



PETSEC ENERGY LTD

ACN 000 602 700

Notice of 2024 Annual General Meeting

Notice is hereby given that the 2024 Annual General Meeting of members of Petsec Energy Ltd (**Company**) will be held at Level 7, Macquarie Business Centre, 167 Macquarie Street Sydney NSW on Wednesday, 8th May 2024 at 11.00 am (Sydney Time).

Business

2024 AGM

Financial and Other Reports

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report for the year ended 31 December 2023.

Shareholders will be given a reasonable opportunity to ask questions or make comments on the Reports.

RESOLUTION 1 – RE-ELECTION OF MR EMMETT AS A DIRECTOR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Brent Emmett, who retires as a Director by rotation in accordance with rule 43 of the Constitution, be re-elected as a Director.”

Information regarding Mr Emmett is set out in the Explanatory Notes.

RESOLUTION 2 – APPROVAL OF ISSUE OF 40 MILLION SHARES TO SING RIM PTE LTD

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Shareholders approve the issue and allotment of 40 million Shares to Sing Rim Pte Ltd, the Registrar of the Convertible Notes, issued by the Company on the terms and conditions set out in the Explanatory Notes.”

Information regarding this resolution is set out in the Explanatory Notes.

RESOLUTION 3 – APPROVAL OF THE ISSUE OF THE COMPANY'S SHARES ACCORDING TO THE AMENDMENT OF THE CONVERSION TERMS OF THE COMPANY'S ISSUED CONVERTIBLE NOTES INTO SHARES OF THE COMPANY.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Shareholders approve the issue and allotment of the Company's Shares according to the deed poll amendment of 15 December 2023 and by the subsequent addendum dated 19 February 2024, regarding the conversion rights of the Convertible Notes under the Deed Poll (including any of the debt securities issued as at the date of this Resolution).”

Information regarding this resolution is set out in the Explanatory Notes.

RESOLUTION 4 – APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purpose of section 208 of the Corporations Act, and for all other purposes, approval be given for the Company to issue 3,000,000 Options to Mr Barry Dawes, on the terms and conditions set out in the Explanatory Notes.”

Information regarding this resolution is set out in the Explanatory Notes.

RESOLUTION 5 – APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purpose of section 208 of the Corporations Act, and for all other purposes, approval be given for the Company to issue 3,000,000 Options to Mr. Francis Douglas KC, on the terms and conditions set out in the Explanatory Notes.”

Information regarding this resolution is set out in the Explanatory Notes.

RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purpose of section 208 of the Corporations Act, and for all other purposes, approval be given for the Company to issue 3,000,000 Options to Mr Brent Emmett, on the terms and conditions set out in the Explanatory Notes.”

Information regarding this resolution is set out in the Explanatory Notes.

Voting Exclusion Statements

The Company will disregard any votes cast in favour of the following resolutions:

Resolutions 2 and 3 by or on behalf of:

- Sing Rim Pte Ltd; or
- any of its respective associates.

Resolutions 4, 5, and 6 by or on behalf of:

- a Director and their associates, other than the Chairman.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Intentions of Chairman

The Chairman intends to vote all undirected proxies in favour of all Resolutions.

Voting at the meeting

1. Under *Corporations Regulation 7.11.37*, the Board of Directors of the Company has determined that a person's entitlement to vote at the meeting will be the entitlement of that person appearing on the register of members at 7.00 p.m. (Sydney Time) on 6 May 2024.
2. On a show of hands you have one vote. On a poll you have one vote per Share you hold in the Company.
3. If Shares are jointly held, only one of the joint holders is entitled to vote.
4. In order to vote, a corporation which is a Shareholder may appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the meeting duly executed evidence of the appointment.
5. The form of proxy accompanies this Notice of Meeting. A member entitled to attend and vote at the meeting has a right to appoint a proxy (individual or body corporate). Any person appointed as a proxy need not be a member of the Company. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion and number of votes that each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes that each proxy may exercise, each proxy may exercise half of the member's votes. If a member appoints two proxies, neither may vote on a show of hands.
6. To be effective, the form appointing the proxy, together with any authority under which it was executed, or a certified copy of that authority, must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting.

