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T18th April 2016**Notice of 2016 Annual General Meeting**

Petsec Energy Ltd's 2016 Annual General Meeting will be held on Thursday, 19 May 2016 at 11.00 a.m. in the AGL Theatre, Level 2 of The Museum of Sydney, corner of Bridge & Phillip Streets Sydney, NSW.

The Notice of Meeting and Proxy Form for this meeting will be mailed to shareholders on Monday, 18 April 2016. 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 Petsec Energy website at www.petsec.com.au.

The 2015 Annual Report will also be mailed to shareholders, who have elected to receive a printed copy of this document, on Monday, 18 April 2016. The Annual Report will be lodged with the ASX by separate announcement and a copy will be available on the Company's website, www.petsec.com.au.

For further information:

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

Level 13, Gold Fields House, 1 Alfred Street, 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



PETSEC ENERGY LTD

ACN 000 602 700

Notice of 2016 Annual General Meeting

Notice is hereby given that the 2016 Annual General Meeting of members of Petsec Energy Ltd (**Company**) will be held at the Museum of Sydney, corner of Bridge and Phillip Streets, Sydney, NSW 2000, Australia on Thursday, 19 May 2016 at 11.00 am (Sydney Time).

Business

Financial and Other Reports

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report for the year ended 31 December 2015.

Shareholders will be given a reasonable opportunity to ask questions or make comments on the Reports.

RESOLUTION 1 – RE-ELECTION OF MR LOBER AS A DIRECTOR

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

“That Mr Mark Lober, who retires as a Director by rotation in accordance with rule 43 of the Constitution, be re-elected as a Director.”

Information regarding Mr Lober is set out in the Explanatory Notes.

RESOLUTION 2 – APPROVAL OF EMPLOYEE OPTION PLAN

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

“That, for the purposes of Listing Rule 7.2, exception 9, and for all other purposes, the Employee Option Plan contained in the document submitted to this meeting and signed by the Chairman of Directors for the purposes of identification be approved.”

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

RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE PLAN

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

“That, for the purposes of Listing Rule 7.2, exception 9, and for all other purposes, the Employee Share Plan contained in the document submitted to this meeting and signed by the Chairman of Directors for the purposes of identification be approved.”

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

RESOLUTION 4 – TO ADOPT THE REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as a non-binding resolution:

“That the Remuneration Report for the year ended 31 December 2015 be adopted.”

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

RESOLUTION 5 – APPROVAL OF ADDITIONAL 10% PLACEMENT FACILITY

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Notes.”

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

RESOLUTION 6 – APPROVAL OF SELECTIVE BUY-BACK OF SHARES

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, for the purpose of section 257D of the Corporations Act and for all other purposes, approval is given for the Company to buy-back and cancel 4,000,000 Shares held by USA senior executives, Mr Ross Keogh and Mr Ron Krenzke.”

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

Voting Exclusion Statements

The Company will disregard any votes cast on:

- Resolutions 2 and 3 by a Director and their associates;
- Resolution 4 by one of the Key Management Personnel or by a closely related party, such as close family members or any controlled companies, of those personnel;
- Resolution 5 by any:
 - person who may participate in the 10% Placement Facility;
 - person who might obtain a benefit (other than a benefit solely in the capacity of a holder of Shares) if this Resolution is passed; and
 - of their respective associates.
- Resolution 6 by:
 - the senior executives, Mr Ross Keogh and Mr Ron Krenzke, whose Shares are subject to the buy-back; and
 - their 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.

Important Information Concerning Proxy Votes on Resolutions 4 and 6

The Corporations Act restricts the ability of Key Management Personnel and their closely related parties to vote on the advisory resolution to adopt the Remuneration Report and resolutions connected directly or indirectly with the remuneration of the Key Management Personnel. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

For these reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and consider appointing someone other than one of the Key Management Personnel, as such persons may not be able to vote undirected proxies. Shareholders are also encouraged to direct their proxy as to how to vote on all Resolutions. If you do not do so, you risk your vote not being cast.

