

20th December 2018**Petsec Energy Announces Extension & Variation to Terms of the
US\$15 Million Convertible Note Facility***Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy (the “Company”) is pleased to announce an extension of the redemption date for the US\$15 million Convertible Note Facility (the “Facility”) from 23 January 2020 to 23 January 2021. The Company is also pleased to announce a variation in terms for Tranches 2 and 3 of the Facility with the purpose of supporting Petsec Energy’s cost of drilling, completion of production and production facilities for the Hummer Development Project and the Company’s operations in the US and Yemen.

The funds from the first tranche of the Facility were applied to fund the 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 construction of the production facilities on the Main Pass Block 270 Field. The well was brought into production on 21 November 2017.

The Company re-established Tranche 2 of the Convertible Note Facility in February 2018 to provide funding flexibility for costs associated with the re-start of production at the An Nagyah Oilfield in the Company’s Damis (Block S-1) Facility in Yemen. The variation in terms for Tranche 2 now allows access to additional funding for any of the Company’s operations, but primarily the development of the Main Pass 270 gas/oil Field.

The Company re-established Tranche 3 of the Convertible Note Facility in May 2018 to provide the Company with access to a further US\$5 million to fund the Company’s share of drilling and completion costs associated with the proposed Hummer B-2 appraisal/development well offshore Louisiana, USA. The variation in terms now makes Tranche 3 available to the Company with no restrictions. Tranche 3 is currently drawn down by US\$2.5 million, with US\$2.5 million currently available to be drawn.

The variation to terms and the extension of the US\$15 million Convertible Note Facility, will provide the Company with the necessary funding and flexibility to deliver the completion and production of the B-2 appraisal/development well currently being drilled and the ongoing efforts to restart production at the An Nagyah Oilfield in Yemen.

The following are the key variation to the terms of the Facility:

Convertible Note Facility – Tranches 1, 2 & 3:

- Facility Term: Extended from 23 January 2020 to 23 January 2021.
- Coupon: 12.5% p.a. compounding monthly for the period of 1 January 2018 to the 23 January 2019, and thereafter increasing to 15% p.a. compounding monthly from 23 January 2019.
- Conversion Price: 12.5 cents per share or reducing to the net issue price of stock in the period to redemption should that price be less than 12.5 cents per share.
- All other fees, terms and conditions are typical of a facility of this nature and include the granting of security, penalty interest rates and early repayment costs.

Tranche 2:

- Facility Amount: Total of US\$5 million – Fully available
- Drawdown: Extended from 23 January 2019 to 23 January 2020.

Tranche 3:

- Facility Amount: Total of US\$5 million – Currently drawn down to US\$2.5 million
- Drawdown: Extended from 23 January 2019 to 23 April 2019.

All other key terms and conditions of the Facility are disclosed within the Company's 30 June 2018 Half-year accounts released to the ASX on 28 August 2018.

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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.