

5th October 2018**Notice of General Meeting**

Petsec Energy Ltd (the “Company”) is pleased to invite shareholders to attend the General Meeting of the Company to be held on Wednesday, 7th November 2018 at 11.00 a.m. at Governor Macquarie Tower, Level 15 Auditorium 1, 1 Farrer Place, Sydney, NSW.

The Notice of Meeting and Proxy Form for this meeting will be mailed to shareholders on Friday, 5th October 2018. Pursuant to ASX Listing Rule 3.17, a copy of the Notice of Meeting, including the proxy form, follows this announcement and will also be available on the Company website at www.petsec.com.au.

Upon conclusion of the formal business of the meeting, an informal presentation on the Company’s activities will be delivered by Petsec Energy Ltd Chairman and Managing Director Terry Fern and Petsec Energy (Middle Eastern) Limited Chief Executive Officer Maki Petkovski.

ASX Waiver

The ASX Limited (“ASX”) has granted the Company a waiver from listing rule 7.3.2 to the extent necessary to permit the Notice of Meeting (the “Notice”) seeking shareholder approval for the issue and allotment of Convertible Notes under the Facility Agreement (including any of the debt securities issued as at the date of this resolution), and to issue and allot up to 140 million Shares upon conversion of the Convertible Notes at any time up to 23 January 2020, not to state the Convertible Notes and Shares will be issued no later than 3 months after the date of the meeting on the following conditions.

- (a) The Notice of Meeting contains a summary of the material terms of the Facility Agreement, including the milestones which must be satisfied prior to the issue of Convertible Notes.
- (b) The Notice seeks approval for a stated maximum number of shares that will be issued on conversion of the Convertible Notes and the issue of Shares.
- (c) The milestones which must be satisfied for the issue or conversion of the Convertible Notes are not varied.
- (d) The Convertible Notes and Shares will be issued during the term of the Facility Agreement, and in any event no later than 23 January 2020.
- (e) If the Company releases its annual report during a period in which the Convertible Notes and Shares are issued or remain to be issued, the annual report discloses details of the Convertible Notes and Shares that have been issued, the interest payable on the Convertible Notes and the terms of the Facility Agreement.
- (f) The Company includes the terms of the waiver in the Notice of Meeting.

The waiver allows the issue of the Convertible Notes, Shares upon conversion of the Convertible Notes and Shares issued in lieu of payment of interest on the Convertible Notes, at any time before the Maturity Date without affecting the Company’s Listing Rule 7.1 Capacity.

For further Information:

Paul Gahdmar
Company Secretary & Group Financial Controller
Petsec Energy Ltd
Tel: 612 9247 4605
Fax: 612 9251 2410

Level 27, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Australia
PO Box R204, Royal Exchange NSW 1225, Australia
Telephone (61 2) 9247 4605 Facsimile (61 2) 9251 2410
Company information is available on: petsec.com.au

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PETSEC ENERGY LTD

ACN 000 602 700

Notice of General Meeting

Notice is hereby given that a General Meeting of members of Petsec Energy Ltd (**Company**) will be held at Governor Macquarie Tower, Level 15 Auditorium 1, 1 Farrer Place, Sydney, NSW 2000, Australia on Wednesday, 7 November 2018 at 11.00 a.m. (Sydney Time).

Business

RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF 10 MILLION SHARES

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue and allotment of 10 million Shares to Sing Rim Pte Ltd on the terms and conditions set out in the Explanatory Notes.”

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

RESOLUTION 2 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND SHARES ON CONVERSION

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue and allotment of Convertible Notes under the Facility Agreement (including any of the debt securities issued as at the date of this Resolution), and to issue and allot up to 140 million Shares upon conversion of the Convertible Notes at any time up to 23 January 2020.”

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:

Resolution 1 by or on behalf of:

- Sing Rim Pte Ltd; and
- any of its respective associates;

Resolution 2 by or on behalf of:

- the Registrar, the Noteholders, and a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities); and
- any of their respective associates;

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

Voting Intentions of Chairman

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

Voting at the meeting

1. Under *Corporations Regulation 7.11.37*, the Board 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 5 November 2018.
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 sections 250D and 253B 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: 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 12, 225 George Street, Sydney NSW 2000 Australia

VOTE ONLINE: www.votingonline.com.au/petsecgm2018

By order of the Board
Dated this 5th day of October 2018

Paul Gahdmar
Company Secretary

EXPLANATORY NOTES

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

Resolutions 1 and 2 are ordinary Resolutions, which require a simple majority of votes to be cast in favour by Shareholders entitled to vote on the Resolution.

RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF 10 MILLION SHARES

1.1 General

Resolution 1 seeks ratification, for the purposes of Listing Rules 7.4, of the issue and allotment by the Company to Sing Rim Pte Ltd, as Registrar of the Company's Convertible Note facility, of 10 million Shares. The Shares were issued in two tranches:

- (a) 5 million Shares were issued on 21 May 2018 as a fee for the re-establishment of Tranche 3 of the Convertible Notes; and
- (b) 5 million Shares were issued on 4 September 2018 as a fee for the extension of the maturity date of the Convertible Notes from 23 July 2019 to 23 January 2020.

The background to the Convertible Notes is set out in section 2.2 of Resolution 2, below.

The Shares were issued within the Company's existing Listing Rule 7.1 Capacity. For further details see the Appendix 3Bs released to ASX on 21 May 2018 and 4 September 2018.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that an issue by a company of equity securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

While the outcome of Resolution 1 will have no effect on the issue of the securities, Shareholder approval will restore the Company's ability to issue further equity securities under Listing Rule 7.1 in the 12 months following the date of issue, to the extent of the 10 million securities.

1.2 Technical information required by Listing Rule 7.5

Under Listing Rule 7.5, the following information is provided in relation to the issue:

- (a) *The number of securities allotted:* 10 million Shares.
- (b) *Issue price:* The 5 million Shares issued on 21 May 2018 were issued at a deemed price of \$0.10 per Share and the 5 million Shares issued on 4 September 2018 were issued at a deemed price of \$0.15 per Share.
- (c) *Name of allottee:* Sing Rim Pte Ltd.
- (d) *Terms of the securities:* The Shares issued were 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 were raised. The securities were issued in consideration of the re-establishment of Tranche 3 of the Convertible Notes and the extension of the Convertible Note facility.
- (f) *Voting exclusion:* A voting exclusion statement forms part of this Notice of Meeting.

RECOMMENDATION: The Directors believe that it is in the best interests of the Company to maintain its Listing Rule 7.1 Capacity. The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND SHARES ON CONVERSION

2.1 Purpose of resolution

Resolution 2 seeks the approval of Shareholders to allow, for the purposes of Listing Rule 7.1, the issue of Convertible Notes and the issue of up to 140 million Shares upon conversion of Convertible Notes at any time up to 23 January 2020, in accordance with the terms of the Facility Agreement.

2.2 Background

- (a) On 23 August 2016, the Company entered into the Facility Agreement with Sing Rim Pte. Ltd. as Registrar of the Convertible Note facility. It provided for up to US\$15 million, consisting of three US\$5 million tranches (Tranches 1, 2 and 3), of Convertible Notes, with a maturity date of 31 December 2017 and a Coupon Rate of 10% p.a., to progress the Company's development projects in the U.S. and the Middle East and North Africa.
- (b) Approval for the Convertible Notes to be converted into Shares without the need for further Shareholder approval was obtained at the general meeting of the Company held on 1 December 2016.
- (c) Only Tranches 1 and 3 of the Convertible Notes have been drawn to date, with Tranche 1 having been fully drawn in March 2017 and US\$1 million of Tranche 3 having been drawn in July 2018.
- (d) On 15 March 2017, the maturity date of Tranche 1 was extended from 31 December 2017 to 5 July 2018 in consideration of:
 - (i) the Coupon Rate increasing from 10% p.a. to 12.5% p.a.; and
 - (ii) 5 million Shares (issued on 15 March 2017).
- (e) On 27 August 2017, the maturity date of Tranche 1 was further extended to 23 January 2019, in consideration of:
 - (i) 5 million Shares (issued on 4 September 2017); and
 - (ii) extending the term of 10 million Options issued to the Registrar for acting as sub-underwriter to a rights issue.
- (f) On 18 February 2018, the maturity date of Tranche 1 was further extended to 23 July 2019, in consideration of:
 - (i) the Coupon Rate increasing from 12.5% p.a. to 15% p.a. effective 23 January 2019;
 - (ii) reducing the note conversion price from 15 cents per Share to 12.5 cents per Share;
 - (iii) 5 million Shares (Tranche 1 extension and Tranche 2 reinstatement);
 - (iv) amending the terms of the Options from 10 million Options exercisable at 15 cents by 23 January 2019 to 10 million Options exercisable at 12.5 cents by 23 July 2020; and
 - (v) the addition of a further event of default under Tranche 1, being that the ratio of U.S. assets (PV10 valuation) to debt is less than 1.7.
- (g) Tranches 2 and 3 expired on 5 January 2018, however Tranche 2 was reinstated on 18 February 2018 on revised terms as follows:
 - (i) Coupon Rate of 12.5% p.a.;
 - (ii) conversion price of 12.5 cents per Share;
 - (iii) 5 million Shares (Tranche 1 extension and Tranche 2 reinstatement) (issued on 5 March 2018);
 - (iv) redemption date of 23 July 2019;
 - (v) drawdown by 23 January 2019; and
 - (vi) revised conditions precedent, set out in section 2.8(e) below.
- (h) On 20 August 2018 the Registrar agreed to reinstate Tranche 3 and further extend the term of Tranche 1, Tranches 2 and 3 to 23 January 2020, in consideration of the following, with the other terms and conditions of each Tranche remaining unchanged:
 - (i) the Coupon Rate increasing from 12.5% p.a. to 15% p.a. effective 23 January 2019;
 - (ii) conversion price of 12.5 cents per Share, reducing to a 10% premium over the net (i.e. after costs) issue price of Shares by the Company in the period to redemption, should that price be less than 12.5 cents per Share; and
 - (iii) 5 million Shares (issued on 4 September 2018).
- (i) On 6 September 2018 the Registrar agreed to extend the last drawdown under Tranche 3 from 1 November 2018 to 23 January 2019, with the other terms and conditions of Tranche 3 remaining unchanged.
- (j) The terms of the Convertible Notes are summarised in section 2.8 below.