With the exception of proxies held by the Chairman, undirected proxies held by relevant Key Management Personnel or their closely related parties will not be voted on Resolutions 4 or 6. Undirected proxies held by the Chairperson will be voted in favour of Resolutions 4 and 6 in accordance with the statement below and on the proxy form that the Chairman intends to vote undirected proxies in favour of all Resolutions.

Voting Intentions of Chairman

The Chairman intends to vote all undirected proxies in favour of all 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 7.00pm (AEST) on 17 May 2016.
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: By using the reply paid envelope provided
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/petsecagm2016

By order of the Board
Dated this 18th day of April 2016

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 - 3 are ordinary Resolutions, which require a simple majority of votes to be cast in favour by Shareholders entitled to vote on each Resolution. Resolutions 5 and 6 are special resolutions requiring 75% of the votes cast to be in favour.

RESOLUTION 1 – RE-ELECTION OF MR LOBER AS A DIRECTOR

Rule 43 of the Company's Constitution requires that an election of Directors take place each year. In accordance with this rule, Mr Lober will stand for re-election.

Mark S Lober

Mr Lober joined the board in 2013 and is a U.S. citizen, resident in Houston, Texas, who brings a wealth of technical and management expertise gained from his 37 years' experience in the U.S. oil and gas industry, where he was particularly engaged in prospect generation in those areas in which the Company operates for both conventional and unconventional exploration. In the last decade he has been actively involved in shale oil exploration in California, Pennsylvania, Ohio, Texas and Louisiana.

Mr Lober holds a Master of Science (Geophysics) Degree from Boston College and a Bachelor of Science (Geology) Degree from the State of New York at Brockport. Mr Lober is a Certified Professional Petroleum Geologist (AAPG), a member of the American Association of Petroleum Geologists, the Society of Exploration Geophysicists and the European Association of Geoscientists and Engineers.

He has held the positions of senior geophysicist, exploration manager and new ventures manager with Amoco Production Company, Standard Oil Production Company (SOHO), Amerada Hess Corporation, Prime Natural Resources, Inc., Meridian Resource Corporation and Caltex Gas Exploration where he is currently developing new resource play and conventional play opportunities.

Mr Lober is an independent Director.

RECOMMENDATION: The Directors, other than Mr Lober, recommend that Shareholders vote in favour of the re-election of Mr Lober.

RESOLUTION 2 – APPROVAL OF EMPLOYEE OPTION PLAN

Rules are already in place for the Employee Option Plan (**EOP**) (**EOP Rules**). The EOP allows the Company to grant Options to acquire Shares to selected eligible employees, subject to satisfying performance and service conditions set down at the time of offer. Directors consider Options to be a necessary component of some employee remuneration packages.

Approval of the EOP was last renewed by Shareholders in 2013. The EOP Rules have not changed since the approval in 2013.

The Company seeks to refresh the three year approval for the EOP under Listing Rule 7.2, exception 9.

Listing Rule 7.1 limits the number of Equity Securities the Company may issue within any twelve month period without Shareholder approval to 15% of the Equity Securities on issue (**15% Rule**). An exception to this rule is set out in Listing Rule 7.2, exception 9, which provides that issues under an employee incentive scheme are exempt for a period of three years if Shareholders approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The effect of the approval sought will be that for the next three years, the issue of securities under the EOP will not reduce the number of Equity Securities that may be issued by the Company without Shareholder approval under the 15% Rule; any such issue will instead add to the number to which the 15% calculation is applied, thus increasing the number of Equity Securities that may be issued by the Company under the 15% Rule.

The issue of Options under the EOP to Directors of the Company and their associates will still require Shareholder approval under Listing Rule 10.14. The issue of Options under the EOP also remains subject to the issue limits under the EOP.

The Company presently has 60,000 employee Options on issue with an exercise price of \$0.20 and a weighted average remaining life of 3.71 years, representing approximately 0.03% of the Company's Equity Securities.

Since the last approval the Company has issued the following employee Options for nil consideration:

- 60,000 Options exercisable at \$0.20 by 1 January 2020;

A possible disadvantage, if Resolution 2 is passed, is the dilution effect on the Company's Share price, due to the increased number of Shares on issue, if employees were to exercise their Options. This would be offset by the exercise price received by the Company.

