

Petsec Energy Ltd

September 2021 Quarter Results



Financials

Comparative Performance		Current Quarter Sep 2021	Previous Quarter Jun 2021	% Change	Corresponding Quarter Sep 2020	% Change
Net production	MMcfe	-	-	-	7	(100%)
Average sales price	US\$/Mcfe	-	-	-	2.24	(100%)
Net revenue	US\$000	-	-	-	15	(100%)
EBITDAX ¹	US\$000	(78)	(240)	n/a	(254)	n/a
Cash ²	US\$000	485	592	(18%)	354	37%
Debt (convertible note) ³	US\$000	22,037	21,446	3%	19,159	15%
AE&D expenditure ⁴	US\$000	-	-	-	-	-
Closing exchange rate	USD/AUD	0.7228	0.7495	(4%)	0.7161	1%

- Earnings before interest, income tax, depreciation, depletion and amortisation, and exploration (including dry hole, impairment and abandonment expense, seismic and work-over expense). EBITDAX is a non IFRS number and is unaudited.
- September 2021 cash includes restricted cash amounts of US\$0.1 million (June 2021: US\$0.1 million and September 2020: US\$0.1 million).
- Represents the fair value amount of the convertible note debt and the associated foreign exchange derivative liability recognised on the balance sheet as at 30 September 2021.
- Acquisition, exploration and development expenditure (accrual-based amounts).

Key Points

Corporate

- YEMEN: Al Barqa Block 7:** The Company is proceeding with its legal suits against the Arab Bank in Amman, Jordan to recover the US\$2.73 million in counterparty Letter of Credit ("LoC") funds claimed and transferred to Arab Bank on the basis of the illegal claim by the Houthi to Arab Bank, by Qatar National Bank (QNB) acting for the Company and Commonwealth Bank of Australia (CBA) acting for Mitsui.

It is anticipated that the legal suits could take up to nine months to determine.

Financial

- Cash balance as at 30 September 2021:** US\$485,000 (comprising unrestricted cash deposits of US\$438,000 and restricted cash deposits of US\$47,000).
- US\$15 million convertible note facility as at 30 September 2021:** US\$14.0 million drawn.

Operations

- YEMEN: Damis (Block S-1):** Block S-1 2021 Work Program and Budget (WP&B) submitted to the Ministry of Oil and Minerals ("MoM") for approval together with payment of the 2021 MoM bonuses for the sum of US\$450,000. Operator, Octavia, is seeking Hadi Government support and clearance from the Oil Ministry in Aden, to recommence field operations and restart production.

The Operator is ready to occupy the site and, when cleared to do so by the Yemen Oil Ministry, could reopen the camp within a month of approval and have the An Nagyah Oilfield commence production within two months.

Following the removal of the Houthi from the U.S. Terrorist List by the new Democrat Administration in the US, and the U.S. constraints placed on Saudi Arabia in the Yemen conflict, plus the unseemly U.S. exit from Afghanistan, the Houthis have been energised and have intensified their attacks on Marib City (173 kilometres East of Sana'a), which is proximal (65 kilometres East) to the SAFER Block 18 oil and gas fields. The Hadi Government has held control of Marib City since April 2015. The Houthi have been attempting to control the city for the past three years in order to control the SAFER oilfields.

Recently, the Houthi have, with little resistance from the local tribes, made incursions further to the South West in the high mesa country close to and South of the Shabwah region. The apparent objective is to attack Marib City from the South West. The Shabwah region is largely low lying desert in which is located oil production licences Block 5 (Jana Hunt, Exxon, Total, Kufpec), Block S-1 (Petsec/Octavia) and Block S-2 (OMV). The Houthi have a limited number of troops within 40 kilometres of the Block S-1 CPF. Uncertainty as to the Houthi intentions is likely to delay the restart of production from the An Nagyah Oilfield.

Petsec Energy Ltd ASX: PSA

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

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Non-executive Directors
Barry Dawes
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Management

Petsec Energy Ltd
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Corporate

Voluntary Suspension

Petsec Energy Ltd (ASX Ticker: PSA) shares remained in voluntary suspension on the ASX during the September quarter.

The Company's shares were initially placed in voluntary suspension on 3 April 2020, following the Board's consideration of the confluence of events at that time which affected the Company, 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.