BY MAIL: By using the reply-paid envelope provided
Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

BY FAX: + 61 2 9290 9655

IN PERSON: Share Registry – Boardroom Pty Limited, Level 8, 210 George Street, Sydney NSW 2000 Australia

VOTE ONLINE: www.votingonline.com.au/petsecagm2024

By order of the Board

Dated this 8th day of April 2024



Paul Gahdmar
Chief Financial Officer &
Company Secretary

EXPLANATORY NOTES

2024 AGM

These Explanatory Notes form part of this Notice of Meeting and should be read in conjunction with it.

Resolutions 1 to 4 inclusive are ordinary Resolutions, which requires a simple majority of votes to be cast in favour by Shareholders entitled to vote on the Resolution.

RESOLUTION 1 – RE-ELECTION OF MR EMMETT AS A DIRECTOR

Rule 43 of the Company's Constitution requires that an election of Directors take place each year. In accordance with this rule, Mr Emmett will stand for re-election.

Mr Emmett has been a director since November 2020 and has over 40 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 is an independent Director.

RECOMMENDATION: The Directors, other than Mr Emmett, recommend that Shareholders vote in favour of the re-election of Mr Emmett.

RESOLUTION 2 – APPROVAL OF ISSUE OF 40 MILLION SHARES TO SING RIM PTE LTD

2.1 General

Resolution 2 seeks shareholder approval of the issue and allotment by the Company to Sing Rim Pte Ltd of 40 million Shares pursuant to an agreement with Sing Rim on the 15 December 2023. The Shares are to be issued as a fee for the variation of the terms of the Facility as follows:

1. *Redemption Date*: Extended for a two-year period from 23 January 2024 to 23 January 2026.
2. *Interest Rate*: The interest rate has been maintained at 10% per annum monthly compounding for the period commencing 23 January 2024.
3. *Convertible Note Conversion Price and Limit*: Conversion price is \$0.001 per Share and conversion of debt is limited to 240 million new Shares, 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.
4. *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.
5. *Approval of Expenditure*: Material expenditures to be under the control of the Noteholders directed through the Chairman.
6. *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.

The Shares will be issued no later than one month after the date of this Meeting.

2.2 Technical information

If Resolution 2 is passed, the Company will be able to proceed with the issue of the 40 million Shares to Sing Rim.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the 40 million Shares to Sing Rim and the principal and interest due under the Facility, presently in the amount of approximately US\$31.1 million, will become due and payable immediately, a payment the Company is unable to meet.

The following information is provided in relation to the issue:

- (a) *The number of securities allotted*: 40 million Shares.
- (b) *Issue price*: The Shares will be issued at a deemed price of \$0.001 per Share.
- (c) *Name of allottee*: Sing Rim Pte Ltd.
- (d) *Terms of the securities*: The Shares to be issued are fully paid ordinary Shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (e) *Intended use of funds raised*: No funds will be raised. The securities are to be issued in consideration of the

variation of the terms of the Facility stated above in section 2.1.

(f) *Voting exclusion:* A voting exclusion statement forms part of this notice.

RECOMMENDATION: The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – APPROVAL OF THE ISSUE OF THE COMPANY'S SHARES ACCORDING TO THE AMENDMENT OF THE DEED POLL REGARDING THE CONVERSION TERMS OF THE COMPANY'S ISSUED CONVERTIBLE NOTES INTO SHARES OF THE COMPANY.

3.1 Purpose of resolution

Resolution 3 seeks the approval of Shareholders to allow the issue of the Company's Shares in accordance with the terms of the Convertible Notes Amended Deed Poll of 15 December 2023 and by the subsequent addendum dated 19 February 2024.

3.2 Background

Shareholder approval of the issue of the Company's Shares from conversion of the Convertible Notes under the Deed Poll dated 23 August 2016 and its subsequent amendments was last obtained at the Company's General Meeting held on 28 May 2021. The background details pertaining to the terms, conditions, and amendments to the Deed Poll are set out within the Notice of Meeting for that meeting, which is available on the Company's website.

