believes the US dollar is the best measure of performance for Petsec Energy Ltd because oil and gas, the Group's dominant sources of revenue, are priced in US dollars and the Group's main operations are based in jurisdictions where most of the costs incurred are denominated in US dollars.

Prior to consolidation, the results and financial position of each entity within the Group are translated from the functional currency into the Group's presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that consolidated statement of financial position.
- Income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

3. Material accounting policy information (continued)

(b) Foreign currency (continued)

(i) Functional and presentation currency (continued)

- Components of equity are translated at the historical rates; and
- All resulting exchange differences are recognised as a separate component of equity.

ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the respective functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve (FCTR).

(c) Derivative financial instruments and hedging activities

The Group's revenues are exposed to changes in commodity prices. From time to time, the Group enters into derivative financial instruments to manage a portion of its oil and gas sales price risks.

The Group does not hold derivative financial instruments for speculative purposes.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(i) Cash flow hedge

Changes in the fair value of the derivative-hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit or loss.

(ii) Derivative financial instruments that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit and loss.

Other derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. After initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit or loss.

3. Material accounting policy information (continued)

(d) Exploration, evaluation properties and oil and gas properties

Exploration and evaluation expenditure is accumulated in respect of each separate area of interest. The Group's capitalisation policy for its natural gas and crude oil exploration and development activities is to capitalise expenditure of productive exploratory wells, development drilling and productive wells, and expenditure to acquire mineral interests. Exploration expenditure, including personnel costs, certain geological and geophysical expenses including seismic costs where exploration rights have not been obtained for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling expenditures are initially capitalised but charged to expense if and when the well is determined not to have found reserves in commercial quantities.

Exploration and evaluation expenditures relating to an area of interest are capitalised where exploration rights have been obtained. This expenditure is carried forward only to the extent that they are expected to be recouped through successful development and exploitation, or sale of the area, or where exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant exploration operations are continuing. This expenditure is not subject to amortisation. Once management has determined the existence of economically recoverable reserves for an area of interest, expenditure is reclassified from exploration and evaluation to oil and gas properties on the balance sheet. Oil and gas properties are amortised using a units-of-production method, as further discussed in Note 3(e).

Exploration and evaluation properties and oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. If indicators of impairment are present, an impairment loss is recorded based on the higher of an asset's fair value less costs to sell and value in use (see Note 3(g)). When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(e) Amortisation of oil and gas properties

Oil and gas properties in the production phase are amortised on a units-of-production method based on the ratio of actual production to remaining proved and probable reserves (2P). Remaining 2P reserves are measured at the lower of 2P reserves estimated by external independent petroleum engineers and internal estimates.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

(f) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit and loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

3. Material accounting policy information (continued)

(f) Property, plant, and equipment (continued)

(iii) Depreciation and amortisation

Depreciation of property, plant and equipment is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item. Leased assets are depreciated over the shorter of the lease term and their useful lives. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. When changes are made, adjustments are reflected prospectively in current and future periods only.

The estimated useful lives or the amortisation method used for each class of asset in the current and comparative periods are as follows:

	2024	2023
Property, plant, and equipment		
Furniture and fittings	**5 – 8 years**	5 – 8 years
Office equipment	**3 – 4 years**	3 – 4 years
Leasehold improvements	**5 – 7 years**	5 – 7 years

(g) Impairment - non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets, other than deferred tax assets (see Note 3(r)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets or groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The measurement of recoverable amount for the Group's exploration, evaluation and oil and gas properties expenditure requires significant estimation and judgement. Note 13 provides further details of the key assumptions adopted by the Group in measuring the recoverable amounts of exploration, evaluation and oil and gas properties expenditure.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Trade and other receivables

Trade receivables, which generally have 30-to-60-day terms, are recognised, and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

3. Material accounting policy information (continued)

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of debt issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by considering any issue costs, and any discount or premium on settlement.

(k) Borrowing costs

Borrowing costs comprise interest payable on borrowings calculated using the effective interest rate method, lease finance charges, amortisation of discounts or premiums relating to borrowings, and the unwinding of discounts on the rehabilitation provisions. Borrowing costs relating to oil and gas properties under development are capitalised as a cost of development up to the date production commences. The actual borrowing costs are capitalised where funds are borrowed specifically for oil and gas properties under development. Borrowing costs on general funding are capitalised based on the weighted average borrowing rate.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation
The Group recognises a provision for the legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development, and (or) the normal operation of oil and natural gas properties. The initial recognition of a liability for rehabilitation, which is discounted using a risk-free interest rate, increases the carrying amount of the related long-lived asset by the same amount as the liability. In periods after initial measurement, period-to-period changes in the liability are recognised for the passage of time (unwinding of discount) as a borrowing cost. Additionally, the capitalised asset retirement cost is subsequently allocated to expense on a units-of-production basis over its estimated useful life.

Changes in the estimate of the liability arising from revised timing or estimated cost-to-complete the rehabilitation are recognised with a corresponding adjustment to the relevant long-lived asset.

The rehabilitation provision requires significant estimation and judgement. These estimates include:

- Expected method of remediation.
- Forecast costs-to-complete the future remediation; and
- Anticipated timing of the remediation work.

The Group monitors the estimates and judgements involved in measuring this provision.

(m) Employee benefits and director benefits

(i) Short-term employee benefits
Liabilities for employee benefits for wages, salaries, annual leave, sick leave, and bonuses represent present obligations resulting from employees' services provided to reporting date which are expected to be wholly settled by the Company within the next financial year. Such liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

3. Material accounting policy information (continued)

(m) Employee benefits and director benefits (continued)

(ii) Long-term employee benefits

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

(iii) Defined contribution pension plans

The Company and other controlled entities contribute to several defined contribution pension plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when they are due.

(iv) Share-based compensation transactions

Share-based compensation benefits are provided to employees of the Group, including directors, via the Company's Employee Option Plan and Employee Share Plan.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options.

(n) Leases

The Group has applied AASB 16 using the modified retrospective approach.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group amortises the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets, including certain office premises and office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Revenue and other income recognition

Revenue is recognised when (or as) the Group transfers control of goods or services to a customer at a point in time and at the amount to which the entity expects to be entitled. The following specific recognition criteria must also be met before revenue is recognised:

Sale of oil and gas

Revenues from the sale of oil and gas is recognised when the product is in the form in which it is to be delivered and an actual physical quantity has been provided or allocated to a purchaser pursuant to a contract. Revenue from oil and gas sales is measured at the fair value of the consideration receivable.

Revenue from oil and gas royalties is recognised on an accrual basis in accordance with the terms of underlying royalty agreements. Revenue from oil and gas royalties is measured at the fair value of the consideration receivable.

3. Material accounting policy information (continued)

(o) Revenue and other income recognition (continued)

Sale of non-current assets

Gains or losses on sale of non-current assets are recognised as other income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

(p) Finance income and finance expense

The Group's finance income and finance expenses include interest income, interest expense, the remeasurement to fair value of financial liabilities, and facility fees in relation to financial liabilities.

Interest income or expense is recognised using the effective interest method, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial liability.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Segment reporting

An operating segment is a distinguishable component of the Group whose information is reviewed regularly by the CEO, the Group's chief decision-making officer, and that is engaged in providing related products or services which are subject to risk and rewards that are different to other segments.

(t) Changes in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's financial statements as at and for the year ended 31 December 2023.