The Company had the support of its Noteholders such that it achieved the following since its voluntary suspension:

- Closure of the Dubai, Sana'a, Houston and Sydney offices and release of staff.
- Divestment of the U.S. assets, extinguishing obligations and the wind up of the U.S. and Canadian business.
- An injunction to prevent Arab Bank from transferring Block 7 LoC funds to the Houthi and a court determination that the Houthi claim against the Block 7 Letter of Credit (total of US\$4.2 million), was illegal and counterparty LoC funds received by Arab Bank could not be transferred to the Houthi. The Company is pursuing a legal suit against Arab Bank for the recovery of US\$2.73 million of the Company and Mitsui's funds supporting counterparty LoCs wrongfully transferred to Arab Bank, Amman, Jordan.
- The securing of a financially strong and Yemen experienced oil producer (operator of Block 9 in the Masila Basin at 6,500 bopd) in October 2020, satisfactory to the Yemen Minister for Oil and Minerals, to be operator of Block S-1, so as to gain access to government owned export transportation facilities to allow restart of oil production from the An Nagyah Oilfield in Block S-1, through the sale of Yemen (Block S-1) Inc. the operator and a 75% interest holder in the Damis (Block S-1) Production Licence in consideration of receiving a payment of US\$2 million and a carry of all future operating and development costs in Block S-1 of the Company's wholly owned subsidiary, West Yemen Oil (Block S-1) Inc., which holds a 25% working interest in Block S-1.
- A variation of the terms of the Convertible Note Facility with the Redemption Date extended by three years to 23 January 2024 and interest reduced from 15% to 10% per annum.

In July 2021, the Company initiated the process for requotation with the submission of a 'Formal Request for Reinstatement' for consideration by the ASX. The Company is currently working through this process with the ASX in order to determine the terms required for its reinstatement. The Company's objective is for reinstatement to occur once the An Nagyah Oilfield is returned to production.

Yemen: Block 7: Recovery of US\$2.73 million in Letter of Credit Funds

As announced to the ASX on 19 February 2020, an illegitimate claim was made on the Letter of Credit (LoC) in November 2019, issued under the Production Sharing Agreement on the Al Barqa, Block 7 Exploration Permit. The Block 7 LoC's totalling US\$4.2 million were established between the Block 7 joint venture partners and the Arab Bank on behalf of the Yemen Ministry of Oil and Minerals and guaranteed the remaining minimum expenditure requirements on the block, which has been in Force Majeure since 2011. No claim can be made against the LoC while the licence is in Force Majeure.

Arab Bank acted on the Houthi claim and called on the counterparty LoCs held on behalf of the Company by Qatar National Bank (QNB) and Mitsui by Commonwealth Bank of Australia (CBA). Despite concerted efforts by Petsec to prevent any action on the claim, warning the claim was illegal and fraudulent, the banks responded to the Houthi and Arab Bank's illegitimate claim such that US\$2.73 million of the Company and Mitsui's funds were transferred to Arab Bank, Amman, Jordan. Kuwait National Bank has not released the US\$1.05 million counterparty LoC funds to Arab Bank on behalf of KUFPEC, a 25% working interest holder of Block 7, acting on advice that the claim was fraudulent, supported by advice

from the legitimate Minister of Oil in Aden that there was no claim on the LoC.

The Company has initiated legal suits against the Arab Bank, Jordan to recover those funds illegally transferred to Arab Bank. To date, the Jordan Court has granted an injunction against Arab Bank to prevent transfer of the funds to the Houthi, and has determined that the Houthi claim against the Block 7 LoC was illegal and counterparty LoC funds received by Arab Bank could not be transferred to the Houthi. The Company is seeking a return of the US\$2.73 million and consequent damages, from Arab Bank, through the Courts in Jordan.

It is anticipated that the legal suits could take up to nine months to determine.

Financial

Cash Position

At 30 September 2021, the Company held cash deposits of US\$485,000 (A\$671,000), comprising unrestricted cash deposits of US\$438,000 and restricted cash deposits of US\$47,000.