A summary of the EOP Rules is attached to this Notice of Meeting (see **Annexure A**). A copy of the EOP Rules is available to Shareholders on request to the Company Secretary.

RECOMMENDATION: The Board recommends the approval of the EOP Rules for the reasons set out above and recommends that you vote in favour of Resolution 2. None of the Directors (other than Mr Fern) have an interest in the outcome of the resolution.

As Mr Terrence Fern has an interest, he does not make a recommendation.

RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE PLAN

Rules are already in place for the Employee Share Plan (**ESP**) (**ESP Rules**). The ESP allows the Company to issue Shares to selected eligible employees, subject to satisfying performance and service conditions set down at the time of offer. Directors consider ESP Shares to be a necessary component of some employee remuneration packages.

Approval of the ESP was last renewed by Shareholders in 2013. The ESP Rules have not changed since the approval in 2013.

The Company seeks to refresh the three year approval for the ESP under Listing Rule 7.2, exception 9.

The Shareholder approval exception to the 15% Rule (see above, under "Resolution 2") applies equally to the ESP.

The effect of the approval sought will be that for the next 3 years, the issue of Shares under the ESP will not reduce the number of Equity Securities that may be issued by the Company without Shareholder approval under the 15% Rule; any such issue will instead add to the number to which the 15% calculation is applied, thus increasing the number of Equity Securities that may be issued by the Company under the 15% Rule.

The issue of Shares under the ESP to Directors and their associates will still require Shareholder approval under Listing Rule 10.14. The issue of Shares under the ESP also remains subject to the issue limits under the ESP.

The Company presently has 6,700,000 employee Shares on issue at an issue price of \$0.20 and a weighted average remaining life of 3.17 years, representing approximately 2.8% of the Company's Equity Securities.

Since the last approval the Company has issued the following Shares under the ESP:

- 2,500,000 at an issue price of \$0.20 issued 26 June 2015;
- 1,000,000 at an issue price of \$0.20 issued 4 December 2015
- 800,000 at an issue price of \$0.20 issued 24 February 2016;

A possible disadvantage, if Resolution 3 is passed, is the dilution effect on the Company's Share price, due to the increased number of Shares on issue. This would be offset by the subscription price received by the Company for the Shares.

A summary of the ESP Rules is attached to this Notice of Meeting (see **Annexure B**). A copy of the ESP Rules is available to Shareholders on request to the Company Secretary.

RECOMMENDATION: The Board recommends the approval of the ESP Rules for the reasons set out above and recommends that you vote in favour of Resolution 3. None of the Directors (other than Mr Fern) have an interest in the outcome of the resolution.

As Mr Terrence Fern has an interest, he does not make a recommendation.

RESOLUTION 4 – TO ADOPT THE REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report sets out the Company's policy for the remuneration of Directors and senior executives.

The Corporations Act provides that this vote is advisory only and does not bind the Directors or the Company. Shareholders will be given a reasonable opportunity to ask questions or make comments on the Remuneration Report.

The Corporations Act provides that if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the directors (other than a managing director) who were in office at the date of the approval of the applicable Directors' Report must stand for re-election.

See Important Information Concerning Proxy Votes on Resolution 4. The Chairman, who is one of the Key Management Personnel, will vote all undirected proxies in favour of Resolution 4.

RESOLUTION 5 – APPROVAL OF ADDITIONAL 10% PLACEMENT FACILITY

Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities comprising up to 10% of its issued share capital through placements over a 12 month period after an annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity as at the date of this Notice and expects to be so at the date of the AGM. The Company seeks Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer below).

The Company may use the 10% Placement Facility to fund exploration, development, working capital, or the acquisition of new exploration leases or other resource assets.

Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice, has on issue two classes of Equity Securities, being Shares and unlisted Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (iii) 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;
- (iv) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 235,461,630 Shares and has a capacity to issue approximately:

- (i) 35,319,245 Equity Securities under Listing Rule 7.1; and

- (ii) subject to Shareholder approval being obtained under Resolution 5, 23,546,163 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to (c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

Listing Rule 7.1A

The effect of Resolution 5 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) to be in favour.

