



PETSEC ENERGY LTD

Entitlement Offer Document

A non-renounceable entitlement offer of 1 New Share for every 3.2 Shares held by Eligible Shareholders registered as at 7.00 pm on 29 November 2016 at an issue price of \$0.15 per New Share to raise approximately \$11 million (before costs).

The Offer is fully underwritten.

The Closing Date of the Entitlement Offer is 12 December 2016.

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to the New Shares offered by this document.

This document is important and requires your immediate attention. If you are an Eligible Shareholder, you should read this document in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

Petsec Energy Ltd

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Paradigm Securities Pty Ltd
ABN 95 159 611 060
Level 6, 9 Barrack Street
Sydney NSW 2000
Australia

Directors

Terrence N Fern – Chairman and CEO
David A Mortimer AO – Non-executive Director
Alan P Baden – Non-executive Director

Company Secretary

Paul Gahdmar

IMPORTANT NOTICES

This Entitlement Offer Document is dated 30 November 2016. The Entitlement Offer is a non-renounceable offer of 1 New Share for every 3.2 Shares held by Eligible Shareholders registered at 7.00 pm (AEST) on 29 November 2016 at an issue price of \$0.15 per New Share, to raise approximately \$11 million (before costs).

This Entitlement Offer is scheduled to close at 5.00 pm (AEST) on 12 December 2016

This document is important and requires your immediate attention. Shareholders who take no action in respect of their Entitlements will receive no benefit.

This Entitlement Offer is being made under the provisions of the Corporations Act that allow rights issues to be offered without a prospectus, and this document is not a prospectus. The Offer to which this document relates complies with the requirements of section 708AA of the Corporations Act as modified by ASIC Instrument 2016/84. It does not contain all the information that may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document. As a result it is important for Shareholders to read and understand the publicly available information about Petsec Energy Ltd prior to accepting any Entitlement. Please refer to this information, the Company's annual and quarterly reports, and other announcements available at www.petsec.com.au and the ASX website at www.asx.com.au.

Please read this document in its entirety. If you do not understand any of its contents or have any doubts about the course of action you should take, you should immediately consult your stockbroker or professional adviser.

If you do not lodge an Entitlement and Acceptance Form together with payment, or pay by BPAY®, by 5.00 pm (AEST) on 12 December 2016 you will not be issued with New Shares.

Hong Kong shareholders

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Entitlement Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore shareholders

This Entitlement Offer Document has not been, and will not be, lodged or registered as a prospectus in Singapore. It will be specifically distributed to Shareholders with a registered address in Singapore pursuant to the prospectus exemption under section 273(1)(cd) of the *Securities and Futures Act*, Chapter 289 of Singapore.

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1 CHAIRMAN'S LETTER

30 November 2016

Dear Shareholder,

On behalf of the Directors of the Company, I am pleased to invite you as an Eligible Shareholder to acquire additional shares in Petsec Energy Ltd.

On 24 November 2016, the Company announced a non-renounceable Entitlement Offer or "rights issue", as it is commonly known, of 1 New Share for every 3.2 Shares held at the record date of 29 November 2016. The New Shares will be issued at a cost of 15 cents per Share.

The Offer is fully underwritten by Paradigm Securities Pty Ltd. The Offer is also fully sub-underwritten by a number of supportive investors, predominately existing shareholders including Sing Rim Pte Ltd, Petsec Energy directors Mr. D Mortimer and myself, and senior Petsec Energy management. Petsec Energy directors and management are subscribing to and sub-underwriting the Entitlement Offer to an amount of some \$4 million.

The Offer will raise approximately \$11 million (before costs) through the issue of a maximum number of 73,900,000 New Shares.

Proceeds from the Offer will be used by the Company to advance early oil and gas production from:

1. the development of the substantial Hummer gas/oil discovery made by the Company in the Gulf of Mexico, USA, in late 2015, which was recently production tested with results exceeding our expectations; and
2. the expected re-start of oil production from the Company's An Nagyah Oilfield (Damis Block S-1) in the Republic of Yemen. Oil production has recommenced in the Masila Basin of Yemen and oil is being shipped from the Southern coast of Yemen after a 16 month hiatus due to a UN sponsored embargo. It is believed that An Nagyah oil can be trucked to port and sale within a reasonable timeframe.

Please see Section 5 "Purpose of the Entitlement Offer" on page 9 for details.

