

7<sup>th</sup> December 2020**Issue of Options to Directors in Lieu of Remuneration***Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy Ltd (the “Company”) wishes to advise that it will issue a total of 12 million options to its newly appointed Directors, Messrs. Barry Dawes, Francis Douglas and Brent Emmett, subject to regulatory approvals and obtaining Shareholder approval at its next General Meeting, currently scheduled for May 2021.

The proposed issue of options is in lieu of the payment of director fees to each of the Directors, who have graciously accepted that there will be no cash remuneration paid until such times as the Company has substantial free cashflow and regains profitability.

The terms of the proposed issue of options are set out in Annexure A which is attached to this announcement.

An Appendix 3B in respect of this proposed issue of options will be also lodged with the ASX by way of a separate announcement, following this release.

For further information, please contact:

Paul Gahdmar  
Company Secretary & Group Financial Controller  
Petsec Energy Ltd  
Tel: (612) 9247 4605  
Fax: (612) 9251 2410

*Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations onshore in the Republic of Yemen.*

## Annexure A – Terms of the Options

The terms and conditions of the Options are:

1. 9,000,000 Options in total will be issued under **Option – Pool A** comprising 3,000,000 Options each to three of the Company's Directors – Messrs. Barry Dawes, Brent Emmett, and Francis Douglas.  
An additional 3,000,000 Options will be issued under **Option – Pool B** to Mr. Brent Emmett.
2. Issue of the Options is conditional upon Shareholder approval being obtained at the Company's next General Meeting which, subject to further confirmation, is likely to be held in May 2021.
3. Each Option will be issued for a consideration price of \$0.001.
4. Each Option has an exercise price of \$0.02.
5. Each Option entitles the option holder to subscribe for and be allotted one Share at the exercise price for the Option.
6. Options in **Option – Pool A** vest as follows (for each Director):
  - 1,000,000 Options vest immediately upon the issue date;
  - A further 1,000,000 Options vest 12 months after the issue date; and
  - A further 1,000,000 Options vest 24 months after the issue date.Options in **Option – Pool B** vest as follows:
  - 1,000,000 Options vest 12 months after the issue date;
  - A further 1,000,000 Options vest 24 months after the issue date; and
  - A further 1,000,000 Options vests 36 months after the issue date.
7. Options in **Option – Pool A** will expire at 5.00 pm Sydney time on the date which is 3 years from the date of the issue of the Options (Expiry Date).  
Options in **Option – Pool B** will expire at 5.00 pm Sydney time on the date which is 4 years from the date of the issue of the Options (Expiry Date).
8. The Options are exercisable at any time prior to the Expiry Date by completing a notice in writing (Option Notice) stating the intention of the option holder to exercise all or a specified number of Options held and delivering it to the registered office of the Company accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares.  
The Option Notice must be received by the Company before the Expiry Date. An Option not exercised before the Expiry Date will lapse. An exercise of only some Options shall not affect the rights of the option holder to the balance of the Options held.
9. The Options are not assignable or transferable without the prior written consent of the Directors and will not be quoted on the ASX.
10. The Options will be unlisted upon grant. No application for quotation of the Options will be made.
11. All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
12. There are no participating rights or entitlements inherent in the Options and the option holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options unless the Options are first exercised in accordance with these terms and conditions. The option holder will be notified of the proposed issue at least ten business days before the record date. This will give the option holder the opportunity to exercise its Options prior to the date for determining entitlements to participate in any such issue.
13. In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

14. If there is a pro rata issue (except a bonus issue) to Shareholders, the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S + D)]}{N + 1}$$

O = the old exercise price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex-rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

15. If there is a bonus issue to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares that the option holder would have received if the Option had been exercised before the record date for the bonus issue.
16. Shares allotted and issued under the exercise of the Options will be allotted and issued on the above terms and conditions not more than 14 days after the receipt of a properly executed Option Notice and the exercise price in respect of the Option.
17. The exercise of Options by an option holder is subject at all times to the Corporations Act.