



**PACIFIC ENERGY LIMITED
ACN 009 191 744**

NOTICE OF ANNUAL GENERAL MEETING

**A Meeting of Shareholders of Pacific Energy Limited will be held on
20 November 2014 at the Pan Pacific Perth Hotel, 207 Adelaide
Terrace, Perth WA 6000 commencing at 10:00 am (WST)**

If you are unable to attend the meeting, you may complete the form of proxy (enclosed) and return it to the Company as soon as possible and in any event so it is received by the Company Secretary at the place specified in the proxy form no later than 48 hours prior to the time of commencement of the meeting.

THIS DOCUMENT IS IMPORTANT

If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Pacific Energy Limited (**Company**) will be held at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 on 20 November 2014 commencing at 10:00 am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 18 November 2014 at 5:00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an advisory resolution the following:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."

Voting exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, in accordance with section 250R of the Corporations Act; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member, in accordance with section 250BD of the Corporations Act.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 – Re-election of Director – Louis Ivan Rozman

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with, article 17.1 of the Constitution and for all other purposes, Mr Louis Ivan Rozman, Director, retires and being eligible, is re-elected as a Director."

4. Resolution 3 – Issue of Plan Shares to Mr Brady Hall

To consider and, if thought fit, to pass the following resolution as an ordinary resolution with or without amendment:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 25,052 Plan Shares to Mr Brady Hall (and/or his nominee) under the Employee Plan on the terms and conditions in the Explanatory Memorandum."

Voting exclusion

The Company will disregard any votes cast on this Resolution by Mr Brady Hall or his nominee and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD



Adela Ciupryk
Company Secretary
Dated: 8 October 2014

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 10:00 am (WST) on 20 November 2014 at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000.

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders when deciding whether or not to pass the Resolutions.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2014.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available by contacting the registered office on +61 8 9214 7888 or emailing info@pacificenergy.com.au;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and preparation and content of the Independent Audit Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 Business Days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 - Adoption of Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified management and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (Strike) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2013 annual general meeting. Please note, if the Remuneration Report receives a Strike at this Meeting and a second Strike is received at the 2015 annual general meeting, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

5. Resolution 2 - Re-election of Director – Mr Louis Ivan Rozman

Article 17.1 of the Constitution requires that one third of Directors, (excluding the managing director and rounded down to the nearest whole number) must retire at each annual general meeting of the Company and will be eligible for re-election. The Company currently has four Directors excluding the managing director, and therefore, one Director must retire under article 17.1 of the Constitution.

Mr Rozman will retire by rotation at the Meeting pursuant to article 17.1 of the Constitution and, being eligible, seeks re-election.

A brief background of Mr Rozman is included in the Directors' Report.

The Board (excluding Mr Rozman) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

6. Resolution 3 – Issue of Plan Shares to Mr Brady Hall

6.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 10.11 for the grant of 25,052 Plan Shares to Mr Brady Hall (and/or his nominee).

Mr Hall is an employee of the Company, and is eligible to receive Plan Shares pursuant to the Employee Plan for the entitlement period ended 31 August 2014.

The purpose of the issue of the Plan Shares is for the Company to retain, motivate and reward its employees. Mr Hall has maintained a senior position within the Company for several years and the issue of Plan Shares to him is solely for his efforts as an employee of the Company.

6.2 Section 208 of the Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party the Company must obtain Shareholder approval, unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Directors have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the granting of the Plan Shares to Mr Hall as the exception in section 211 of the Corporations Act applies. The Directors have determined that the Plan Shares are reasonable remuneration for Mr Hall's responsibilities in the Company.

6.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Mr Hall is a 'related party' of the Company as he is a child of a Director, Mr Kenneth Hall.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

Although the Plan Shares are issued under an employee incentive scheme which has been approved by Shareholders, approval under Listing Rule 10.14 is not required as Mr Hall is not a Director or associate of a Director.

Shareholder approval of Resolution 3 means that the issue of the Plan Shares to Mr Hall will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

6.4 Specific information required by Listing Rule 10.13

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (a) The related party to whom the Plan Shares will be issued to is Mr Brady Hall (and/or his nominee).
- (b) The maximum number of securities to be issued under this Resolution is 25,052 Plan Shares.
- (c) The Plan Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) Mr Brady Hall is a child of a Director, Mr Kenneth Hall.
- (e) Each Plan Share will be issued for nil cash consideration. No funds will therefore be raised by the issue of the Plan Shares.
- (f) The Plan Shares will be issued under the Employee Plan, the terms of which were approved by Shareholders at the annual general meeting held on 30 November 2011.
- (g) A summary of terms of the Employee Plan is as follows:
 - (i) The Plan Shares may only be offered under the Employee Plan if the number of Plan Shares when aggregated with:
 - (A) the number of Plan Shares issuable if each outstanding offer, right or option to acquire unissued Plan Shares, made or acquired pursuant to the Employee Plan or any incentive scheme of the Company, was accepted or exercised (as the case may be); or
 - (B) the number of Shares issued during the previous 5 years pursuant to the Employee Plan or any other incentive scheme of the Company,

does not exceed 5% (as calculated in accordance with the ASIC Class Order) of the total number of issued Shares as at the time of the offer. For the avoidance of doubt, the limitation on the number of Plan Shares that may be issued must comply with the ASIC Class Order, which provides relief from the disclosure regime of the Corporations Act.

- (ii) Any offer of Plan Shares, shall be personal and shall not be assignable other than provided in the offer.
 - (iii) The Board has the discretion to offer and issue Plan Shares to any eligible employee outside of and in addition to their entitlement under the Employee Plan.
 - (iv) All Plan Shares will rank equally in all respects with all previously issued Shares for the time being on issue except as regards to any entitlements attaching to such Shares by reference to a record date that is prior to the date of allotment of the Plan Shares.
 - (v) The Company will apply to ASX for quotation of all Plan Shares issued under the Employee Plan within the period required by ASX.
 - (vi) The Board may terminate, suspend or amend the Employee Plan at any time subject to any resolution of the Company required by the Listing Rules and the Corporations Act.
 - (vii) In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the issued capital of the Company, the Board may make such adjustments to the annual allocation entitlement as it considers appropriate in accordance with the provisions of the Listing Rules.
- (h) The Plan Shares to be issued will be fully paid ordinary Shares, quoted on the ASX and rank equally in all respects with the existing Shares on issue.
- (i) A voting exclusion statement is included for Resolution 3 in the Notice.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2014.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

ASIC means *Australian Securities and Investments Commission*.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

Chairperson means the person appointed to chair the Meeting.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company or **Pacific Energy** means Pacific Energy Limited ABN 22 009 191 744.

Constitution means the constitution of the Company as at the date of the Meeting.

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

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Employee Plan means the Pacific Energy employee share plan, approved by Shareholders on 30 November 2011.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice.

Financial Report means the financial report prepared under chapter 2M of the Corporations Act of the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Plan Share means a Share issued under the Employee Plan.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Share means an ordinary share in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

WST means Western Standard Time, being the time in Perth, Western Australia.