Specific Information required by Listing Rule 7.3A

Under Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price not less than the minimum issue price calculated in accordance with (e) above.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table to the extent Shareholders do not receive any Shares under the issue. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable A has increased, by 50% and 100%. Variable A is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		DILUTION		
		\$0.06 50% decrease in Issue Price	\$0.12 Issue Price	\$0.24 100% increase in Issue Price
Current Variable A (shares) 235,461,630	10% Voting Dilution	23,546,163 shares	23,546,163 shares	23,546,163 shares
	Funds raised	\$1,412,770	\$2,825,540	\$5,651,079
50% increase in Current Variable A (shares) 353,192,445	10% Voting Dilution	35,319,245 shares	35,319,245 shares	35,319,245 shares
	Funds raised	\$2,119,155	\$4,238,309	\$8,476,619
100% increase in Current Variable A (shares) 470,923,260	10% Voting Dilution	47,092,326 shares	47,092,326 shares	47,092,326 shares
	Funds raised	\$2,825,540	\$5,651,079	\$11,302,158

The Table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
 - (ii) No Options are exercised into Shares before the date of the issue of the Equity Securities;
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
 - (iv) The table does not show an example of dilution that may be experienced by a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting;
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares; and
 - (vii) The issue price is \$0.12, being the closing price of the Shares on ASX on 29 March 2016.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) Non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and development expenditure on the Company's current assets and/or general working capital, consistent with the Company's publicly stated strategy.

- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders. Related Parties are not eligible to participate in issues made under Listing Rule 7.1A.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (g) A voting exclusion statement is included in this Notice. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.

Specific Information required by Listing Rule 7.3A.6 (a)

The total number of equity securities issued in the 12 months preceding the date of the meeting, and the percentage they represent of the total number of equity securities on issue at the commencement of that 12 month period is outlined below;

Equity securities issued in prior 12 month period	4,300,000
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	1.86%

Specific Information required by Listing Rule 7.3A.6 (b)

The details of all issues of equity securities during the 12 months preceding the date of the meeting is outlined below:

Date of issue:	26 June 2015
Number issued:	2,500,000
Class/Type of equity security:	Fully paid ordinary shares
Summary of terms:	<p>Issue of shares under the company's Employee Share Plan, last approved by shareholders at the AGM on 22 May 2013.</p> <p>The shares will be held by the Employee Share Plan trustee, Petroleum Securities Share Plan Pty Limited on behalf of Mr. Maki Petkovski, CEO of Petsec (Middle Eastern) Limited, and will vest as follows:</p> <ul style="list-style-type: none"> i) 500,000 shares on 24 June 2016 at a minimum share price of 25 cents ii) A further 500,000 shares on 24 June 2017 at a minimum share price of 30 cents iii) A further 500,000 shares on 24 June 2018 at a minimum share price of 35 cents iv) A further 500,000 shares on 24 June 2019 at a minimum share price of 40 cents

	v) A further 500,000 shares on 24 June 2020 at a minimum share price of 45 cents.
Name of persons who received securities or basis on which those persons was determined:	Mr. Maki Petkovski
Issue price or consideration:	\$0.20 per share, financed by an interest free 5 year limited recourse loan from the company to the employee.
Purpose of the issue:	Incentive compensation for senior executive.
Discount to the market price:	n/a

Date of issue:	4 December 2015
Number issued:	1,000,000
Class/Type of equity security:	Fully paid ordinary shares
Summary of terms:	<p>Issue of shares under the company's Employee Share Plan, last approved by shareholders at the AGM on 22 May 2013.</p> <p>The shares will be held by the Employee Share Plan trustee, Petroleum Securities Share Plan Pty Limited, on behalf of Mr. Manny Anton, Head of Investor Relations of Petsec Energy Ltd, and will vest as follows:</p> <ul style="list-style-type: none"> i. 250,000 shares when the Company share price has exceeded 50 cents per share for twenty consecutive trading days ii. A further 750,000 shares when the Company share price has exceeded \$1.00 per share for forty consecutive trading days.
Name of persons who received securities or basis on which those persons was determined:	Mr. Manny Anton
Issue price or consideration:	\$0.20 per share, financed by an interest free 2 year limited recourse loan from the company to the employee.
Purpose of the issue:	Incentive compensation for senior executive.
Discount to the market price:	n/a