- (a) On 15 December 2023 and by the subsequent addendum dated 19 February 2024, the Registrar agreed to extend the maturity date of the Convertible Notes to 23 January 2026 and to provide access to a further US\$200,000 available under Tranche 2 for working capital purposes, in consideration of the following, with the other terms and conditions remaining unchanged:
- (i) conversion price of 0.1 cents per Share, being the last registered sale price which took place in July 2021 through an off-market transfer and the purchase price under the Minimum Holding buyback completed by the Company in March 2022, and conversion of debt is restricted to 240 million new Shares, 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.
 - (ii) 40 million Shares (to be issued after the 2024 AGM); and
 - (iii) If by 23 January 2025 less than 50% of the Convertible Notes debt, including interest, has been repaid, the debt will increase by US\$1 million, and if by 23 January 2026 less than 80% of the Convertible Notes debt, including interest, has been repaid, the debt will increase by a further US\$1.5 million.
- (b) The terms of the Convertible Notes are summarised in section 3.4 below.
- (c) The Registrar is not a related party of the Company.
- (d) The Registrar's beneficial and non-beneficial holdings in the capital of the Company total 201,510,393 Shares. The Company presently has approximately 461.1 million Shares, 16 million Options and the Convertible Notes on issue, therefore the Registrar's total securities represent approximately (201.5/461.1 million) or 43.7% of the Company's issued Shares.
- (e) Approval of Resolution 3 will allow the Convertible Notes to be converted into Shares after the date of the AGM without the need for further Shareholder approval at the time a notice to convert is received by the Company.

3.3 The effect on the Company of the issue of the Company's Shares from potential conversion of the Company's issued Convertible Notes

The current issued share capital of the Company is 461,071,218 Shares, with 16,000,000 Options. There is US\$14.1 million worth of Convertible Notes and US\$17,065,907¹ capitalised interest on the Convertible Notes.

The potential effect of the issue of the Company's Shares on conversion of the Convertible Notes on the Company's issued share capital will be up to 240 million Shares may be issued on conversion of the Convertible Notes, resulting in the dilution of current Shareholders by 34.2% (240 million Shares/(461.1 million issued Shares + 240 million Shares on maximum conversion of convertible notes).

¹ As at 29 February 2024.

3.4 Broad summary of rights and liabilities attaching to the Convertible Notes

- (a) The term of the Convertible Notes expires on 23 January 2026 (**Term**).
- (b) Interest accrues daily at 10% p.a. (effective 23 January 2021), compounding monthly on the drawn amount, with interest capitalising into the principal amount of the Convertible Notes.
- (c) Interest ceases to accrue in respect of a Convertible Note on its maturity date, the date on which the Registrar converts the Convertible Note into Shares or the date on which the Convertible Note is redeemed.
- (d) The Convertible Notes constitute unsubordinated and secured obligations of the Company.
- (e) Tranche 2 may be drawn for any of the Company's operations, subject to the approval of the Noteholders.
- (f) The terms of conversion of the Convertible Notes are:
 - (i) Subject to Shareholder approval, the Registrar will be entitled to convert up to 50% of the principal amount and 100% of the capitalised interest of the Convertible Notes into Shares, by delivering a conversion notice at any time prior to the maturity date. The maximum number of Shares issued on conversion is restricted to 240 million Shares.
 - (ii) Shares issued on conversion will rank equally in all respects with fully paid ordinary Shares in the Company; and
 - (iii) Each Convertible Note will convert into Shares at 0.1 cents per Share.
- (g) A Convertible Note is redeemed if the Noteholder gives a redemption notice after an event of default.
- (h) The Company may redeem all or part of a Convertible Note, in the minimum amount of US\$1 million, during the Term, by notice, upon payment to the Registrar of a prepayment fee in the amount of US\$250,000.
- (i) On the Maturity Date, the Company will redeem the Convertible Notes by payment of the amount drawn plus capitalised interest.
- (j) Events of default include:
 - (i) breach of material obligations under the Agreement.
 - (ii) there being a material adverse effect that cannot be remedied within 10 business days; and
 - (iii) insolvency; and
- (k) Convertible Notes can be transferred.

3.5 Key reason why you should vote in favour of Resolution 3

If Resolution 3 is not approved the maturity date of Tranches 1, 2 and 3 of the Convertible Notes will not be extended beyond 23 January 2024, and the Tranches 1, 2 and 3 principal and interest, presently in the amount of approximately US\$31.1 million¹, will become due and payable immediately, payment of which the Company is unable to meet.