- (k) The Registrar is not a related party of the Company.
- (l) The Registrar's beneficial and non-beneficial holdings in the capital of the Company total 56,510,393 Shares and 10,000,000 Options. Per Appendix 3B lodged with ASX on 4 September 2018, the Company presently has approximately 333.6 million Shares, 22.8 million Options and the Convertible Notes on issue, therefore the Registrar's total securities represent approximately $(66.5/333.6)$ or 19.9% of the Company's issued Shares, however the Convertible Notes are held non-beneficially, by the Registrar as registrar or nominee, for a number of parties. See sections 2.6 and 2.7 below for further details.
- (m) Approval of Resolution 2 will allow the Convertible Notes to be converted into Shares without the need for further Shareholder approval at the time a notice to convert is received by the Company.

2.3 Listing Rule 7.1

Listing Rule 7.1 enables entities with shareholder approval to issue securities comprising more than 15% of the entity's ordinary securities then on issue (15% placement rule). Approval of Resolution 2 will allow the Company to issue Shares upon conversion of Convertible Notes under the Facility Agreement at any time up to 23 January 2020 without using the Company's Listing Rule 7.1 Capacity.

Formula for calculating the Listing Rule 7.1 Capacity

Listing Rule 7.1 provides that entities with shareholder approval must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$

- A** is the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement to issue:
 - (a) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
 - (b) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
 - (c) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4;
 - (d) less the number of fully paid ordinary securities cancelled in the 12 months.
- B** is 15%.
- C** is the number of equity securities issued or agreed to be issued before the date of issue or agreement to issue that are not issued:
 - (a) under an exception in Listing Rule 7.2;
 - (b) under Listing Rule 7.1A.2; or
 - (c) with shareholder approval under Listing Rule 7.1 or Listing Rule 7.4.

2.4 Waiver of Listing Rule 7.3.2

Under Listing Rule 7.3.2, any issue of securities approved with shareholder approval under Listing Rule 7.1 (15% placement rule) must be issued within 3 months of the Company receiving shareholder approval. The Facility Agreement provides that the Convertible Notes can be issued and converted into Shares up until the Maturity Date of 23 January 2020.

Consequently, the Company sought from the ASX and was granted on 26 September 2018 a waiver of Listing Rule 7.3.2 on the following conditions:

- (a) The Notice of Meeting contains a summary of the material terms of the Facility Agreement, including the milestones which must be satisfied prior to the issue of the Convertible Notes.
- (b) The Notice of Meeting seeks approval for a stated maximum number of Shares that will be issued on conversion of the Convertible Notes and the issue of Shares.
- (c) The milestones which must be satisfied for the issue or conversion of the Convertible Notes are not varied.
- (d) The Convertible Notes and Shares will be issued during the term of the Facility Agreement, and in any event no later than 23 January 2020.
- (e) If the Company releases its annual report during a period in which the Convertible Notes and Shares are issued or remain to be issued, the annual report discloses details of Convertible Notes and Shares that have been issued, the interest payable on the Convertible Notes and the terms of the Facility Agreement.
- (f) The Company includes the terms of the waiver in the Notice of Meeting.

