

23 August 2016

Petsec Energy Arranges US\$15 million Convertible Note Facility to Support Development Projects & Future Expansion*Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy (the “Company”) is pleased to announce the establishment of a US\$15 million secured convertible note facility that will provide the Company with financial flexibility to progress the Company’s development projects in the U.S. and Middle East and North Africa (“MENA”) which will provide early cash flow.

The funds will be applied to the appraisal and development of the Hummer gas/oil discovery made in late 2015 in the Gulf of Mexico, USA, the anticipated re-start of oil production by the end of this year from the An Nayah Oilfield in Yemen, and the Company’s further expansion in the MENA region.

Key terms and conditions for the new convertible note facility include:

- Facility Amount: Total of US\$15 million.
- Facility Term: 31 December 2017.
- Facility Drawdown: Available in 3 tranches of US\$5 million each.
- Application of Funds:
 - Tranche 1. US\$5 million for the development of the Hummer gas/oil discovery and preliminary restart of operations at the An Nayah Oilfield.
 - Tranche 2. US\$5 million for the restart of production of the An Nayah Oilfield.
 - Tranche 3. US\$5 million to enable MENA production to exceed 100,000 barrels of oil per month.
- Coupon: 10% p.a. compounded on a monthly basis once the notes are issued. Interest to be capitalised for the duration of the term.
- Ability to convert to Petsec Energy Ltd shares:
 - Tranche 1: Interest convertible at A\$0.15/share and principal debt convertible at A\$0.20/share to a maximum of 50% of the outstanding principal.
 - Tranche 2: Principal and interest convertible at A\$0.30/share to a maximum of 50% of the principal debt and capitalised interest
 - Tranche 3: Principal and interest convertible at A\$0.40/share to a maximum of 50% of the principal debt and capitalised interest.
 - Issue of shares on conversion restricted to maximum of 19.9% of Petsec Energy issued capital.
- Facility Arranger: Republic Investment Management of Singapore.
- Noteholders: Republic Investment Management and associates in Singapore, managed through the registrar Sing Rim Pte Ltd of Singapore.
- Other terms and conditions are typical of a facility of this nature and include the granting of security, penalty interest rates and early repayment costs.

The facility has been initiated by Republic Investment Management Pte Ltd (Republic), manager of a Singapore based investment fund that is active in Australian oil and gas company investment.

It is anticipated that the majority of the first tranche will be applied to cover the Company's share of the initial development of the Hummer gas/oil discovery in the USA including the construction and installation of a 4 pile jacket, completion and testing of the initial well to determine production rates and gas and oil volumes, and production facilities on the Main Pass Block 270 Field.

The balance of the first tranche will be applied to support the re-start of oil production from the An Nagyah Oilfield. Prior to shut-in in 2014, the An Nagyah Oilfield was producing in excess of 5,600 BOPD. The production facility has been well maintained throughout the shut-in/embargo period and preparations are now underway for the re-start of production in late 2016, subject to a political resolution within Yemen, and the consequent restart of Yemen oil production and shipping.

News of oil shipments from Yemen for the first time in 16 months have been widely reported in the media, following the shipment of 3 million barrels of oil stored at the Southern terminal of Ash Shihr.

The remaining two Tranches may or may not be exercised by the Company, subject to funding requirements at the time and the status of oil production from the An Nagyah Oilfield.

Chairman and Managing Director, Terry Fern stated:

"The establishment of the convertible note facility is a clear indication of market support for the Company's existing assets and their development, and the Company's oil reserve acquisition strategy. This facility provides the Company with flexible funding to develop the Hummer gas/oil discovery in the USA and the early re-start of oil production from the An Nagyah Oilfield in Yemen.

Management can now focus on the delivery of the latent high value of the oil assets discovered and acquired over the past year."

Please see accompanying Presentation for further detail.

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Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and state waters of the Louisiana Gulf Coast region of the USA, and exploration activities in the Gulf Coast onshore and bay areas of Texas and Louisiana, USA and Yemen.