Date of issue:	24 February 2016
Number issued:	800,000
Class/Type of equity security:	Fully paid ordinary shares
Summary of terms:	<p>Issue of shares under the company's Employee Share Plan, last approved by shareholders at the AGM on 22 May 2013.</p> <p>The shares will be held by the Employee Share Plan trustee, Petroleum Securities Share Plan Pty Limited on behalf of Mr. Gahdmar, Company Secretary and Group Financial Controller of Petsec Energy Ltd, and will vest as follows:</p> <ul style="list-style-type: none"> i. 200,000 shares on 24 February 2017 at a minimum share price of 25 cents ii. A further 200,000 shares on 24 February 2018 at a minimum share price of 30 cents

	<p>iii. A further 200,000 shares on 24 February 2019 at a minimum share price of 35 cents</p> <p>iv. A further 200,000 shares on 24 February 2020 at a minimum share price of 40 cents.</p>
Name of persons who received securities or basis on which those persons was determined:	Mr. Paul Gahdmar
Issue price or consideration:	\$0.20 per share, financed by an interest free 5 year limited recourse loan from the company to the employee.
Purpose of the issue:	Incentive compensation for senior executive.
Discount to the market price:	n/a

RECOMMENDATION: The Board believes that the 10% Placement Facility will be beneficial for the Company as it will provide flexibility to issue additional Equity Securities representing up to 10% of the Company's share capital up to 19 May 2017. Accordingly, the Directors recommend that Shareholders vote in favour of Resolution 5.

RESOLUTION 6 – APPROVAL OF SELECTIVE BUY-BACK OF SHARES

Resolution 6 seeks the approval of Shareholders by special resolution for the Company to proceed with the selective buy-back and cancellation of a total of 4,000,000 Shares from USA senior executives Mr Ross Keogh and Mr Ron Krenzke in consideration of \$883,431.80 (approximately \$0.22 per Share)..

Set out below is all information known to the Company that is material to the decision on how to vote on Resolution 6.

Background

The 4,000,000 Shares were issued in December 2011 to the two executives at a price of \$0.20 per Share, as an employee incentive similar to those given to non USA employees. Due to adverse USA tax implications for the issue of Shares from the Company's Employee Share Plan (**ESP**) to USA employees, each senior executive was issued with 2,000,000 Shares at a cost of \$0.20 per Share, direct from the Company and NOT through the ESP. The ESP provides for non-recourse interest free loans to executives for issue of incentive Shares, whereas USA tax laws required recourse loans with an interest component.

Funds for the purchase of the Shares were provided by a loan from the Company, repayable by the executives by 21 December 2016 and secured by a recourse promissory note bearing interest at the rate of 2.26% per annum. Total accrued interest amounts to \$83,431.80 to 20 May 2016, so together with the principal loan amounts of \$800,000, the loan balances total \$883,431.80. This equates to approximately \$0.22 per Share.

Mr Keogh is President of Petsec Energy Inc. and Group Chief Financial Officer.

Mr Krenzke is Executive Vice President of Exploration of Petsec Energy Inc.

Buy-back agreements

The Company has entered into a Buy-back agreement with each of Mr Keogh and Mr Krenzke under which the Company has agreed to buy-back the Shares, free of encumbrances, for \$883,431.80, which will be used to repay the loans. The buy-back will be completed and the Shares cancelled within three business days after the AGM, subject to Shareholders approving the buy-back.

Reasons for buy-back

The USA tax implications for an Australian employee incentive Share issue resulted in the USA executives being burdened with interest bearing, recourse loans which are not borne by non USA employees. The current difficult world oil and gas industry conditions have caused the Company's Shares to trade around 10 cents per Share, despite the NPV10 of the Company's reserves being over \$1 per Share (refer ASX Announcement dated 15 March 2016). The USA executives would be required to repay the Company \$0.22 per Share by 21 December 2016, which they would not have been required to do if they were not USA based.

The Company wishes to relieve the executives of this burden and disincentive, by reacquiring the Shares through a buy-back. Acquiring the Shares in this manner puts the USA executives in a similar position as if they had been Australian executives receiving Shares under the ESP.