The waiver allows the issue of the Convertible Notes, Shares issued upon conversion of the Convertible Notes and Shares issued in lieu of payment of interest on the Convertible Notes, at any time before the Maturity Date without affecting the Company's Listing Rule 7.1 Capacity.

2.5 The effect on the Company of the issue of the Convertible Notes and the potential conversion into Shares

- (a) The principal effect of the issue of the Convertible Notes on the Company will be to:
 - (i) maintain Tranches 1 and 3, and potentially increase the Company's cash reserves by up to US\$9 million through Tranches 2 and 3. The issue of Tranche 2 by the Company is subject to a number of conditions, as summarised in section 2.8(e) below;
 - (ii) increase the number of Convertible Notes on issue from 6 million to 15 million increasing the amount drawn from US\$6 million to US\$15 million;
 - (iii) give rise to the Company having a liability for up to US\$15 million plus interest at rates between 10.0% to 15% p.a., compounding monthly, capitalising into the principal amount of the Convertible Notes; and
 - (iv) if all of the Convertible Notes are drawn (US\$15 million) and all are converted into Petsec shares as permitted, in accordance with the terms described in section 2.8 below, then the number of Shares on issue may increase by a maximum of 140 million Shares.
- (b) The potential effect of the issue of the Convertible Notes on the Company's issued shares will be:
 - (i) as at the date of this application, the issued share capital of the Company is 333,587,924 Shares, 22,800,000 Options, US\$6 million worth of Convertible Notes and US\$1,086,094 capitalised interest to date on the Convertible Notes¹; and
 - (ii) up to 140 million Shares may be issued on conversion of the Convertible Notes, should the full amount (US\$15 million) be drawn, resulting in the dilution of current Shareholders (presently 140 million Shares/(333.6 + 140) million Shares = 29.6%).

2.6 Holders of Tranche 1 and Tranche 3 Convertible Notes

The Tranche 1 Convertible Notes are held by the Registrar non-beneficially, as nominee for four independent Noteholders, who invested the following amounts in Tranche 1, resulting in the issue of Convertible Notes on the following dates:

- (a) Republic Investment Management Pte Ltd (US\$1,500,000) (14 October 2016);
- (b) DA Holdings Pte Ltd (US\$1,500,000) (28 October 2016);
- (c) OA Holdings Pte Ltd (US\$1,508,000) (12 December 2016); and
- (d) DC Company Pte Ltd (US\$492,000) (30 March 2017).

The Tranche 3 Convertible Notes are also held by the Registrar non-beneficially, as nominee for an independent Noteholder who invested the following amount in Tranche 3, resulting in the issue of Convertible Notes on the following date:

- (a) DC Company Pte Ltd (US\$1,000,000) (19 July 2018).

2.7 The effect of the issue on control of the Company

There are no control issues anticipated as a result of changes in voting power resulting from the issue of the Convertible Notes and their conversion into Shares; assuming the Tranche 1 Noteholders take up the remaining unissued Convertible Notes in the same proportions as they took up Tranche 1, it is anticipated that each Noteholder will hold less than 7.4% of the issued Shares of the Company.

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

- (a) The term of the Convertible Notes expires on 23 January 2020 (**Term**).
- (b) Interest accrues daily at 12.5% p.a. (increasing to 15% p.a., effective 23 January 2019), 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.

¹ Per Appendix 3B dated 4 September 2018.