The substantial oil and gas discoveries made in 2015 at Mystic Bayou (net PV10 value of US\$30 million to Petsec 1st January 2016) and Hummer (following the recent production test reserves and PV10 value will be assessed at 1st January 2017) in Louisiana ,onshore and offshore, USA, and the acquisition of five oil and gas fields in Yemen this year which include the developed/productive An Nagyah Oilfield which has gross 2P oil reserves of 12.8 MMbbl (5.6 MMbbl net to Petsec / NPV10 US\$155.4 million as at 1 January 2016), and four undeveloped oil and gas fields which are estimated to hold target resources of greater than 34 MMbbl of oil and 550 Bcf of gas, has increased the latent value of your company substantially.

The funds we are raising from this rights issue will allow us to commence unlocking this value. The Directors strongly encourage you to take up your Entitlement of New Shares.

Yours sincerely



Terrence N. Fern
Chairman and Managing Director

2 KEY DATES

Set out below are the key dates relating to the Entitlement Offer:

Event	Date
Announcement Date and lodgement of Entitlement Offer Document and Appendix 3B with ASX	24 November 2016
Notice to Shareholders	25 November 2016
Shares quoted on ex-entitlement basis	28 November 2016
Record Date	29 November 2016
Despatch of Offer Document and Entitlement and Acceptance Forms	30 November 2016
Closing Date	12 December 2016
New Shares quoted on a deferred settlement basis	13 December 2016
Shortfall notification date	15 December 2016
Issue date. Allotment and issue of New Shares and mail out of holding statements. Deferred settlement trading ends	19 December 2016

The Company reserves the right, subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the Timetable, including extending the Offer Period and to accept late applications, either generally or in particular cases, without notice. The Company reserves the right to withdraw or amend the Offer at any time before the allotment of New Shares in its absolute discretion. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

If you have any enquires please call the Company's share registrar, Boardroom Pty Limited, between 9.00 am and 5.00 pm (AEST) on Mondays to Fridays during the Offer Period on:

- 1300 737 760 within Australia;
- (61 2) 9290 9600 from outside Australia; or
- by email to enquiries@boardroomlimited.com.au

Or visit our website: www.petsec.com.au

3 DETAILS OF THE ENTITLEMENT OFFER

3.1 The Entitlement Offer

The Company is making a non-renounceable offer for the issue of 1 New Share for every 3.2 Shares held by Eligible Shareholders, being shareholders having a registered address in Australia, New Zealand, Hong Kong or Singapore, registered at 7.00 pm (AEST) on 29 November 2016 at an issue price of \$0.15 per New Share, to raise approximately \$11 million (before costs).

The issue price represents a discount of approximately 17% to the volume weighted average price (VWAP) of 18 cents per Share over the three months of trading on the ASX preceding the announcement of the Offer.

Issued Shares information is set out in the table below. Fractional entitlements will be rounded up to the nearest whole number of New Shares.

Issued Shares	Number
Shares on issue at date of Offer	236,461,630
Maximum number of New Shares to be issued in Offer	73,900,000
Maximum number of Shares on Issue after Close of the Offer	310,361,630

The Company does not have on issue any options to acquire Shares.

The number of New Shares to which you are entitled is shown on the accompanying personalised Entitlement and Acceptance Form.

The Entitlement Offer is being made under the provisions of the Corporations Act that allow rights issues to be offered without a prospectus. This document is not a prospectus and has not been lodged with ASIC. It does not contain all the information that may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document. As a result it is important that, prior to accepting any Entitlement, Eligible Shareholders read and understand the information about Petsec Energy Ltd made publicly available. Please refer to this information, the Company's annual and quarterly reports, and other announcements available on the Company's website at www.petsec.com.au or the ASX website at www.asx.com.au.

If you do not take up your full Entitlement, your percentage shareholding in the Company will be diluted as a result of New Shares issued under the Entitlement Offer.

3.2 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form, and has been calculated as 1 New Share for every 3.2 Shares you held as at 7.00 pm (AEST) on 29 November 2016.

If you have more than one holding of shares you will be sent more than one Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

New Shares issued under the Offer will be fully paid and rank equally with existing fully paid ordinary shares in the Company.

3.3 Issue of additional shares under the Top Up Facility

Any New Shares not taken up by the Closing Date may be made available to those Eligible Shareholders who took up their full Entitlement and applied for additional New Shares under the Top Up Facility.

