

Market Announcement

3 April 2020

Petsec Energy Limited (ASX: PSA) – Suspension from Official Quotation

Description

The securities of Petsec Energy Limited ('PSA') will be suspended from quotation immediately under Listing Rule 17.2, at the request of PSA, pending the release of an announcement regarding the outcome of negotiations with PSA's Convertible Noteholders.

Issued by

Melissa Lim

Adviser, Listings Compliance (Sydney)

PETSEC ENERGY LTD

ACN 000 602 700

3rd April 2020

Melissa Lim
Adviser, Listings Compliance (Sydney)
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Madam,

Request for Suspension

Petsec Energy Ltd (the “Company”) requests that its securities (ASX Code: PSA) be suspended immediately pursuant to ASX Listing Rule 17.2. The voluntary suspension is necessary to assist the Company in managing its continuous disclosure obligations while it deals with a material change in its circumstances as set out below.

For the purpose of ASX Listing Rule 17.2, the Company provides the following information:

- (a) Following the Board’s consideration of the confluence of recent events affecting the Company, particularly the effects of the Coronavirus COVID-19 pandemic which has spread around the World, the Board has today requested a suspension of the trading of its shares on the ASX.

Since February 2020 there has been a collapse in World oil and gas prices due to the substantial reduction in World demand estimated to be between 15-20 Million barrels a day for much of the remainder of 2020, caused by the Worldwide government response to the Coronavirus pandemic, exacerbated by the increase in oil production by Saudi Arabia and Russia. At US oil and gas prices in March, projected for the year, the Company estimates its net cash flows (i.e. receipts of oil and gas revenues less lease operating expense payments) generated from its US assets for 2020 to be zero compared to the US\$1.0 million generated in 2019.

At current Brent Oil prices, the An Nayah Oilfield in Block S-1, Yemen, is also uneconomic.

As a consequence of these very low oil prices, which are expected to remain at these levels for much of 2020, and the highly restrictive government forced work practises in the MENA area due to the COVID-19 pandemic, which prevents the Company from effectively pursuing its objectives, including the recovery of the Company’s US\$1.68 million cash deposit and the CBA/Mitsui’s transfer of US\$1.05 million, transferred to Arab Bank, Jordan, predicated on an illegitimate claim, in Petsec’s opinion (see 19 February 2020 ASX Release), the Company has breached the terms of its Secured Convertible Note Facility, and the Noteholders have consequently suspended access to the remaining US\$1 million under the Convertible Note Facility which was otherwise available to the Company. The Company is seeking to negotiate a new plan of action with the Company’s Convertible Noteholders and a way forward for all stakeholders in these difficult circumstances.

These difficult circumstances are further exacerbated by the continued lack of production restart approvals for Block S-1 which the Company has been requesting since early 2017, from the UN recognised Yemen Minister for Oil and Minerals, despite promises of these consents made by the Minister to the Company in May of 2019, and the completion of the Block 5 to Block 4 pipeline in early 2020 which would allow Block S-1 oil, which is connected by pipeline to Block 5, to be transported through the Block 4 pipeline to the oil export terminal at Bir Ali on the Arabian Coast. A further issue is the changing political landscape in Yemen where the rebel Houthis are now in a position to control the city of Marib, some 70 kilometres to the NW of Block S-1, and appear to be gaining the ascendancy over the Saudi Arabia led Coalition which supports the UN recognised Hadi Government, resident in Aden.

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- (b) The Company requests that the suspension of trading of its shares on the ASX for the period it takes to negotiate a new plan of action with the Company's Convertible Noteholders.

The Board anticipates returning to shareholders for approval of some plan of action following the negotiations with the Company's Convertible Noteholders. This will probably happen at the Company's next AGM.

In relation to the AGM, the Company gives notice that the AGM which was scheduled for 11.00 a.m. (AEST) on Thursday, 7th May 2020 at the Governor Macquarie Tower, Level 15 Bligh Room, 1 Farrer Place, Sydney, NSW Australia, will be postponed due to the pandemic and until a resolution has been settled with the Noteholders. In accordance with ASIC "no action" guidance the AGM will be held before 31 July 2020 and shareholders will be given due notice.

- (c) The Company considers that the continued trading of its securities during this period is likely to be materially prejudicial to its ability to complete any potential transaction.
- (d) The Company is not aware of any reasons why its securities should not be suspended.

Should you require any further information, please do not hesitate to contact me.

Yours faithfully

Paul Gahdmar
Company Secretary and Group Financial Controller