- (e) The conditions precedent to the drawdown of Tranche 2 are:
 - (i) US\$2 million may be drawn down upon clear indication that oil has commenced to flow freely within the Republic of Yemen, shipped and sold, which will be prima facie evidenced by the Yemen companies, Safer and Jana Hunt having produced and transported through the Marib pipeline and shipped and sold no less than 1 million barrels of oil per month over a three month period;
 - (ii) US\$2 million may be drawn down in parcels of US\$0.5 million for each 100,000 barrels of oil net to the Company which has been produced, transported, and stored at the shipping terminal, ready for sale; and
 - (iii) US\$1 million, may be drawn down in US\$0.5 million parcels for each 100,000 barrels of oil net shipped and sold.
- (f) The conditions precedent to the drawdown of Tranche 3 are:
 - (i) up to US\$4 million may be drawn down for drilling and completion or facility costs for the Main Pass 273 B-2 appraisal/development well at the Hummer Project in the Gulf of Mexico, of which up to US\$3 million can be used for drilling costs;
 - (ii) a further US\$1 million may be drawn by mutual agreement of the Company and the Registrar, following a review of well results and predicted future well economics; and
 - (iii) final drawdown prior to 23 January 2019, after which date no further drawdowns are permitted.
- (g) For Tranche 3, in respect of the Main Pass 273 B-2 well at Hummer (or associated well except the B-1 well at Hummer), 75% of the revenue, less well operating expenses and non-specific lease operating expenses of the platform and facilities allocated on the basis of production, will be paid monthly, within one week of the Company's receipt of revenues, to reduce the principal amount owing on Tranche 3.
- (h) 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 outstanding amount 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 140 million Shares;
 - (ii) The Company will apply to ASX for quotation of the Shares issued on conversion of the Convertible Notes. The Convertible Notes themselves will not be quoted on the ASX;
 - (iii) Shares issued on conversion will rank equally in all respects with fully paid ordinary shares in the Company; and
 - (iv) Each Convertible Note will convert into Shares at AU 12.5 cents, reducing to a 10% premium over the net (i.e. after costs) issue price of Shares by the Company in the period to redemption, should that price be less than AU 12.5 cents per Share.
- (i) A Convertible Note is redeemed if the Noteholder gives a redemption notice after an event of default.
- (j) 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.
- (k) On the Maturity Date, the Company will redeem the Convertible Notes by payment of the amount drawn plus capitalised interest.
- (l) Events of default include:
 - (i) breach of material obligations under the Facility Agreement;
 - (ii) there being a material adverse effect that cannot be remedied within 10 business days;
 - (iii) insolvency; and
 - (iv) in respect of Tranches 1 and 3, the ratio of US assets (PV10 valuation) to debt is less than 1.7.
- (m) Convertible Notes can be transferred, but will not be quoted on the ASX.

2.9 Debt securities issued between the date of this Notice of Meeting and the date of the General Meeting

Any Convertible Notes issued between the date of this Notice of Meeting and the date of the General Meeting will be designated as debt securities which require Shareholder approval to allow the intent of the Facility Agreement to be met to allow Noteholders to effect conversion of the Convertible Notes into Shares. Approval of Resolution 2 will allow the Convertible Notes issued under the Facility Agreement to be converted into Shares without the need for further Shareholder approval at that time a notice to convert is received by the Company.

2.10 Specific Information required by Listing Rule 7.3

The following information is provided to Shareholders in accordance with Listing Rule 7.3, which contains requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1.

Maximum no. of securities to be issued	The maximum number of Convertible Notes that can be issued is 15 million which would provide US\$15 million to the Company. The maximum number of Shares which may be issued on conversion of, and payment of interest on, the Convertible Notes is limited to 140 million Shares.
Date by which securities will be issued	Tranche 1 of the Convertible Notes has been issued and US\$1 million of the Tranche 3 Convertible Notes has been issued. The Company may draw down Tranche 2 and the remainder of Tranche 3 prior to 23 January 2019 upon satisfaction of the conditions applicable to Tranches 2 and 3. Conversion of Convertible Notes into Shares may take place progressively, up to 23 January 2020.
Issue price per security	Each Convertible Note has a face value of US\$1 and the maximum amount permitted to be issued is US\$15 million. Each Convertible Note will convert into Shares at the lower of: (a) 12.5 cents per Share; or (b) a 10% premium over the net (i.e. after costs) issue price of Shares by the Company in the period from 20 August 2018 to redemption, should that price be less than 12.5 cents per Share. The proportion of each Tranche convertible into Shares is as follows: (a) accrued interest – 100%; and (b) principal – 50%.
Name of allottees	The Registrar holds the Tranche 1 Convertible Notes (US\$5 million) non-beneficially, as nominee for: Republic Investment Management Pte Ltd, DA Holdings Pte Ltd, OA Holdings Pte Ltd and DC Company Pte Ltd. The Registrar also holds the Tranche 3 Convertible Notes (US\$1 million) as nominee for DC Company Pte Ltd.
Terms of securities	A summary of the terms and conditions of the Convertible Notes is set out in section 2.8 above. Any Shares issued upon conversion of the Convertible Notes, including Convertible Notes designated as debt securities, will be fully paid ordinary shares ranking equally in all respects with other existing fully paid ordinary shares in the Company.
Use of funds raised	The funds from Tranche 1 were applied to fund the development of the Hummer gas/oil discovery in the Gulf of Mexico, USA, through to production. The funds from Tranche 2 will be used for the restart of production at the An Ngyah Oilfield in Damis (Block S-1), Yemen. The funds from Tranche 3 (US\$1 million drawn) will be applied to fund the Company's participation in the Hummer Main Pass 273 B-2 appraisal/development well.
Voting Exclusion Statement	A voting exclusion statement forms part of this Notice of Meeting.