The Directors reserve the right to allot and issue New Shares under the Top Up Facility at their discretion. Top Up Shares will be issued at the same time as other New Shares. There is no guarantee that those Shareholders will receive the number of New Shares applied for under the Top Up Facility, or any New

Shares. The number of New Shares available under the Top Up Facility will not exceed the Shortfall. Any refund amounts will be paid (without interest) by cheque or to your nominated bank account.

3.4 The Offer Period

The Entitlement Offer will open for the receipt of acceptances on 30 November 2016. The Closing Date and time for acceptances and payments is scheduled to be 5.00 pm (AEST) on 12 December 2016, subject to the Company varying the Closing Date in accordance with the Corporations Act and the Listing Rules.

3.5 Who may participate in the Entitlement Offer?

Shareholders with holdings of Shares in the Company who:

- have a registered address in Australia, New Zealand, Hong Kong or Singapore on the Record Date; and
- are eligible under all applicable laws to receive offers of Shares under the Entitlement Offer.

The Entitlement Offer is not being extended to Shareholders in other jurisdictions because of the small number of such Shareholders, the number and value of Shares they hold, and the cost of complying with the applicable regulations in jurisdictions outside of Australia, New Zealand, Hong Kong and Singapore.

In particular, this Entitlement Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Entitlement Offer without any requirement for a prospectus to be lodged or registered.

3.6 Offer Price

The Offer Price is \$0.15 per New Share.

3.7 No Entitlement trading

The Entitlements are non-renounceable. There will be no rights trading on the ASX.

3.8 Issue of New Shares

The Company expects that the New Shares will be issued on or around 19 December 2016. Issues of New Shares under the Entitlement Offer will only be made after ASX has granted permission for quotation of the New Shares on the ASX.

3.9 Application Monies

Application Monies will be held in a subscription account established and kept by the Company on behalf of Eligible Shareholders until the New Shares are issued.

3.10 Underwriting

The Company has entered into an agreement with Paradigm Securities Pty Ltd to fully underwrite the Entitlement Offer in consideration of an underwriting fee of 5% of the funds raised from the rights issue plus a management fee of one million options exercisable at \$0.50 per Share by 31 December 2017. A summary of the terms of the Underwriting Agreement is included at Section 7.3, below.

3.11 Sub-underwriting

The Offer is fully sub-underwritten. The principal sub-underwriting agreements have been entered into with Sing Rim Pte Ltd (sub-underwriting \$5.5 million), entities associated with Mr. T Fern (sub-underwriting \$2.8 million), and entities associated with Mr. D Mortimer (sub-underwriting \$430,000). Sing Rim Pte Ltd will be paid a sub-underwriting fee of 5 million Shares plus 10 million options exercisable at \$0.15 per Share by 31 December 2017. Entities associated with Mr. T Fern and Mr. D Mortimer will be paid a sub-underwriting fee of 5% of the sub-underwritten amount.

4 WHAT SHAREHOLDERS NEED TO DO

4.1 Enquiries

If Shareholders have any questions about their Entitlement they should contact either Boardroom Pty Limited on 1300 737 760 within Australia or (61 2) 9290 9600 from outside Australia or by email to enquiries@boardroomlimited.com.au or consult their stockbroker or professional adviser.

4.2 No rights trading

The Entitlement Offer is non-renounceable, and rights are not traded on the ASX. Shareholders receive no value for any Entitlements not taken up.

4.3 Entitlements and acceptances

The number of New Shares to which you are entitled under the Offer is shown on the accompanying personalised Entitlement and Acceptance Form. The person named on that form may:

- apply for all the Entitlement to New Shares indicated in the Form;
- apply for any Top Up Shares, in excess of their Entitlement;
- apply for part of the Entitlement and allow the balance to lapse; or
- not apply for any of the Entitlement and allow it all to lapse.

4.4 If a Shareholder wishes to apply for all or a part of their Entitlement, and any Top Up Shares:

The Entitlement and Acceptance Form sets out the number of New Shares to which a Shareholder is entitled. If a Shareholder decides to take up all or a part of their Entitlement, and any Top Up Shares, the Shareholder should:

- follow the instructions in the Entitlement and Acceptance Form and:

Either

- post or hand deliver to Boardroom Pty Limited the completed Form with the correct Application Monies by cheque payable to “**Petsec Energy Ltd**” for the number of New Shares being applied for both your Entitlement and Top Up Shares;

Or

- pay by BPAY® the correct Application Monies for the number of New Shares both your Entitlement and Top Up Shares, being applied for, in accordance with the instructions on the Form. If you pay by BPAY® you need not send in the Form by post but by paying by BPAY® you are making the same declarations to the Company that are set out in the Form as if you had posted a cheque.