New and amended accounting policies adopted by the Group

- *AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

  The Group adopted AASB 2021-2 which amends AASB 7, AASB 101, AASB 108 and AASB 134 to require disclosure of "material accounting policy information" rather than significant accounting policies in an entity's financial statements. It also updates AASB Practice Statement 2 to provide guidance on the application of the concept of materiality to accounting policy disclosures.

  The adoption of the amendment did not have a material impact on the financial statements.

3. Material accounting policy information (continued)

New and amended accounting policies adopted by the Group (continued)

- *AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

  The Group adopted AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction for the financial year ending 31 December 2024.

  The adoption of the amendment did not have a material impact on the financial statements.

- *AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*

  AASB 2022-7 makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2. It also formally repeals the superseded and redundant Australian Accounting Standards set out in Schedules 1 and 2 of this standard.

  The adoption of the amendment did not have a material impact on the financial statements.

New and amended accounting policies not yet adopted by the Group (continued)

- *AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

  The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

  The Group plans on adopting the amendment for the reporting period ending 31 December 2025 along with the adoption of AASB 2023-6. The amendment is not expected to have a material impact on the financial statements once adopted.

- *AASB 2021-7c: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

  AASB 2021-7c defers the application of AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2025 instead of 1 January 2018.

  The Group plans on adopting the amendments for the reporting periods ending 31 December 2026. The impact of initial application is not yet known.

- *AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*

  AASB 2022-6 amends AASB 101: Presentation of Financial Statements to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure. The Group plans on adopting the amendment for the reporting period ending 31 December 2025. The amendment is not expected to have a material impact on the financial statements once adopted.

4. Determination of fair values

Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. The Company has applied fair value methodologies that approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Determination of fair values (continued)

Derivative Instruments

The fair values of derivative instruments are initially recognised at fair value on the date at which the derivative contracts are entered into and subsequently remeasured to fair value. On subsequent revaluation the derivatives are carried as assets when their fair value is positive and liabilities when their fair value is negative.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Equity securities

The fair value of equity securities (level 3 category instruments) is determined using an option pricing model – the Black-Scholes-Merton formula – in arriving at an expected present value for options granted by the Group at period end. Measurement inputs include observable inputs, such as the share price on the measurement date, the exercise price of the instrument, share price target and the risk-free interest rate (based on government bonds), as well as unobservable inputs, such as expected volatility, expected term of the instruments, and expected dividends which represent management's best estimates at period end.

5. Other income and expenses

	2024	2023
	US$'000	US$'000
(a) Other income and expenses		
Net foreign exchange gains/(losses)	**(1)**	10
	(1)	10

6. Personnel expenses

	2024	2023
	US$'000	US$'000
Service agreements for executives	**88**	88
Share-based payment compensation	**-**	1
	88	89

7. Auditor's remuneration

	2024	2023
Audit services:	**US$**	US$
Auditors of the Company		
MNSA Pty Ltd		
Audit and review of financial reports	**6,592**	6,648
Non-audit services:		
Auditors of the Company		
MNSA Pty Ltd		
Agreed upon procedures	**-**	-
	6,592	6,648

Notes to the consolidated financial statements

For the year ended 31 December 2024

8. Finance income and expense

	2024 US$'000	2023 US$'000
Interest income – Other parties	**1**	1
Financial income	**1**	1
Interest expense	**(3,288)**	(3,382)
Penalty fee [1]	**(1,500)**	(1,000)
Financial expense	**(4,788)**	(4,382)
Net financial expense	**(4,787)**	(4,381)

1. *During the current period, the Company incurred a US$1,500,000 penalty fee in accordance with the terms of the Convertible Note Facility ("Facility") which required that no less than 80% of the outstanding debt under the Facility be repaid by 23 January 2024.*

   In the previous corresponding period, the Company incurred a US$1,000,000 penalty fee in accordance with the terms of the Facility which required that no less than 50% of the outstanding debt under the Facility be repaid by 23 January 2023.

9. Income tax expense

	2024 US$'000	2023 US$'000
Recognised in the statement of comprehensive income – continuing operations		
Deferred tax expense		
Origination and reversal of temporary differences	**-**	-
Total income tax benefit/(expense) in the statement of comprehensive income	**-**	-

Numerical reconciliation between tax expense and pre-tax net profit/(loss)	2024 US$'000	2023 US$'000
Profit/(loss) before tax	**(4,945)**	(4,537)
Income tax expense/(benefit) using the Australian corporation tax rate of 25% (2023: 25%)	**(1,236)**	(1,134)
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	**1,218**	1,119
Deferred tax movements not brought to account in current year	**18**	15
Income tax expense/(benefit) on pre-tax net profit/(loss)	**-**	-

10. Earnings per share

The Group has only one type of security, being ordinary shares, included in the basic earnings per share calculation.

In addition to the ordinary shares, the Group had 15,000,000 unlisted options over ordinary shares on issue outside the Employee Option Plan as at 31 December 2024 (2023: 16,000,000).

Options pursuant to Employee Option Plan

There are no options over ordinary shares outstanding pursuant to the Employee Option Plan (2023: nil).

During the year:

- No options were granted or exercised (2023: nil)
- No options were forfeited (2023: 6,700,000).

10. Earnings per share (continued)

Options issued outside the Employee Option Plan

There are 15,000,000 options over ordinary shares outstanding outside the Employee Option Plan (2023: 16,000,000).

During the year:

- 9,000,000 options were granted outside the Employee Option Plan (2023: nil).
- 10,000,000 options were forfeited (2023: 2,000,000).
- The expiration date of 3,000,000 options, originally set for 30 September 2024, has been extended to 30 September 2026.
- No options were exercised (2023: nil).

In determining potential ordinary shares, none of the options are dilutive for the twelve months to 31 December 2024 (2023: nil).

Basic earnings/ (loss) per share – continuing and discontinued operations

The calculation of basic earnings/ (loss) per share at 31 December 2024 was based on the loss attributable to ordinary shareholders of US$4,945,000 (2023: loss of US$4,537,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2024 of 486,098,540 (2023: 461,071,218), calculated as follows:

Loss attributable to ordinary shareholders

	2024 US$'000	2023 US$'000
Loss for the period	**(4,945)**	(4,537)

Share capital *In thousands of shares*	**As at 2024**	2023
On issue at 1 January	**461,071**	461,071
Shares issued	**40,000**	-
Shares cancelled	**-**	-
On issue at 31 December	**501,071**	461,071

Weighted average number of shares (basic)

In thousands of shares	**2024**	2023
Issued ordinary shares at 1 January	**461,071**	461,071
Effect of shares issued in 2024 and 2023, respectively	**25,028**	-
Weighted average number of ordinary shares at 31 December	**486,099**	461,071

Weighted average number of shares (basic and diluted)

In thousands of shares	**As at 31 December 2024**	31 December 2023
Weighted average number of ordinary shares (basic and diluted)	**486,099**	461,071

Loss per share

In USD dollars	**2024 US$**	2023 US$
Basic and diluted loss per share	**(0.01)**	(0.01)

11. Trade and other receivables

	2024 US$'000	2023 US$'000
Current		
Other receivables	-	42
Balance at 31 December	-	42
Non-current		
Other receivables	1,000	1,000
Balance at 31 December	1,000	1,000

12. Oil and gas, and exploration and evaluation properties

	2024 US$'000	2023 US$'000
Balance at 1 January	-	-
Additions	-	-
Dry hole, impairment, and abandonment expense	-	-
Current year amortisation expense	-	-
Balance at 31 December	-	-

Recoverable amount

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

The estimated recoverable amount of all cash generating units in the development and production phases is determined by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. The Group utilises discounted future cash flows as estimated by independent petroleum engineers for this assessment. The key assumptions used include:

- Estimated proved and probable reserves (2P reserves).
- Hydrocarbon prices that the Group estimates to be reasonable considering historical prices, current prices, and prices used in making its exploration and development decisions.
- Operating costs directly applicable to the leases or wells and allocation of corporate overheads.
- Development costs based on authorisations for expenditure for the proposed work or actual costs for similar projects.
- Pre-tax discount rate of 10%.