3.6 Potential disadvantage of voting in favour of Resolution 3

The Company considers that the potential disadvantage of voting in favour of Resolution 3 is the dilution of the existing interests of Shareholders of 34.2% if the Convertible Notes are converted at 0.1 cents per Share as permitted, into 240 million Shares.

RECOMMENDATION: The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 for the reasons set out above.

RESOLUTION 4 TO 6 – APPROVAL OF ISSUE OF OPTIONS TO DIRECTORS (RELATED PARTIES)

Resolutions 4 to 6 seek shareholder approval for the issue of a total of 9 million Related Party Options to the Directors of the Company.

4.1 Background

The Company proposes to issue a total of 9 million Related Party Options to Messrs. Barry Dawes (3 million Options), Francis Douglas (3 million Options) and Brent Emmett (3 million Options) for their roles as Directors of the Company. The Options will be issued, subject to obtaining Shareholder approval, in lieu of the payment of

¹ As at 29 February 2024.

director fees to each of the Directors, who have graciously accepted that there will be no cash remuneration paid until such time as the Company has substantial free cashflow and regains profitability. The Options will be issued outside the Petsec Employee Option Plan (**EOP**) as set out below.

Section 208 of Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the company must:

- (a) obtain the approval of the company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act. None of the exceptions are relevant in this case.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities. For the purposes of this meeting, a "related party" includes a director of the Company. Accordingly, the proposed issue of Options to the Directors involves the provision of a financial benefit to a related party of the Company.

It is the view of the Directors that the exceptions to section 208 which are listed in the Corporations Act do not apply. Accordingly, the Directors have determined to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act for the issue of Options to the Directors.

4.2 Technical Information

If Resolutions 4 to 6 are passed, the Company will be able to proceed with the issue of the Related Party Options to the Directors within one month after the date of the Meeting.

If Resolutions 4 to 6 are not passed, the Company will not be able to proceed with the issue of the Related Party Options to Messrs. Dawes, Douglas, and Emmett in lieu of cash payments for their directors' fees and will need to satisfy the payment of these fees out of the Company's very limited cash reserves, otherwise they may resign.

4.3 Technical Information Required by Sections 217 to 227 of the Corporations Act

Additional information required by sections 217 to 227 of the Corporations Act in relation to the proposed issue of Options to the Directors is set out below:

- (a) Messrs. Dawes, Douglas, and Emmett are a related party by virtue of being a Director.
- (b) The maximum number of Options (being the nature of the financial benefit being provided) to be granted to the Directors is set out below:

Maximum Number	Consideration Price	Exercise Price	Vesting	Expiry
Pool A 9,000,000 (comprising 3,000,000 for each director)	0.01 cents per Share	0.1 cents per Share	- 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.	3 years from the date of issue of the Options

- (c) The Options will be granted to the relevant Directors no later than one month after the date of the Meeting.
- (d) The Options will be granted for a total cash consideration of \$9,00.
- (e) The terms and conditions of the Options are set in Annexure A.
- (f) The value of the Options and the pricing methodology is set out in Annexure B.
- (g) Mr. Dawes holds 6,473,579 Fully Paid Ordinary Shares in the Company. Messrs. Douglas and Emmett presently have no relevant interests in the Ordinary Shares of the Company.
- (h) No cash remuneration has been paid to any of the relevant Directors by the Company since their appointment in 2020.

- (i) Messrs. Dawes, Douglas, and Emmett collectively hold 12 million Options, with Messrs. Dawes and Douglas each holding 3 million Options (Pool A Options), and Mr Emmett holding 6 million Options (3 million Pool A Options and 3 million Pool B Options). These Options were granted to them in June 2021, following approval by Shareholders at the 28 May 2021 General Meeting, in lieu of the payment of director fees. The Pool A Options are anticipated to lapse without being exercised on 15 June 2024. The Pool B Options have an expiry date of 15 June 2025.
- (j) If the Options granted to the Directors are exercised, a total of 9 million Shares would be issued. This will increase the number of Shares on issue from 501,071,218 to 510,071,218 (assuming Resolution 3 is passed and that no other Options are exercised, and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 1.8%.
- (k) The Company's Shares have not traded on ASX since the Shares were removed from the Official List on 4 April 2022. The last registered sale price which took place in July 2021 through an off-market transfer was 0.1 cents per share. This price also corresponds to the repurchase price of Shares bought back by the Company during its Minimum Holding Buyback in March 2022.
- (l) The Board considers that the issue of Options on the terms proposed will help to align the interests of the Directors with those of Shareholders, as the Board seeks to add value for Shareholders; and
- (m) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to decide whether it is in the best interests of the Company to pass Resolutions 4, 5 and 6.