On completion of the buy-back the Shares will be cancelled, the \$883,431.80 used to repay the loans and the senior executives released from the loans.

Effect of the Buy-back on the Company's Share Capital and Finances

The Company presently has 235,461,630 Shares on issue. There are no other classes of shares on issue.

The 4,000,000 Shares held by the senior executives represent 1.7% of the Shares on issue. If the buy-back proceeds, the debt in the amount of \$883,431.80 will be repaid using funds provided by the Company and the 4,000,000 Shares cancelled under section 257H of the Corporations Act. The number of Shares on issue will then be 231,461,630, which will translate to an increase in the proportionate interest in the issued share capital held by each Shareholder. All Shareholders will benefit through an increase in their percentage share of the Company.

The buy-back will not have any material effect on the control of the Company.

The financial effect on the Company will be negligible. The debt in the amount of \$883,431.80 will be repaid using funds provided by the Company for the Shares, however this amount is not considered material.

The Board considers that the benefits of the buy-back outweigh the disadvantages. In effect, the buy-back will place the Company in the position it would have been in if the loan had not been provided and the Shares not issued to the senior executives, and the USA executives would have been placed in the same position as incentive share issues to non USA employees.

Summary

The Directors believe that the proposed selective buy-back:

- (a) provides a practical solution for unwinding the loan and Share arrangements entered into with the USA senior executives in 2011; and
- (b) will not have any material adverse effects on the Company or the Shareholders.

RECOMMENDATION: The Board recommends that you vote in favour of Resolution 6. None of the Directors have an interest in the outcome of the resolution.

GLOSSARY

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

AGM or Annual General Meeting means the meeting convened by the Notice of Meeting.

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

Board means the current board of directors of the Company.

Chairman or Chairperson means the Chairman of the Board.

Company means Petsec Energy Ltd ACN 000 602 700

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Commonwealth)

Directors mean the current directors of the Company.

EOP means Employee Option Plan.

EOP Rules means Employee Option Plan Rules.

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

ESP means Employee Share Plan.

ESP Rules means Employee Share Plan Rules.

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

Key Management Personnel has the same meaning given in the accounting standards. Broadly speaking this includes the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Key Management Personnel for the financial year ended 31 December 2015.

Listing Rules means the ASX Listing Rules.

Notice of Meeting means this notice of meeting including the Explanatory Notes.

Option means an option to acquire a Share.

Remuneration Report means the report on remuneration of Key Management Personnel contained within the Directors' Report for the year ended 31 December 2015.

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.

Petsec means Petsec Energy Ltd ACN 000 602 700

ANNEXURE A**Summary of Employee Option Plan Rules**

In summary, the EOP Rules provide that:

- (a) A committee appointed by the Board may from time to time offer Options over Shares to employees of the Company or any subsidiary of the Company;
- (b) The total number of Shares that could be issued by the Company in respect of which Options have been granted, when aggregated with the number of Shares issued, or which could be issued by the Company under Options granted, under all employee Share and Option schemes established by the Company during the previous five (5) years shall not exceed 15,033,435 ordinary shares in the capital of the Company;
- (c) The Option price shall be set out in the offer and will be, at the discretion of the committee, one of the following:
 - I. the market price on the date of the offer;
 - II. the market price on the closing date of the offer; or
 - III. such other price or formula which is specified in the offer and which determines a price that is higher than the market price of the shares either on the date of the offer or on the closing date of the offer,but in no event shall the Option price be less than 20 cents;
- (d) Options can be exercised in the exercise period designated by the committee (which must not commence within the first 6 months after the Options are granted) or in the event of certain takeover or change of control circumstances;
- (e) The committee can impose conditions that must be satisfied before the Options can be exercised including, for example, a specified increase in the market price of the Company's Shares on the ASX;
- (f) Options automatically lapse if not exercised within 5 years after they are granted (or any shorter period designated by the committee);
- (g) In the event of a rights issue or bonus issue, the number of Shares issued on exercise of an Option, or the exercise price of an Option, or both, may be adjusted in accordance with the Listing Rules;
- (h) Option holders cannot participate in new issues without exercising their Options;
- (i) In the event of a reorganisation of the Company's share capital, the rights of the Option holder will be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and
- (j) The EOP will continue in operation at the discretion of the committee.