Risk of future impairments

- The determination of the estimated recoverable amount of Petsec's producing oil and gas properties is highly sensitive to a change in estimated recoverable reserves, oil and gas prices, discount rates and cost allocations.
- As a result of historical impairments, certain properties are carried at recoverable amounts. Consequently, any reduction in recoverable reserves or a reduction in the oil or gas price may trigger the need for further impairment on these specific properties.

At 31 December 2024, the carrying amount of the Group's MENA oil and gas properties was nil (2023: nil).

The carrying amount of the Group's MENA oil and gas properties was fully impaired in prior periods due to the inability to resume operations and oil production in Yemen, caused by the following factors:

- Lack of government support and clearance to restart field operations, which are essential to access the Block S-1 Central Processing Facility, resume production, and to access government-owned export transport facilities.
- The security challenges resulting from the ongoing conflict in the country.

12. Oil and gas, and exploration and evaluation properties (continued)

Dry hole, impairment, and abandonment expense

The estimated recoverable amount of all oil and gas assets is based on value in use discounted cash flow projections that are based on a range of estimates and assumptions that are subject to change. Key assumptions include the ultimate prices realised on the sale of oil and gas and the reserves ultimately recovered. A sustained deterioration in prices or reduction in reserves may result in further future asset impairments.

13. Deferred tax assets

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2024 US$'000	2023 US$'000
Tax operating loss carry forwards in Australia	**3,136**	3,417

Under Australian Accounting Standards, the Group is required to assess at each reporting period, the extent to which deferred tax assets in respect of the carry-forward of unused tax losses and temporary differences qualify for recognition on the balance sheet based on current facts and circumstances, including projected future taxable profits.

Historically, no deferred tax assets have been recognised in relation to the Australian operations as they do not qualify for recognition of deferred tax assets until such time that it is probable that future taxable profits will be available against which unused tax losses and temporary differences in the relevant tax jurisdictions can be utilised.

The deductible temporary differences and tax losses in Australia do not expire under current tax legislation though these losses are subject to testing under loss recoupment rules, in order for them to be utilised.

14. Trade and other payables

Current	**2024 US$'000**	2023 US$'000
Trade and other payables, stated at cost		
Trade payables	**9**	36
Operational and administration accruals	**15**	12
Related party payables	**10**	31
	34	79
Non-current		
Trade and other payables, stated at cost		
Operational and administration accruals	**70**	70
Related party payables	**45**	49
	115	119

15. Interest bearing loans and borrowings

Non-current	**2024 US$'000**	2023 US$'000
Secured borrowings – convertible notes	**33,966**	29,008

15. Interest bearing loans and borrowings (continued)

Secured borrowings – convertible notes

Secured borrowings represent the outstanding balance at 31 December 2024 under a Convertible Note Facility ("Facility") with Republic Investment Management and associates in Singapore, managed through the registrar Sing Rim Pte Ltd of Singapore ("Registrar"). The Group entered into a US$15 million facility in August 2016.

The key terms and conditions of the Facility have been varied subsequent to the initial terms agreed in the secured convertible notes Deed Poll dated 23 August 2016. The terms have been amended by a Deed of Variation dated 14 September 2016, Letter of Variation dated 28 December 2016, Letter of Variation dated 30 March 2017, Letter of Variation dated 17 August 2017, Letter of Variation dated 18 February 2018, Letter of Variation dated 26 March 2018, Letter of Variation dated 9 May 2018, Letter of Variation dated 20 August 2018, Letter of Variation dated 6 September 2018, Letter of Variation dated 19 December 2018, the Amended and Restated Secured Convertible Note Deed Poll dated 5 March 2019, Letter of Variation and Variation to the Secured Convertible Note Deed Poll dated 8 April 2019, Letter of Variation dated 28 June 2019, Letter of Variation dated 18 January 2021, Letter of Variation dated 15 December 2023, and Addendum to the Variation dated 19 February 2024. Details of each of these variations are outlined in the announcements that the Company previously filed with the ASX up until its delisting in April 2022, and made available on its website.

The key terms and conditions of the Facility (Tranches 1, 2 & 3) as varied on 15 December 2023 and by the subsequent addendum are as follows:

(a) Facility amount: US$15 million.

(b) Facility drawdown: Available in three tranches of US$5 million each.

- Tranche 1 fully drawn as at 31 December 2018 (US$5 million).
- Tranche 2 drawn down to US$4.0 million as at 31 December 2021 (US$5 million).
  During 2024, the Company accessed a further US$200,000 under Tranche 2 of the Facility.
- Tranche 3 fully drawn as at 31 December 2019 (US$5 million).

(c) Facility term: Extended for a two-year period from 23 January 2024 to 23 January 2026.

(d) Interest: The interest rate has been maintained at 10% per annum monthly compounding for the period commencing 23 January 2024.

(e) Security: The convertible notes constitute unsubordinated and secured obligations of the Company. The Company and the registrar entered into a general security deed on 23 August 2016 under which the Company granted the registrar a general security interest over all the Company's assets as security for the Company's obligations under the convertible notes.

In the Secured Convertible Note Deed Poll dated 8 April 2019, the Noteholders agreed to a forbearance in the exercise of their rights under the Secured Convertible Note Deed Poll and associated Collateral, such that they will either exercise their rights of conversion or limit any claim they may have to the Secured Collateral only.

(f) Conversion to Petsec Energy Ltd shares: Limit on the conversion of debt such that the maximum total number of shares in Petsec Energy Ltd that can be issued by conversion is restricted to 240 million new shares at a conversion price of 0.1 cents per share, or such higher number so that the issue on conversion shall not cause Sing Rim to hold more than 65% of the total issued capital of the Company – approved by shareholders at the Company's General Meeting in May 2024.

(g) Dedication of Income/Cash to Debt Repayment: 80% of all income/cash generated from operations or transactions of the assets to be used to repay debt unless otherwise directed by the Noteholders.

(h) Approval of Expenditure: Material expenditures to be under the control of the Noteholders directed through the Chairman.

(i) Penalty Terms: If by 23 January 2025 less than 50% of the convertible note debt (i.e., principal and interest) has been paid to the Noteholders, the debt will increase by US$1 million. If by 23 January 2026 less than 80% of the debt (i.e., principal and interest) has been paid, the debt will increase by a further US$1.5 million.

15. Interest bearing loans and borrowings (continued)

(j) Consent Terms: 40 million fully paid ordinary shares in Petsec Energy Ltd at 0.1 cent per share to be granted to the Noteholders as a facility variation fee – these shares were issued on 20 May 2024 subsequent to approval by shareholders at the Company's General Meeting.

As at 31 December 2024, US$14.2 million has been drawn down under the US$15 million facility.

An additional US$150,000 will be available to the Company under Tranche 2 of the Facility for working capital purposes for the 2025 financial year.

16. Fair value of financial derivative instruments

Non-current	**2024 US$'000**	2023 US$'000
Fair value of financial derivatives	**-**	-

The fair value of the financial derivative instrument representing the embedded derivative component within the secured convertible note (refer Note 15) was nil as at 31 December 2024 (2023: nil).

