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19th February 2020

BLOCK 7, Yemen

Petsec Energy announces that a claim has been made against the US\$4.2 million Letter of Credit supporting the exploration obligations in Block 7 in Yemen

Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)

Petsec Energy has been advised that a claim has been made on the Letter of Credit issued under the Production Sharing Agreement on Block 7. The precise circumstances of the claims are far from clear. However, based on information received, Petsec Energy is of the opinion that the claim is illegitimate, having been made by the rebel Houthi Minister for Oil and Minerals in Sana'a, Ahmad Daris, to Arab Bank, Sana'a, dated 25th November 2019. Notwithstanding the fact that Arab Bank, Qatar National Bank and Mitsui were duly advised that, in Petsec's opinion, the claim was illegitimate, Petsec Energy has been advised that Arab Bank and Qatar National Bank (QNB), both located in Sana'a, both acted on the claim. Petsec Energy has been advised by Mitsui that the Commonwealth Bank Australia (CBA) also acted on the claim. Petsec Energy is taking steps to determine whether information Petsec Energy provided to Mitsui of the claim, for the benefit of the CBA, was duly passed onto the bank.

Arab Bank issued an advice to QNB requesting the release of US\$1.68 million in cash that Petsec Energy had on deposit with QNB. Petsec Energy has just now become aware the funds were converted to Euros and released on the 8th January 2020 to an account based in Europe controlled by Arab Bank, Sana'a.

It has been brought to Petsec's attention by Mitsui that around the same date the CBA Bank transferred US\$1.05 million of AWE/Mitsui's funds. Petsec Energy believes these funds were also transferred to an account of Arab Bank.

The legitimate, UN recognised government of Yemen, resident in Aden, Yemen, had expressly forbidden any financial dealing with the rebel Houthis which exert illegitimate control over the Ministry for Oil and Minerals in Sana'a. Further, the legitimate Minister of Oil and Minerals, resident in Aden, Aws Abdullah Al-Awd, wrote to the Arab Bank in Jordan and Sana'a, as follows:

"We would like to confirm that we, the Yemeni Ministry of Oil and Minerals currently located in the temporary capital Aden, are the real and sole beneficiary of the aforementioned letter of credit (Block 7). We are the only entity part of the legitimate Yemeni Government recognized internationally and by the United Nations.

Furthermore, we would like to let you know that until date we have not made any arrangements, issued any instructions or claims to liquidate the letter of credit mentioned above. It is also worth noting and mentioning that any claims to liquidate the letter of credit from any other party beside (The Ministry of Oil and Minerals in the temporary capital Aden) are void, fraudulent and incorrect and you should not count on nor act on it in any way."

In Petsec's opinion, the Ministry of Oil and Minerals had no rights to claim on the Letter of Credit because of the Force Majeure status of the block. This is clearly stated in the Arab Bank Letter of Credit.

As a result of the payment by CBA Bank of US\$1.05 million on or around the 8th January 2020, acting on the claim made to the CBA on 23rd December 2019, AWE/Mitsui has made a claim against Petsec Energy for recovery of the funds, requesting payment by 10 April 2020. Petsec Energy will be seeking further information from AWE/Mitsui and will be defending the claim.

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Petsec Energy is undertaking further investigations and is proposing to commence legal proceedings against Arab Bank, Sydney, Jordan and Sana'a and Qatar National Bank, Doha and Sana'a, to recover the US\$1.68 million taken from Petsec Energy's funds that were held by Qatar National Bank.

Having regard to these current developments the board and management of Petsec Energy will continue to manage the Company's expenditure within the limits of its cash reserves and monthly revenue.

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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.