ANNEXURE B

Summary of Employee Share Plan Rules

In summary, the ESP Rules provide that:

- (a) Employees who are invited to participate in the ESP will be given the opportunity to apply for Shares which will be held on their behalf by the Trustee of the ESP, Petroleum Securities Share Plan Pty Limited (**Trustee**). The purchase of Shares by an employee will be financed by an interest free loan from the Company to the employee.
- (b) All full time employees of the Company or a subsidiary who have attained the age of eighteen years, any Director, a subsidiary or any other company approved by the committee appointed by the Board to administer the ESP are eligible to participate. An invitation to participate is personal to the eligible employee or, except in the USA, with the committee's approval to the employee's spouse or to a body corporate or trustee nominated by the employee.
- (c) The ESP applies to Shares.
- (d) The ESP is subject to the Listing Rules which, amongst other things, require that any issue of Shares under the ESP to Directors or their associates can only be made with Shareholder approval.
- (e) The number of Shares to be offered to each eligible employee will be determined at the absolute discretion of the committee. This determination will be made having regard to all relevant factors including the record of employment of the employee, the potential contribution of the employee to the growth of the Company and any other matters which tend to indicate the merit of the employee.
- (f) The committee will determine when Shares are to be offered to eligible employees.
- (g) The total number of Shares issued under the ESP when aggregated with the number of Shares issued by the Company under all employee Share and Option schemes established by the Company during the previous five years must not exceed 15,033,435.
- (h) The issue price of the Shares must be not less than the market price of the Shares (a weighted average ASX sale price) at or about the time of the offer.
- (i) Subject to the terms of the ESP, Shares issued under it rank equally in all respects with the other Shares of then on issue. The Trustee will be the registered holder of the Shares while they are restricted.
- (j) The Trustee will exercise the right to vote attached to restricted Shares as directed by the participant on whose behalf Shares are held. If the participant fails to make a direction, the voting rights attached to the Shares will be exercised in the manner directed by the committee.
- (k) Some rights attaching to the Shares depend on whether those Shares have become unrestricted. Shares will generally be unrestricted after a period of not less than 6 months after the date on which the Trustee subscribed for the Shares on behalf of the participant provided that all other conditions imposed by the committee on those Shares becoming unrestricted have been satisfied.

Until the Shares have become unrestricted:

- I. Except in certain circumstances, the Shares may not be sold, mortgaged or otherwise encumbered;
 - II. The participant will have a present entitlement to receive dividend income in respect of the Shares, but the after-tax amount of these dividend payments is to be applied in the reduction of the loan.
- (l) Once Shares are unrestricted, the participant may require the Trustee to sell all or some of the Shares and any balance left after repaying the loan and the costs incurred by the Trustee in selling the Shares will be paid to the participant. Alternatively, the employee may repay the loan and ask the Trustee to transfer the Shares to him/her.
 - (m) If an offer of Shares is made by the committee to an eligible employee and the employee accepts, then a loan from the Company will be provided to the employee in an amount equal to the subscription price of the Shares. The loan will be interest free.

These moneys are to be applied by the Trustee at the request of the participant, so that it may subscribe for the Shares.
 - (n) Dividends (after providing for the maximum income tax payable by the participant) which are paid in respect of any Shares subscribed for with the loan will be applied in repayment of that loan.
 - (o) The loan is limited in recourse so that the Company's rights under the loan are limited to the proceeds of the sale of the Shares.



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 Tuesday 17 May 2016.**

💻 TO VOTE ONLINE

- STEP 1:** VISIT www.votingonline.com.au/petsecagm2016
- 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 Tuesday, 17 May 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** www.votingonline.com.au/petsecagm2016
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** 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 shareholder) 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 Annual General Meeting of the Company to be held at the Museum of Sydney, corner of Bridge and Phillip Streets, Sydney, NSW 2000 on Thursday, 19 May 2016 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.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 2,3,4,6. I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 2,3,4,6 is connected with the remuneration of a member of the key management personnel for the Petsec Energy Ltd.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 2,3,4,6). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

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	Re-election of Mr Lober as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of additional 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of selective buy-back of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date / / 2016