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially valued at fair value; after initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit and loss.

The fair value of the financial derivative was determined at initial recognition and subsequent reporting dates using a Monte Carlo model.

17. Employee benefits

(a) Superannuation plans

Historically, the Group contributed to several defined contribution employee superannuation plans in Australia. Employer contributions are based on various percentages of their gross salaries. The Group is under no legal obligation to make contributions more than those specified in Superannuation Industry (Supervision) legislation. No superannuation was recognised as expense for the year ended 31 December 2024 (2023: nil).

(b) Share-based payments

The Employee Option and Employee Share Plans, established by shareholder resolutions on 29 November 1994, provide for employees, executives, and directors to be granted ordinary shares or options over ordinary shares at the discretion of the Nomination and Remuneration Committee.

Employee Option Plan

At 31 December 2024, there were no options outstanding under the Employee Option Plan (2023: nil).

During the year:

- No options over ordinary shares were granted to or exercised by key management personnel under the Employee Option Plan during the year (2023: nil).
- No options over ordinary shares were forfeited under the Employee Option Plan (2023: 6,700,000).

17. Employee benefits (continued)

(b) Share-based payments (continued)

The following sets forth the share-based compensation transactions under the Company's Employee Option Plan. The number and weighted average exercise prices of options over ordinary shares, is as follows:

	Weighted average exercise price 2024	Number of options 2024	Weighted average exercise price 2023	Number of options 2023
Outstanding at the beginning of the period	-	-	A$0.20	6,700,000
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	A$0.20	(6,700,000)
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

Employee Share Plan

During the year, no shares were granted to key management personnel under the Company's Employee Share Plan as long-term incentive compensation and no shares were outstanding (2023: nil).

Option grants to key management personnel outside the Employee Option Plan

At 31 December 2024, there were 12,000,000 options outstanding to key management personnel outside the Employee Option Plan (2023: 13,000,000).

During the year:

- 9,000,000 options over ordinary shares were granted to key management personnel (2023: nil).
- 10,000,000 options were forfeited (2023: 2,000,000).

The following table summarises the fair value assumptions of options and shares granted to key management personnel during the years ended 31 December 2024 and 2023, respectively.

	Key management personnel 2024	Key management personnel 2023
Consideration price	A$0.0001	-
Weighted average fair value at measurement date	-	-
Weighted average share price	n/a	-
Weighted average exercise price	A$0.001	-
Expected volatility (expressed as weighted average used in the modelling under Black-Scholes model)	-	-
Expected option life (expressed as weighted average used in the modelling under Black-Scholes model)	2.5	-
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	3.79% - 3.875%	-

The expected volatility is based on historic volatility (calculated based on the weighted average remaining life of the shares and options), adjusted for any expected changes to future volatility due to publicly available information.

18. Capital and reserves

Share capital

	Ordinary Shares	
In thousands of shares	**2024**	2023
On issue at 1 January	**461,071**	461,071
Shares issued	**40,000**	-
Shares cancelled	**-**	-
On issue at 31 December – fully paid	**501,071**	461,071

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the reporting entity.

Option reserve

The option reserve comprises the fair value of options to be issued as an underwriting fee in relation to the fully underwritten rights issue.

Share-based compensation

The share-based compensation represents the value of unvested options issued under the Company's Employee Option Plan. The value of vested options is transferred to share capital on vesting.

19. Risk management framework and additional financial instruments disclosures

Capital management

The Board's policy is to maintain an appropriate capital base to sustain future development of the Group. This capital base may comprise equity and borrowings.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. There is no separate risk management committee.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

19. Risk management framework and additional financial instruments disclosures (continued)

The forecast financial position of the Group is continually monitored, and derivative financial instruments can be used to hedge exposure to fluctuations in commodity prices (refer to *Commodity Price Risk* below for further details).

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Additional financial instruments disclosures

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the Group that have been recognised is the carrying amount, net of any provision for doubtful debts. The Group has assessed that the counterparty's credit ratings determined by a recognised ratings agency remains acceptable.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2024	2023
	US$'000	US$'000
Cash deposits	**72**	32
Other receivables	**-**	42
	72	74

As at 31 December 2024, exposure to credit risk in relation to cash held by banks was managed with the US$72,000 in cash deposits primarily held with Australian financial institutions rated AA.

Historically, the Group managed its credit risk on trade receivables by dealing with only large reputable customers for its oil and gas sales. At balance date, the Group had no trade receivables amounts due (2023: nil).

The Group's credit risk is limited to the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by monitoring of future rolling cash flow forecasts. These reflect management's expectations of the settlement of financial assets and liabilities.

19. Risk management framework and additional financial instruments disclosures (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments.

31 December 2024

		Contractual cashflows				
	Carrying amount US$000	**6 months or less US$000**	**6 – 12 months US$000**	**1 – 2 years US$000**	**2 – 5 years US$000**	**5 years or more US$000**
Trade and other payables	**149**	**34**	**-**	**115**	**-**	**-**
Secured borrowings	**33,966**	**-**	**-**	**33,966**	**-**	**-**
Total	**34,115**	**34**	**-**	**34,081**	**-**	**-**

31 December 2023

		Contractual cashflows				
	Carrying amount US$000	**6 months or less US$000**	**6 – 12 months US$000**	**1 – 2 years US$000**	**2 – 5 years US$000**	**5 years or more US$000**
Trade and other payables	198	79	-	119	-	-
Secured borrowings	29,008	-	-	-	29,008	-
Total	29,206	79	-	119	29,008	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

During 2023 and 2024, operating costs were incurred in Australian and US dollars, and Arab Emirates Dirham.

Throughout 2023 and 2024, the Group held its liquid funds in US and Australian dollars.

Fluctuations in the Australian dollar/US dollar exchange rate have impacted the underlying performance of the Group. The Group's policy is not to hedge the Australian dollar/US dollar exchange rate risk as income (cash inflows) and expenses (cash outflows), are predominantly denominated in Australian dollars. The impact of Arab Emirates Dirham was not material.

Commodity price risk

The revenue and income of the Group are affected by changes in natural gas and crude oil prices, and from time-to-time various financial transactions (swap contracts and collar contracts involving NYMEX commodity prices for natural gas and crude oil) may be undertaken to reduce the effect of these changes. The Group ensures that it has sufficient proved reserves of these commodities to cover all these transactions, and it only enters into such derivatives to match its anticipated underlying physical production and reserves. The Group also limits the term of the transactions and the percentage of the Company's expected aggregate oil and natural gas production that may be hedged at any time.

19. Risk management framework and additional financial instruments disclosures (continued)

Commodity price risk (continued)

Swaps

In a natural gas swap agreement, the Group receives from the counterparty the difference between the agreed contracted fixed price and the quoted or published reference settlement price if the latter is lower than the fixed price. If the reference settlement price is higher than the agreed fixed price, the Group will pay the difference to the counterparty.

Collars

In a collar agreement, a floor price and a ceiling price are established. If there is no cash outlay upon entering a collar arrangement, it is called a “costless” or “cashless” collar. If quoted reference prices at the specified date (expiration date) are lower than the floor price, then the counterparty pays the price difference multiplied by the notional quantity to the Group. If the quoted reference prices at the specified date are higher than the ceiling price, then the Group pays the price difference multiplied by the notional quantity to the counterparty.

At 31 December 2024, the Group had no outstanding oil or natural gas hedges in place (previous corresponding period: Nil).

Interest rate risk

The Group’s exposure to market interest rates primarily relates to the Group’s cash holdings.