2.10 Key reasons why you should vote in favour of Resolution 2

The Company considers that the issue of the Convertible Notes has a number of benefits for Shareholders as summarised below:

- (a) the Convertible Notes provide the Company with important funding in uncertain global economic conditions;
- (b) if Resolution 2 is not approved:
 - (i) the maturity date of Tranches 1 and 3 of the Convertible Notes will not be extended beyond 23 January 2020, and the Tranches 1 and 3 principal and interest, presently in the amount of approximately US\$7.1 million², will become due and payable on 23 January 2020;
 - (ii) additional funding from Tranches 2 and 3 to the amount of up to US\$9 million is unlikely to be made available to the Company; and if not available

² Per Appendix 3B dated 4 September 2018 issued by the Company.

- (iii) the Company will need to seek alternative funding opportunities with other parties or with Sing Rim Pte Ltd. in order to maintain the current scale of its activities. There can be no guarantee that alternative funding will be available on terms better than or comparable to the Convertible Notes, or at all.

2.11 Potential disadvantages of voting in favour of Resolution 2

The Company considers that the issue of the Convertible Notes has a number of disadvantages for Shareholders as summarised below:

- (a) dilution of the existing interests of Shareholders of 29.6% if the full US\$15 million Convertible Notes are issued and all are converted as permitted into 140 million Shares;
- (c) the Shares issued on conversion of the Convertible Notes will be issued at a maximum of 12.5 cents per Share, which represents a discount of approximately 28.5% to the volume weighted average price of Shares trading on the ASX for the five trading days preceding the Variation Agreement dated 20 August 2018; and

RECOMMENDATION: The Directors unanimously recommend that Shareholders vote in favour of Resolution 2 for the reasons set out above, including that the Company will have access to up to US\$9 million additional funding from Tranches 2 and 3 through the issue of additional Convertible Notes that provides the Company full use of its Rule 7.1 placing capacity.

GLOSSARY

Listing Rule 7.1 Capacity means the Company's 15% new issue capacity to issue Equity Securities under Listing Rule 7.1.

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

ASX means ASX Limited, or the Australian Securities Exchange, as the context requires.

Board means the current board of directors of the Company.

Chairman means the chairman of the General Meeting.

Company means Petsec Energy Ltd ACN 000 602 700.

Convertible Notes means the unquoted secured convertible notes the subject of the Resolutions which the Company has issued or intends to issue under the Facility Agreement.

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

Coupon Rate means the yield payable on the face value of the Convertible Notes, which is compounded monthly.

Directors mean the current directors of the Company.

Equity Securities has the meaning given to that term in the Listing Rules.

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

Facility Agreement 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, 20 August 2018 and 6 September 2018) which sets out the terms and conditions of the Convertible Notes.

General Meeting means the general meeting of Shareholders convened by this Notice of Meeting.

Listing Rules means the ASX Listing Rules.

Maturity Date means the maturity date of the Convertible Notes, being 23 January 2020.

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.

Term means the Term of the Convertible Notes, expiring on 23 January 2020.

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

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

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (Sydney Time) on Monday 5 November 2018.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/petsecgm2018>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (Sydney Time) on Monday, 5 November 2018**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

🖥 **Online** <https://www.votingonline.com.au/pscgm2018>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Petsec Energy Ltd** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **Governor Macquarie Tower, Level 15 Auditorium 1, 1 Farrer Place, Sydney NSW 2000 on Wednesday, 7 November 2018 at 11:00am (Sydney Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Ratification of Prior Issue of 10 Million Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of Issue of Convertible Notes and Shares on Conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2018