Secured Convertible Note Facility

As at 30 September 2021, the Company had drawn US\$14 million under the facility. The total fair value amount of the convertible note debt (i.e. principal and interest) and the associated foreign exchange derivative liability recognised on the balance sheet was US\$22 million.

Operations

MENA – Yemen

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

The Damis Block S-1 Production Licence in the Shabwah Governorate 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 Rebels' control of Hodeidah.

In 2020, a pipeline between Block 5 and Block 4 was completed which when commissioned, once Block 5 restarts production, 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 Governorate, 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.

Al Barqa, (Block 7) Exploration Licence Yemen

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 MMbbl to 439 MMbbl.

The two discovery wells of the Al Meashar Oilfield (target resource of 11 MMbbl to 110 MMbbl) 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.

The Habban Oilfield holds ultimate recoverable reserves of 350 million barrels of oil, and was producing oil at a rate of 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.

Damis (Block S-1), Production Licence, Yemen

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 in excess of 35 MMbbl of oil and 600 Bcf of gas² representing substantial potential future growth of reserves and production for the Company.

The Company has been seeking, since 2017, government approvals to access government owned export transport facilities. In late 2019, the 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 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 of the shares of Yemen (Block S-1), 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 is currently producing 6,500 bopd, which is 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.

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

Preparations continue for the restart oil production from the An Nagyah Oilfield. Staff have been engaged (largely ex Oxy Block S-1 staff), and testing equipment secured. Plans are to produce initially up to 5,000 bopd from some four wells to be trucked to the Block 4 pipeline and thence to Bir Ali for export and sale, then for the produced oil to flow through the Block 5 to Block 4 pipeline when it is commissioned, so as to increase production.

Currently OMV (Block S-2), Safer (Block 18), and Calvalley (Block 9) are utilising the Block 4 sales export facilities, soon to be joined by Octavia (Block S-1) and Jana Hunt (Block 5).

During the current quarter, the Block S-1 2021 Work Program and Budget (WP&B) was submitted to the Ministry of Oil and Minerals ("MoM") for their approval together with payment of the 2021 MoM bonuses for the sum of US\$450,000. Government support and clearance to recommence field operations is considered by the operator as necessary to access the Block S-1 CPF and restart production.

The Operator is ready to occupy the site and, when cleared to do so by the Yemen Oil Ministry, could reopen the camp within a month of approval and have the An Nagyah Oilfield commence production within two months.

Recently the Houthis have made incursions into the Shabwah region, in which is located oil production from Block 5 (Jana Hunt, Exxon, Total, Kufpec), Block S-1 (Petsec/Octavia) and Block S-2 (OMV), with little resistance from the local tribes. The Houthis have troops within 40 kilometres of the Block S-1 CPF. Uncertainty as to the Houthi intentions is likely to delay the restart of production from the An Nagyah Oilfield.

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

Proposed Activities – December 2021 Quarter Corporate

Review other oil and gas production opportunities outside of Yemen that can be pursued once production has been recommenced from the An Nagyah Oilfield in Yemen.

MENA – Yemen

Damis (Block S-1): Support Octavia Energy (Block S-1) Inc., the operator of the Damis (Block S-1) Production Licence, to achieve the restart of oil production from the An Nagyah Oilfield.

Al Barqa, (Block 7): Continue with the legal process to recover US\$2.73 million cash supporting Block 7 LoC's, from Arab Bank, Amman, Jordan, wrongfully transferred from QNB and CBA banks to Arab Bank.