The financial instruments exposed to interest rate risk are as follows:

	2024 US$'000	2023 US$'000
Financial assets		
Cash	**72**	32

Sensitivity analysis

In managing commodity price and interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group’s earnings. However, credit considerations limit the amount of hedging with derivative instruments that the Group can enter into. The Group and the Company do not use derivative instruments to manage foreign exchange rate risk. Over the longer-term, permanent changes in commodity prices, interest rates and exchange rates will have an impact on profit.

The estimated impact of a 10 per cent change in the average commodity price for the year ended 31 December 2024 would have had no impact upon the Group’s profit or loss as the Group did not generate any production (2023: nil).

The estimated impact of a change of 100 basis points in interest rates would have increased or decreased the Group’s profit or loss by US$116 (2023: US$50).

The estimated impact of a 10 per cent change in the USD/AUD exchange rate would have increased or decreased the Group’s profit or loss by a total of US$9,000 (2023: US$9,000).

Fair values of financial assets and liabilities

The carrying values of financial assets and liabilities of the Group approximate their fair values.

The Group measures and recognises in the statement of financial position on a recurring basis certain assets and liabilities at fair value in accordance with AASB13 Fair value measurement. The fair value must be estimated for recognition and measurement or for disclosure purposes in accordance with the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as priced) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability which are not based on observable market data (unobservable inputs).

19. Risk management framework and additional financial instruments disclosures (continued)

Fair values of financial assets and liabilities (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2024		2023	
	Carrying amount US$'000	**Fair value US$'000**	Carrying amount US$'000	Fair value US$'000
Trade and other receivables	**1,000**	**1,000**	1,042	1,042
Cash and restricted cash deposits	**72**	**72**	32	32
Trade and other payables	**(149)**	**(149)**	(198)	(198)
Secured borrowings	**(33,966)**	**(33,966)**	(29,008)	(29,008)
	(33,043)	**(33,043)**	(28,132)	(28,132)

20. Capital and other commitments

The Group had no capital commitments outstanding at 31 December 2024.

21. Contingencies and legal matters

The Group is a defendant from time to time in legal proceedings. Where appropriate the Group takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

From time to time, the Group is required to provide bonding or security for the benefit of regulatory authorities in certain jurisdictions, where it has operations, in relation to its obligations to pay lease rentals and royalties, the plugging and abandonment of oil and natural gas wells, the removal of related facilities, and to meet minimum exploration expenditure commitments. As at 31 December 2024, the Group had no guarantees in place to meet minimum exploration expenditure commitments (December 2023: nil).

Fraudulent claim against US$4.2 million Letter of Credit supporting Block 7 exploration obligations

In November 2019, an illegitimate claim was made against the Letter of Credit ("LoC") issued under the Production Sharing Agreement for the Al Barqa, Block 7 Exploration Permit. The total value of the Block 7 LoCs, amounting to US$4.2 million, were established between the Block 7 joint venture partners and Arab Bank on behalf of the Yemen Ministry of Oil and Minerals. These LoCs guaranteed the remaining minimum expenditure requirements for the block, which has been under Force Majeure since 2011. Under Force Majeure, no valid claims can be made against the LoC.

Arab Bank acted on the Houthi's fraudulent claim and called upon the counterparty LoCs held by Qatar National Bank (QNB) for the Company, and by Commonwealth Bank of Australia (CBA) for Mitsui. Despite the Company's immediate efforts to alert the banks to the illegality of the claim, including clear warnings that the claim was fraudulent and unsupported by the Yemeni government, US$2.73 million of the Company's and Mitsui's funds were transferred to Arab Bank in Amman, Jordan. The Kuwait National Bank did not release the US$1.05 million counterparty LoC funds, acting on advice that the claim was fraudulent, supported by a statement from the legitimate Minister of Oil in Aden, which confirmed there was no claim on the LoC.

The Company subsequently initiated legal proceedings against Arab Bank in Jordan to recover the funds that were illegally transferred to Arab Bank. The Company is seeking the return of US$2.73 million and associated damages from Arab Bank through the Jordanian court system.

To date, the Jordanian Court has granted an injunction preventing Arab Bank from transferring the funds to the Houthi and has confirmed that the Houthi claim against the Block 7 LoC was illegal. The court further ruled that the counterparty LoC funds held by Arab Bank could not be transferred to the Houthi.

On 29 December 2021, the Appeals Court ruled in favour of the Company's US$1.68 million share of the LoC funds, declaring the call on the LoCs was illegal. Arab Bank was ordered to return the funds to the Company's QNB account and compensate the Company for legal fees and expenses incurred. Although Arab Bank had 30 days to appeal this decision, it filed an appeal to the Supreme Court in January 2022. The Company successfully defended this appeal, and the Court of Cassation, in December 2022, rejected Arab Bank's attempt to overturn the earlier judgment. The Court reiterated that Arab Bank must repay the US$1.68 million to the Company's QNB account.

21. Contingencies and legal matters (continued)

Arab Bank was instructed by the Court of Cassation, the highest court of Jordan, to return the LoC funds by the end of January 2023. However, in late January 2023, Arab Bank filed a motion to the Execution Judge, attempting to argue that the Company (OSROY) lacked the authority to enforce the judgment, as it was in favour of QNB, not OSROY. The Execution Judge initially sided with Arab Bank, ruling that QNB should be the party requesting execution. The Company immediately contested this ruling, asserting that Arab Bank misrepresented the judgment. The Execution Judge subsequently revoked the decision and instructed Arab Bank to proceed with the execution of the judgment and return the funds.

Unfortunately, as expected, Arab Bank has continued to frustrate the process by filing multiple appeals, utilising every available legal loophole. To date, Arab Bank has submitted 10 requests to the Execution Judge and made six separate appeals, resulting in the execution file becoming larger than the original lawsuit file, which is unprecedented.

Arab Bank's illegal calling of the Company's LoC has caused significant delays, with four years of protracted court proceedings and third-party costs exceeding US$300,000. Despite the clear rulings from the Jordanian courts that the Houthi claim and Arab Bank's actions were unlawful, and despite confirmation from the legitimate Yemeni Minister of Oil that there was no claim on the Block 7 LoCs, Arab Bank continues to exploit the legal system in an attempt to delay or avoid repaying the Company's and Mitsui's LoC funds.

The Company remains committed to pursuing all available legal avenues to recover the funds and will continue to update shareholders and stakeholders on any significant developments in the matter.

22. Deed of cross guarantee

Pursuant to ASIC Corporations Instrument 2016/785, relief is granted to certain wholly owned Australian subsidiaries of the Company from the *Corporations Act* requirements for preparation, audit, and publication of Financial Reports and Directors' Reports.