RECOMMENDATION: The Directors (other than Messrs. Dawes, Douglas, and Emmett, who have an interest in the matter) recommend that Shareholders vote in favour of Resolutions 4, 5 and 6.

GLOSSARY

\$ or cents means Australian Dollars or Cents, unless otherwise indicated.

AGM or Annual General Meeting means the meeting convened by the Notice of Meeting.

Board means the current board of directors of the Company.

Chairman means the Chairman of the Board.

Company means Petsec Energy Ltd ACN 000 602 700.

Constitution means the Company's constitution.

Convertible Notes means the unquoted secured convertible notes, the subject of Resolution 7, which the Company has issued or intends to issue under the Deed Poll.

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Deed Poll means the Secured Convertible Note Deed Poll dated 23 August 2016 (subsequently amended by variation agreements dated 13 September 2016, 28 December 2016, 30 March 2017, 17 August 2017, 18 February 2018, 26 March 2018, 9 May 2018, 20 August 2018, 6 September 2018, 19 December 2018, 5 March 2019, 8 April 2019, 28 June 2019, 18 January 2021, 15 December 2023, and addendum 19 February 2024) which sets out the terms and conditions of the Convertible Notes.

Directors mean the current directors of the Company.

Explanatory Notes means the explanatory notes accompanying the Notice of Meeting.

Key Management Personnel has the same meaning given in the accounting standards. Broadly speaking this includes the Directors and those other persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Key Management Personnel for the financial year ended 31 December 2023 (as applicable).

Maturity Date means the maturity date of the Convertible Notes, being 23 January 2026.

Note Facility Limit means US\$15 million plus accrued and capitalised interest.

Noteholder means an entity or person whose name is entered on the Register by the Registrar as the holder of Convertible Notes.

Notice of Meeting means this notice of meeting including the Explanatory Notes.

Option means an option to acquire a Share.

Registrar means Sing Rim Pte Ltd, a company registered under the laws of Singapore under registration number 201618210R.

Resolution means a resolution set out in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Sydney Time means the time in Sydney, New South Wales, Australia.

Tranche means the three equal proportions of the Note Facility Limit that may be issued at different times and subject to different conditions under the Deed Poll, referred to as Tranche 1, Tranche 2, and Tranche 3.

US\$ means US dollars, the currency of the United States of America.

Annexure A

Issue of Options to Directors

The terms and conditions of the Options pursuant to Resolutions 4, 5 and 6 are:

1. 9,000,000 Options in total will be issued comprising 3,000,000 Options each to three of the Company's Directors – Messrs. Barry Dawes, Francis Douglas, and Brent Emmett.
2. Issue of the Options is conditional upon Shareholder approval being obtained at the Company's General Meeting.
3. Each Option will be issued for a consideration price of 0.01 cents per Share.
4. Each Option has an exercise price of 0.1 cents per Share.
5. Each Option entitles the option holder to subscribe for and be allotted one Share at the exercise price for the Option.
6. Options 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.
7. Options 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).
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.
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.
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 Corporations Act 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.

ANNEXURE B**Valuation of Options**

The Options to be issued to the Directors pursuant to Resolutions 4, 5 and 6 have been valued using the Black Scholes option valuation methodology.

Using the Black Scholes option model and based on the assumptions set out below, the Options were ascribed the following values:

Assumptions	
Valuation date	15 March 2024
Market price of Shares (closing price)	\$0.001 being the last registered sale price in July 2021
Number of Options	9,000,000
Consideration Price	\$0.0001
Exercise Price	\$0.001
Vesting Date	15 March 2024
Expiry Date	15 March 2027
Risk free interest rate	4.45%
Volatility	0%
Indicative value per Option	Nil
Total value of Options	Nil

Note: The valuation noted above is not necessarily the market price that the Options could be traded at and is not automatically the market price for taxation purposes.