Ensure that the posted Form with a valid cheque or the BPAY® payment for the Application Monies is received by Boardroom Pty Limited by the Closing Date.

The completed Entitlement and Acceptance Form with a valid cheque for the Application Monies, or a valid BPAY® payment in accordance with the instructions on the Form, must be received by Boardroom Pty Limited on or before 5.00 pm AEST on 12 December 2016 (or such other date as the Company determines). The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

4.5 Payment

Payment for New Shares to which a Shareholder has an Entitlement must be made in the amount of \$0.15 per New Share applied for, by no later than the Closing Date, currently 5.00 pm AEST on 12 December 2016.

Payment of the Application Monies may be made:

Either by **cheque**:

- Cheques should be made payable to **Petsec Energy Ltd** and crossed “Not Negotiable”.
- The cheque should be in Australian dollars and payable at an Australian bank.
- The cheque should be attached to a completed Entitlement and Acceptance Form and posted or hand delivered to;

Petsec Energy Ltd Entitlement Offer
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

So that the cheque and the Form reach Boardroom Pty Limited by 5.00 pm AEST on the Closing Date.

The cheque will be presented on or about the day of receipt of the Entitlement and Acceptance Form. If a cheque is not honoured on its first presentation the Company reserves the right to reject the application for New Shares in the corresponding Entitlement and Acceptance Form.

If the amount of the cheque for the Application Monies is insufficient to pay for the number of New Shares applied for in the Entitlement and Acceptance Form then, at the discretion of the Directors, the applying Shareholder may be taken to have applied for such lower number of New Shares as the cleared Application Monies will pay for (and for the Entitlement and Acceptance Form to be adjusted to apply for that lower number) or the Application for New Shares may be rejected in full.

Or by **BPAY®**:

A Shareholder can only make a payment by BPAY® if the Shareholder is the holder of an account with an Australian financial institution that supports BPAY® transactions and the Shareholder has enabled that BPAY® capability on their account with their financial institution.

If a Shareholder has such arrangements and wishes to make payment for its Entitlement by BPAY®, the Shareholder should:

- follow the instructions for BPAY® on the Entitlement and Acceptance Form. The instructions include the required “**biller code**” and the Shareholder’s unique “**customer reference number**” which must be entered correctly when payment is made.

Shareholders electing to use BPAY® to make payment of Application Monies please note:

- such Shareholders do **not** need to submit their personalised Entitlement and Acceptance Form to the Company but each such Shareholder is still taken to have made the declarations to the Company on that Form; and
- if payment for the full Entitlement is not made in the BPAY® payment, the Shareholder is deemed to have taken up their Entitlement for that whole number of New Shares for which the BPAY® payment made covers in full.

Shareholders paying by BPAY® have the responsibility to ensure that their BPAY® payment is received by the Share Registry by no later than 5.00 pm AEST on the Closing Date, currently 12 December 2016.

Financial institutions have varying deadlines for when electronic payments can be made and Shareholders must inform themselves of these and take them into account in making payment of Application Monies by BPAY® by the Closing Date.

4.6 Entitlements not subscribed for

If a Shareholder does not wish to apply for all or part of their Entitlement they can simply not respond or not make any payment. The Shareholder's Entitlement will lapse and no New Shares will be issued to the Shareholder. Shareholders who do not take up their Entitlement in full receive no payment or value for Entitlements not taken up. Shareholders who do not take up their Entitlement in full may as a consequence have the proportion of their shareholding in the Company diluted by the issue of New Shares to other Shareholders who take up their own Entitlements or by the Underwriters and sub-underwriters taking up any Shortfall.

5 PURPOSE OF THE ENTITLEMENT OFFER

Proceeds from the Offer will largely be used by the Company to support its participation in the development of the Hummer gas/oil discovery in the Gulf of Mexico, USA, and the expected re-start of production from the Company's An Nagyah Oilfield (Damis Block S-1) in the Republic of Yemen.