It is a condition of the Class Order that the Company and each of its subsidiaries enter into a Deed of Cross Guarantee Indemnity. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act. If a winding-up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Petsec Investments Pty. Limited
- Petsec America Pty Limited
- Petroleum Securities Pty. Limited
- Petroleum Securities Share Plan Pty Limited

A consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, as at 31 December 2024 and 2023, is set out below and on the following page:

22. Deed of cross guarantee (continued)

Summarised consolidated statement of profit or loss & other comprehensive income & accumulated losses

	2024 US$000	2023 US$000
Other income and expenses	**(1,830)**	109
Operating expenses	**(139)**	(143)
Net finance expense	**(4,787)**	(4,381)
Net movement in provisions against loans and investments in controlled entities	**(1,318)**	(89)
Loss before tax	**(8,074)**	(4,504)
Income tax benefit/(expense)	**-**	-
Profit/(loss) after tax	**(8,074)**	(4,504)
Other comprehensive income	**-**	-
Total comprehensive loss for the period	**(8,074)**	(4,504)
Accumulated losses at beginning of year	**(57,018)**	(52,514)
Accumulated losses at end of year	**(65,092)**	(57,018)

Statement of Financial Position

	2024 US$000	2023 US$000
Assets		
Cash and cash equivalents	**63**	19
Prepayments	**2**	1
Total current assets	**65**	20
Property, plant, and equipment	**3**	2
Total non-current assets	**3**	2
Total assets	**68**	22
Liabilities		
Trade and other payables	**27**	46
Total current liabilities	**27**	46
Trade and other payables	**45**	49
Secured borrowings	**33,966**	29,008
Employee benefits provision	**121**	133
Total non-current liabilities	**34,132**	29,190
Total liabilities	**34,159**	29,236
Net assets	**(34,091)**	(29,214)
Equity		
Issued capital	**5,377**	5,349
Reserves	**25,624**	22,455
Retained earnings/(accumulated losses)	**(65,092)**	(57,018)
Total equity	**(34,091)**	(29,214)

23. Consolidated Entity Disclosure Statement

Entities listed below are those that are part of the consolidated entity at the end of the financial year:

Entity Name	Body Corporate, partnership or trust	Place of Incorporation	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident (for tax purposes)	Jurisdiction for Foreign tax resident
Petsec Energy Ltd (the Company)	Body corporate	Australia	-	Australia	n/a
Petsec Investments Pty. Limited	Body corporate	Australia	100%	Australia	n/a
Petroleum Securities Pty. Limited	Body corporate	Australia	100%	Australia	n/a
Petroleum Securities Share Plan Pty. Limited	Body corporate	Australia	100%	Australia	n/a
Petsec America Pty. Limited	Body corporate	Australia	100%	Australia	n/a
Petsec Energy (Middle Eastern) Limited	Body corporate	British Virgin Islands	100%	Australia	n/a
Petsec Energy Yemen Ltd	Body corporate	British Virgin Islands	100%	Australia	n/a
Oil Search (ROY) Limited	Body corporate	British Virgin Islands	100%	Australia	n/a
West Yemen Oil (Block S-1), Inc.	Body corporate	Turks and Caicos Islands	100%	Foreign	Turks and Caicos Islands

Except for Petsec Energy (Middle Eastern) Limited, Petsec Energy Yemen Ltd, West Yemen Oil (Block S-1), Inc., and Oil Search (ROY) Limited, all entities carry on business in the country where they were incorporated.

Key assumptions and judgements

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency

  The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in *Tax Ruling TR 2018/5*.

- Foreign tax residency

  The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

23. Consolidated Entity Disclosure Statement (continued)

Branches (permanent establishments)

Foreign branches of Australian subsidiaries are not separate level entities and therefore do not have a separate residency for Australian tax purposes. Generally, the Australian subsidiary that the branch is a part of will be the relevant tax resident, rather than the branch operations.

Additional disclosures on the tax status of Australian subsidiaries having a foreign branch with a taxable presence in that jurisdiction have been provided where relevant.

24. Segment reporting

The Group operates in the oil and gas industry.

Segment information is presented in the consolidated financial statements in respect of the Group's geographic segments, which reflects the presentation of information to the chief operating decision maker and may differ from the information required to be disclosed in accordance with the Accounting Standards.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment acquisition of property, plant and equipment, intangibles and exploration, evaluation and development assets are the total cost incurred during the period to acquire segment assets that are expected to be utilised for more than one period.

In presenting information on the basis of geographical segments, segment assets and liabilities, segment revenue and net profit/(loss) after tax are based on the geographical location of operations.

	Australia		MENA		Consolidated	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000	**2024 US$'000**	2023 US$'000
Oil and gas sales	**-**	-	**-**	-	**-**	-
Net revenues after royalties *	**-**	-	**-**	-	**-**	-
Segment net profit/(loss) before tax	**(4,927)**	(4,514)	**(18)**	(23)	**(4,945)**	(4,537)
Income tax benefit/(expense)	**-**	-	**-**	-	**-**	-
Profit/(loss) after tax	**(4,927)**	(4,514)	**(18)**	(23)	**(4,945)**	(4,537)
Depreciation, depletion, amortisation & reclamation	**1**	1	**-**	-	**1**	1
Segment assets	**68**	22	**1,019**	1,067	**1,087**	1,089
Acquisition of property, plant and equipment and exploration, evaluation, and development assets	**1**	1	**-**	-	**1**	1

** There are no inter-segment sales*

24. Segment reporting (continued)

	Australia		MENA		Consolidated	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000	**2024 US$'000**	2023 US$'000
Segment liabilities	**34,159**	29,236	**77**	103	**34,236**	29,339
Cash (used in)/ from operating activities	**(155)**	(136)	**(4)**	(4)	**(159)**	(140)
Cash (used in)/ from investing activities	**(1)**	(1)	**-**	-	**(1)**	(1)
Cash from financing activities	**201**	-	**-**	-	**201**	-

25. Interests in unincorporated joint operating arrangements

Included in the assets of the Group are the following items which represent the Group's interest in the assets and liabilities in joint operating arrangements:

Assets	2024 US$'000	2023 US$'000
Oil and gas properties:		
Production leases – at cost	**683**	683
Less: accumulated amortisation and impairment	**(683)**	(683)
	-	-
Represented by the following lease carrying values:		
- MENA	**-**	-
Total oil and gas properties	**-**	-

Liabilities	2024 US$'000	2023 US$'000
Rehabilitation provision:		
- MENA	**-**	-

The contribution of the Group's joint operating arrangements to EBIT (including exploration write-offs and impairments; and excluding the effects of hedging and any gain on sale of interests):	2024 US$'000	2023 US$'000
- MENA	**(15)**	(21)

The principal activity of all the joint operating arrangements is oil & gas exploration. Listed below is the geographic location of each of the joint operating arrangements and the percentage working interest held in the joint operating arrangement by the Group as at and during the year ended 31 December:

	Interest held 2024	Interest held 2023
- MENA	**25.00% to 75.00%**	25.00% to 75.00%

In respect of the joint operating arrangements listed above, the voting powers of the Group align with its ownership percentages listed in all cases. Management has determined that the Group has joint control of these arrangements by virtue of the agreements it has with its other partners. The Group accounts for its share of the individual assets and liabilities of the joint operating arrangements in light of the fact that all these arrangements lack legal form as separate vehicles.

26. Reconciliation of cash flows from operating activities

	2024 US$'000	2023 US$'000
Cash flows from operating activities		
Loss for the period	**(4,945)**	(4,537)
Adjustments for:		
Depreciation, depletion, amortisation, and reclamation	**1**	1
Net foreign exchange (gains)/losses	**1**	(10)
Share-based payment expenses	**-**	1
Operating loss before changes in working capital and provisions	**(4,943)**	(4,545)
Decrease/(increase) in receivables and prepayments	**43**	(1)
Increase/(decrease) in payables and provisions	**4,741**	4,406
Net cash used in operating activities	**(159)**	(140)

27. Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive director	***Executive director***
B J Dawes	T N Fern (Chairman)
F M Douglas	B D Emmett (Technical Director)

Executive Officer
P Gahdmar (Chief Financial Officer and Company Secretary)

Key management personnel compensation

The key management personnel compensation included in personnel expenses (see Note 6) is as follows:

	2024 US$	2023 US$
Service agreements	**88,003**	88,352
Share-based payment compensation	**116**	992
	88,119	89,344

Individual directors and executive compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures are provided in the Remuneration Report section of the Directors' Report on pages 18 to 25.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

27. Related parties (continued)

Individual directors and executive compensation disclosures (continued)

Non-executive directors appointed prior to 2003 were previously entitled to receive a retirement benefit that is equivalent to the remuneration received in the three years prior to retirement. Incoming non-executive directors appointed thereafter are not entitled to receive retirement benefits in accordance with the recommendations made by the ASX Corporate Governance Council.