Financial Summary and Production Data

Unaudited preliminary financial data			Sep 2021 Quarter	Jun 2021 Quarter	% Increase/ (decrease)	Nine months to Sep 2021	Nine months to Sep 2020	% Increase/ (decrease)
Financials								
Net revenue	US\$000		-	-	-	-	201	(100%)
Other revenue/(expense)	US\$000		-	(27)		(45)	2	
Lease operating expenses	US\$000		(9)	(9)		(27)	(744)	
Geological, geophysical & administrative expenses (GG&A)	US\$000		(69)	(168)		(450)	(1,048)	
EBITDAX	US\$000		(78)	(204)	n/a	(522)	(1,589)	n/a
Cash	US\$000		485	592	(18%)	485	354	37%
Debt (convertible note facility) ¹	US\$000		22,037	21,446	3%	22,037	19,159	15%
Acquisition, exploration & development expenditure								
Acquisition	US\$000		-	-		-	-	
Exploration	US\$000		-	-		-	-	
Development	US\$000		-	-		-	-	
Total	US\$000		-	-	-	-	-	-
Production (MMcfe)		W.I.	N.R.I.					
USA								
Offshore Gulf of Mexico								
Main Pass Block 270 (Hummer) ³		12.5%	10.70454% ²	-	-	-	90	
Onshore Louisiana								
Mystic Bayou Field ³		25%	18.5%	-	-	-	21	
Total	MMcfe			-	-	-	111	(100%)
Unit revenue/cost analysis per Mcfe (US\$)								
Oil/Condensate per barrel	US\$		-	-	-	-	39.31	(100%)
Gas per Mcf	US\$		-	-	-	-	1.24	(100%)
Average sales price per Mcfe	US\$		-	-	-	-	1.81	(100%)
Other revenue/(expense) per Mcfe	US\$		-	-	-	-	0.02	
Lease operating expense per Mcfe	US\$		-	-	-	-	(6.70)	
GG&A expense per Mcfe	US\$		-	-	-	-	(9.44)	
EBITDAX per Mcfe	US\$		-	-	-	-	(14.31)	n/a

¹ Represents liability recognised on the balance sheet at period end in respect of the convertible note debt and the associated foreign exchange derivative liability.

² Comprises N.R.I.: 10.26354% and ORR: 0.441%.

³ The Company's U.S. oil and gas interests were sold effective 1 July 2020.

Glossary

Bcfe = billion cubic feet of gas equivalent
bopd = barrels of oil per day
Mcf = thousand cubic feet of gas equivalent
MMcfe = million cubic feet of gas equivalent
TVD = True Vertical Depth

bcpd = barrels of condensate per day
bwpd = barrels of water per day
MD = Measured Depth
MMcftpd = million cubic feet of gas per day

boe = barrels of oil equivalent
Mcf = thousand cubic feet of gas
MMbbl = million barrels
TD = Total Depth

This announcement is authorised for market release by the Board of Directors of the Company.

For further information, please contact:

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Certain statements in this report regarding future expectations and plans of the Company may be regarded as "forward-looking statements". Although the Company believes that its expectations and plans are based upon reasonable assumptions, it can give no assurance that its goals will be met. Actual results may vary significantly from those anticipated due to many factors, including oil and gas prices, operating hazards, drilling risks, environmental risks and uncertainties in interpreting engineering and other data relating to oil and gas reservoirs, as well as other risks.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Petsec Energy Ltd

ABN

92 000 602 700

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (nine months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(20)	(245)
	(e) administration and corporate costs	(82)	(183)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(102)	(428)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (nine months) \$US'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	10
3.10	Net cash from / (used in) financing activities	-	10

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	543	862
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(102)	(428)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	10

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (nine months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(3)	(6)
4.6	Cash and cash equivalents at end of period	438	438

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	438	543
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	438	543

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	15,000	14,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	15,000	14,000
7.5	Unused financing facilities available at quarter end		1,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>The Company has a US\$15 million (secured convertible note facility agreement with Sing Rim Pte Ltd.</p> <p>The key terms and conditions of the facility include:</p> <ol style="list-style-type: none"> Redemption Date: 23 January 2024. Interest Rate: 10% per annum monthly compounding for the period commencing 23 January 2021. 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 of the Company's assets as security for the Company's obligations under the convertible notes. Convertible Note Conversion Price and Limit: Conversion price is 2 cents per share and conversion of debt is limited to 170 million shares as approved by shareholders at the AGM held on 2 May 2019. 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. Approval of Expenditure: Material expenditures to be under the control of the Noteholders directed through the Chairman. Penalty Terms: If by 23 January 2023 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 2024 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. 		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(102)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(102)
8.4	Cash and cash equivalents at quarter end (item 4.6)	438
8.5	Unused finance facilities available at quarter end (item 7.5)	1,000
8.6	Total available funding (item 8.4 + item 8.5)	1,438

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	14.1
<p><i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i></p>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: n/a	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: n/a	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: n/a	
<p><i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i></p>		

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: Terrence N Fern, Executive Chairman
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.