5.1 Development of the Hummer gas/oil discovery, Gulf of Mexico, USA



Map 1: Petsec Energy Gulf of Mexico and Louisiana Gulf Coast, USA exploration and production leases

The Hummer gas/oil Field is a substantial oil and gas discovery covering a large prospective area extending over three offshore lease blocks of Main Pass 270, 273 and 274.

Petsec Energy owns a 12.5% working interest in the Hummer gas/oil field which was discovered in late 2015 with the Main Pass Block 270 #3 BP 01 exploration well.

A platform was constructed and set over the well and the well was completed for production this November.

The well was production tested over a 48 hour period beginning 16 November 2016. Flow rates were measured at restricted rates on variable choke sizes.

Over the last three hours of the 48 hour test period the well flowed at an average rate of 19.88 MMcfpd (million cubic feet of gas per day) and 396 bcpd (barrels of condensate per day) through a 16/64th inch choke with an average flowing WHP of 9753 psi (pounds per square inch) and no formation water. Production rates continued to rise over the duration of the test with a maximum gas rate of 20.5 MMcfpd recorded. The flow rates exceeded our expectations and supported the Company's high range estimates of mapped potential.

The Main Pass 270 #3 BP 01 well was perforated from 14,100 feet to 14,186 feet measured depth (MD), 14,058 feet to 14,144 feet true vertical depth (TVD) in a Miocene age sand reservoir. Well logs indicate additional potential reservoirs in the well, but a decision was made not to run additional tests at this

time. These untested sands will be targets of future drilling activity on the Hummer Project. Significant production occurs for similar reservoirs along trend. Peak production rates from those intervals can exceed 25 MMcfpd and 1000 bcpd. After testing, the well will be temporarily suspended pending the design, fabrication and installation of permanent production facilities and pipelines. The Company estimates first production from the Hummer project to commence mid-year 2017.

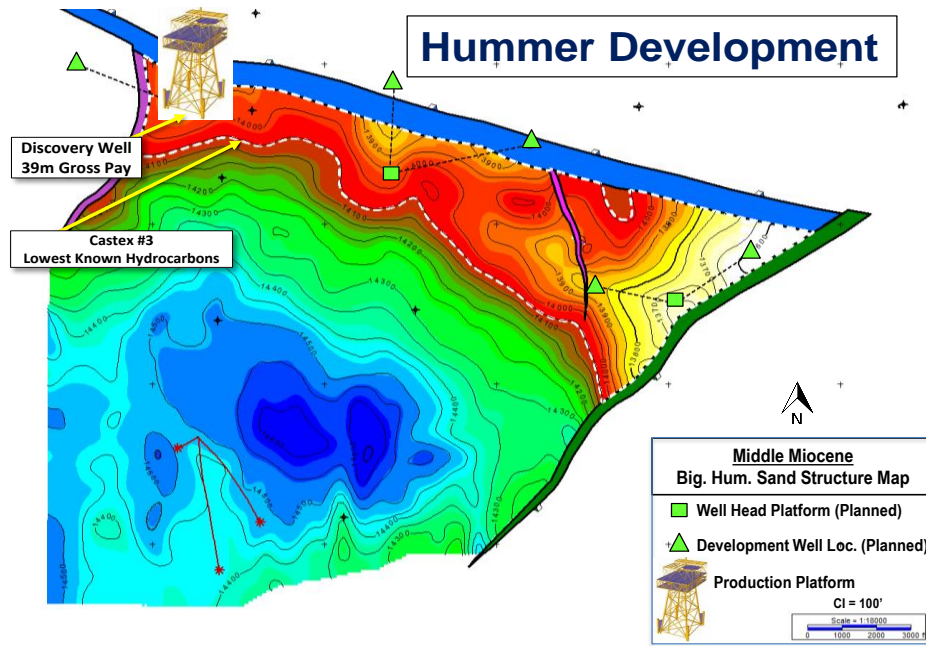
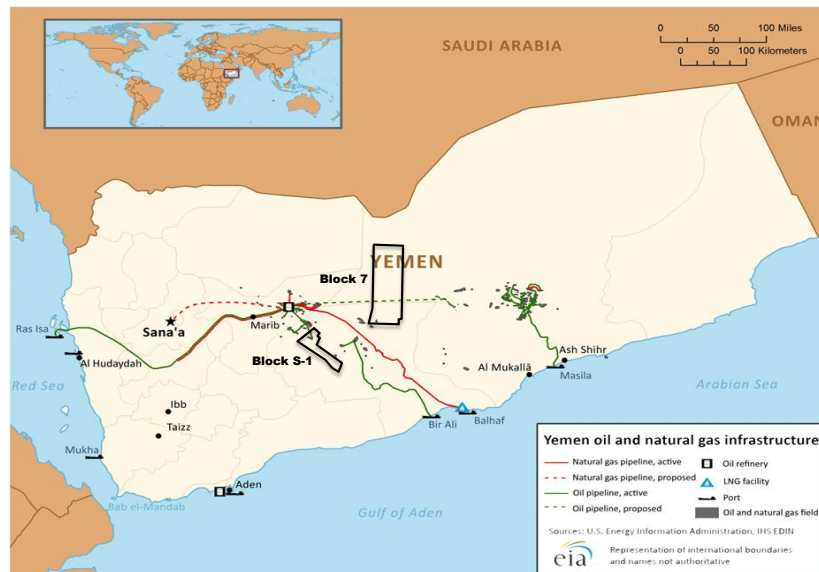