Directors' retirement obligations are presently US$121,000 in total (2023: US$133,000). These obligations relate entirely to Mr. David Mortimer who had served as a non-executive director of the Company since 1985 until his resignation from the Board and its Committees on 30 April 2020. Mr. Mortimer has agreed not to seek repayment of this amount until after 1 July 2026, on the understanding that payment could be made earlier as such times the Company generates positive cashflow sufficient to meet this obligation. Consequently, this obligation is reflected as a non-current liability in the Consolidated Statement of Financial Position.

Transactions with key management personnel

Key management personnel of the Company and their immediate relatives control approximately 16.8 percent of the voting shares of the Company.

During the year:

- No shares or options were granted by the Company to key management personnel as long-term incentive compensation under its shareholder approved Employee Share Plan or Employee Option Plan (2023: nil).
- 9,000,000 options over ordinary shares were granted by the Company to key management personnel as long-term incentive compensation outside the Employee Option Plan (2023: nil).

The aggregate amounts recognised in service agreements during the year relating to key management personnel and their personally related entities, were a total expense of US$88,000 (2023: US$88,000). Refer to Remuneration Report for further details.

Assets and liabilities arising from the above related party transactions

	2024 US$'000	2023 US$'000
Current assets		
Related party receivables	**-**	-
Current liabilities		
Related party payables	**10**	31
Non-current liabilities		
Related party payables	**45**	49

Other related party disclosures

Information relating to subsidiaries is set out in "*Note 23 – Consolidated entities*".

28. Parent entity disclosures

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in "*Note 22 – Deed of cross guarantee*".

Parent entity contingencies and capital commitments

The parent entity had no contingent liabilities and capital commitments outstanding at 31 December 2024.

As at, and throughout, the financial year ending 31 December 2024 the parent entity of the consolidated group was Petsec Energy Ltd.

	2024 **US$'000**	2023 US$'000
Result of parent entity		
Profit/(loss) for the period	**(8,074)**	(4,504)
Other comprehensive income	**3,206**	(77)
Total comprehensive income/(loss) for the period		(4,581)
Financial position of parent entity at year end		
Current assets	**65**	19
Total assets	**67**	22
Current liabilities	**27**	46
Total liabilities	**34,158**	29,236
Total equity of the parent entity comprising of:		
Share capital	**5,376**	5,348
Share-based payment compensation reserve	**-**	1
Foreign currency translation reserve	**25,604**	22,398
Option reserve	**368**	404
Accumulated losses	**(65,439)**	(57,365)
Total equity	**(34,091)**	(29,214)

29. Events subsequent to balance date

Other than as disclosed, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

Petsec Energy

Directors' Declaration

In accordance with a resolution of the directors of Petsec Energy Ltd ("the Company") and its controlled entities, the directors of the Company declare that:

1. The financial statements and notes, as set out on pages 27 to 62, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Australian Accounting Standards applicable to the Entity, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
   (b) give a true and fair view of the financial position as at 31 December 2023 and of the performance for the year, as represented by the results of their operations and their cash flows, for the year ended on that date of the Consolidated Group.
2. In the directors' opinion, the attached Consolidated Entity Disclosure Statement required by Section 295(3A) of the *Corporations Act 2001* is true and correct.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2024.

Signed in accordance with a resolution of the directors:

Terrence N. Fern
Director

Sydney, 28 February 2025

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETSEC ENERGY LTD AND CONTROLLED ENTITIES
ABN 92 000 602 700

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Petsec Energy Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

The Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

In our opinion the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the year then ended; and
ii. complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2(d) "Going concern basis of preparation" in the financial report. The conditions disclosed in Note 2(d), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is material uncertainty related to going concern we have assessed the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern.

Our approach to this involved:

- Assessing the Groups cash flow forecasts for incorporation of the Group's operations and plans to address going concern.
- Reviewing the existing convertible note and repayment terms agreed upon.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MNSA Pty Ltd

MNSA Pty Ltd

Allan Facey
Director
Sydney
Dated this 28th of February 2025

Exploration and Production Interests

Geographical Location	Licence	Status	Working Interest	Participating Interest
Yemen				
Damis (Block S-1), Production Licence				
Shabwah Basin	Block S-1, Damis Production Licence	Shut-in	25.0%	20.625%
Al Barqa, Block 7 Exploration Licence				
Shabwah Basin	Block 7, Al Barqa Permit	Evaluation	35.0%	29.75%
	Block 7, Al Barqa Permit	Evaluation	40.0%	34.00%
Geographical Location	**Licence**	**Status**	**Overriding Royalty Interest**	
Australia				
Gunnedah Basin	NSW Petroleum Exploration Licence No 6 (PEL 6)	Evaluation	1.75% [1] 3.50% [2]	

[1] *1.75% overriding royalty interest of all petroleum recovered from the Edendale Area.*
[2] *3.5% overriding royalty interest of all petroleum recovered from the Remainder Area.*

Shareholder Information

Number of Shareholders

Issued capital was 501,071,218 ordinary shares held by 681 shareholders.

All issued shares carry equal voting rights on a one for one basis.

Size of Holding	No. of Holders
1 – 1,000	67
1,001 – 5,000	91
5,001 – 10,000	85
10,001 – 100,000	256
100,001 and over	182
Total number of shareholders	**681**
Number holding less than a marketable parcel	*n/a*

Largest Twenty Shareholders

The largest twenty shareholders held 415,334,178 ordinary shares being 82.889% of the issued ordinary capital.

Name of Shareholder	Number of Shares Held	% of Issued Capital
Martin Place Securities Nominees Pty Ltd	241,527,053	48.202
Heliotrope Holdings Pty Ltd	41,720,000	8.326
Canning Oil Pty Ltd	25,497,713	5.089
Citicorp Nominees Pty Limited	13,969,212	2.788
Arc Investments Inc.	11,602,679	2.316
Mr David A Mortimer & Mrs Barbara L Mortimer	11,040,026	2.203
HSBC Custody Nominees (Australia) Limited	10,086,608	2.013
BNP Paribas Noms Pty Ltd	9,582,401	1.912
Geofin Consulting Services Pty Limited	8,989,610	1.794
Mr Edward Gacka & Mrs Beryl Gacka	7,218,425	1.441
Alcardo Investments Limited	6,656,919	1.329
Martin Place Securities Nominees Pty Ltd	4,919,579	0.982
Mangaroo Pty Ltd	4,000,000	0.798
Mr Peter Gacka & Mrs Jenny Gacka	3,800,000	0.758
Hestian Pty Ltd	3,127,843	0.624
Ms Dan Luo	2,799,943	0.559
Asian Corporate Advisers (BVI) Limited	2,250,000	0.449
Solus Consultants Pty Ltd	2,248,552	0.449
Mr Nigel Pilcher & Mrs Frances Pilcher	2,234,417	0.446
Evelind Pty Ltd	2,063,198	0.412

Substantial shareholders disclosed in substantial shareholder notices given to the Company are as follows:

Canning Oil Pty Ltd including its associates	77,194,372	15.406

5-year Comparative Data Summary

		2020	2021	2022	2023	2024	% change
Financial Performance							
Net Production (MMcfe) [1]		111	-	-	-	**-**	-
Average Gas Equiv. Price Received	(US$/Mcfe)	$1.81	n/a	n/a	n/a	**n/a**	n/a
US$ million							
Net Revenue	(US$m)	$0.2	-	-	-	**-**	-
Net Profit/(Loss) after Tax	(US$m)	$1.3	($3.0)	($1.7)	($4.5)	**($4.9)**	n/a
Depreciation, depletion & amortisation	(US$m)	$0.1	-	-	-	**-**	n/a
Exploration write-offs, impairments, abandonment, and work-over expenses	(US$m)	$3.7	-	-	-	**-**	-
Net financial expense	(US$m)	$3.6	$2.4	$1.5	$4.4	**$4.8**	9%
Change in rehabilitation provision	(US$m)	-	-	-	-	**-**	n/a
Gain on disposal of assets and subsidiaries	(US$m)	($9.4)	-	-	-	**-**	n/a
Income tax (benefit)/expense	(US$m)	($0.2)	-	-	-	**-**	n/a
EBITDAX [2]	(US$m)	($0.9)	($0.6)	($0.2)	($0.1)	**($0.1)**	n/a
EBITDAX Margin/Mcfe	(US$/Mcfe)	($8.20)	n/a	n/a	n/a	**n/a**	n/a
Balance Sheet							
Total Assets	(US$m)	$2.2	$1.6	$1.2	$1.1	**$1.1**	-
Cash [3]	(US$m)	$0.9	$0.4	$0.2	$0.032	**$0.072**	125%
Debt	(US$m)	$20.2	$22.0	$24.6	$29.0	**$34.0**	17%
Shareholders' Equity	(US$m)	($18.5)	($22.0)	($23.7)	($28.3)	**($33.1)**	n/a
Cashflow and Capital Expenditures							
Net cashflow from:							
Operations	(US$m)	($1.8)	($0.5)	($0.3)	($0.1)	**($0.2)**	n/a
Investing	(US$m)	$1.4	-	$0.1	-	**-**	-
Financing	(US$m)	$0.6	-	-	-	**$0.2**	n/a
		$0.2	($0.5)	($0.2)	($0.1)	**-**	n/a
Capital Expenditures [4]							
Exploration	(US$m)	-	-	-	-	**-**	-
Development	(US$m)	-	-	-	-	**-**	-
Acquisition	(US$m)	-	-	-	-	**-**	-
		-	-	-	-	**-**	-
A$ million							
EBITDAX [2]	(A$m)	($1.3)	($0.8)	($0.3)	($0.2)	**($0.2)**	n/a
Net Profit/(Loss) after Tax	(A$m)	$1.9	($4.0)	($2.4)	($6.8)	**($7.4)**	n/a
USD/AUD exchange rate		0.6943	0.7490	0.6957	0.6648	**0.6592**	(1%)
Operating Margins & Costs							
Average Gas Price Received	(US$/Mcfe)	$1.81	n/a	n/a	n/a	**n/a**	n/a
+ Other Income	(US$/Mcfe)	$6.35	n/a	n/a	n/a	**n/a**	n/a
- Operating Costs (GG&A + LOE)	(US$/Mcfe)	$16.36	n/a	n/a	n/a	**n/a**	n/a
= EBITDAX [2] Margin	(US$/Mcfe)	($8.20)	n/a	n/a	n/a	**n/a**	n/a
Depreciation, Depletion & Amortisation	(US$/Mcfe)	$0.99	n/a	n/a	n/a	**n/a**	n/a
Proved and Probable Reserves (2P) [5]							
USA [6]	(MMboe)	-	-	-	-	**-**	-
Yemen [7]	(MMboe)	1.4	1.4	1.4	1.4	**1.4**	-
		1.4	1.4	1.4	1.4	**1.4**	-

1 *MMcfe = million cubic feet of gas equivalent. Mcfe = thousand cubic feet of gas equivalent. Conversion ratio: 1 barrel of oil = 6 Mcf of gas.*

2 *EBITDAX = earnings before interest (financial income and expense), income tax, depreciation, depletion and amortisation, and exploration (including dry hole and impairment expense, exploration, and work-over expense). EBITDAX is a non-IFRS number and is unaudited.*

3 *FY2020 & FY2021 include restricted cash deposit amounts.*

4 *Excludes minor (non-oil & gas) property, plant & equipment expenditure, and investments.*

5 *2P reserve estimates are based on independent reserve assessments.*

6 *USA 2P reserves were sold during 2020.*

7 *FY2020 – FY2024 represents the Company's 25% share of the An Nagyah Oilfield (Yemen) reserves as attributed by DeGolyer and McNaughton Canada Limited as of 1 January 2016. This is unchanged from the initial reserves assessment prepared by DeGolyer and McNaughton Canada and announced to the ASX on 15 March 2016.*

Petsec Energy

Glossary

1P	Proved reserves
2P	Proved and probable reserves
AMI	Area of mutual interest
Bcf	Billion cubic feet of gas
Bcfe	Billion cubic feet of gas equivalent
Bopd	Barrels of oil per day
Capex	Capital expenditure
cps	Cents per share
DD&A	Depreciation, depletion, and amortisation
EBITDAX	Earnings before Interest, taxation, depreciation, amortisation, and exploration expense. EBITDAX is a non-IFRS number
Field	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
JV	Joint venture
Mbbls	Thousand barrels of crude oil or other liquid hydrocarbons
Mbo	Thousand barrels of oil
Mboe	Thousand barrels of oil equivalent
MMbbls	Million barrels of crude oil or other liquid hydrocarbons
MMbo	Million barrels of oil
MMboe	Million barrels of oil equivalent
Mcfe	Thousand cubic feet of gas equivalent
MMcf	Million cubic feet of gas
MMcfe	Million cubic feet of gas equivalent
MMcfpd	Million cubic feet of gas per day
NRI	Net revenue interest
Oil	Crude oil and condensate
Participating Interest	Working interest less any net profit interest held by another entity. In Yemen, normally a government owned entity.
Proved reserves	The estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions
Proved undeveloped reserves	Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion
Working Interest or W.I.	The operating interest which gives the owner the right to drill, produce and conduct operating activities on the property and a share of production

Corporate Directory

Board of Directors
Terrence N Fern – Executive Chairman
Brent D Emmett – Technical Director
Barry J Dawes – Non-executive Director
Francis M Douglas – Non-executive Director

Company Secretary
Paul Gahdmar

Corporate Management
Terrence N Fern – Executive Chairman
Brent D Emmett – Technical Director
Paul Gahdmar – Chief Financial Officer and Company Secretary

Registered Office and Principal Business Office
Level 7
Macquarie Business Centre
167 Macquarie Street
Sydney NSW 2000
Telephone: + 61 2 9247 4605
Facsimile: + 61 2 9251 2410

Share Register
Boardroom Pty Limited
Level 8, 210 George Street, Sydney NSW 2000 Australia
Postal: GPO Box 3993, Sydney NSW 2001
Telephone: 1300 737 760
International: + 61 2 9290 9600
Facsimile: 1300 653 459
International: + 61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Auditors
MNSA Pty Ltd
Level 1, 283 George Street
Sydney NSW 2000 Australia
Telephone: + 61 2 9299 0901
Facsimile: + 61 2 9299 8104

Corporate Governance Statement
http://www.petsec.com.au/about-us/corporate-governance/

For further information
Web: www.petsec.com.au