Figure 1: Hummer development project depth structure map

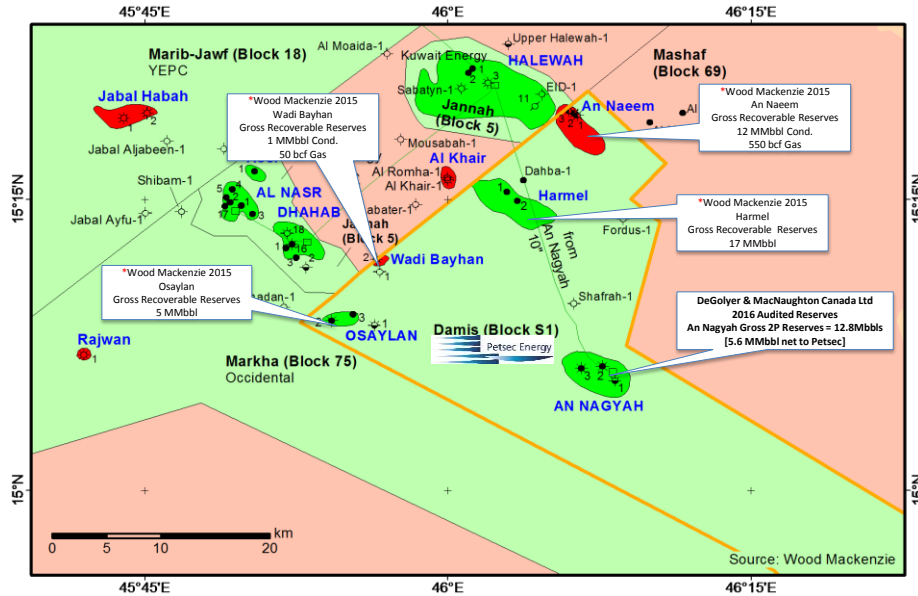
The Hummer discovery well is located in U.S. federal waters approximately 50 miles southeast of Venice, Louisiana. The water depth at the location is approximately 215 feet. The well was drilled, logged and temporarily suspended during Q3/Q4 2015 and has awaited testing until a recently completed production jacket could be installed over the well. The Ensco 87 rig was used to tie-back the well bore to the jacket and complete and test the well. The next stage of development will be to utilise the results of the test to design, fabricate and install a deck section with production facilities on the jacket, lay flow lines and connect to existing oil and gas transportation systems. It is anticipated that this process will take approximately 6 to 8 months.

5.2 An Nagyah Oilfield (Damis Block S-1), Yemen



Map 2: Petsec licence location and Yemen infrastructure

Petsec Energy owns a 100% working interest in Damis Block S-1, in Yemen, which it acquired in early 2016. The block contains five discovered oil and gas fields including the developed/productive An Nayah Oilfield which has gross 2P oil reserves of 12.8 MMbbl (5.6 MMbbl net to Petsec / NPV10 US\$155.4 million as at 1 January 2016), and four undeveloped oil and gas fields which are estimated to hold target resources of greater than 34 MMbbl of oil and 550 Bcf of gas – Osaylan, Harmel, An Naeem & Wadi Bayhan. There are additional development opportunities beneath the current productive reservoirs within the discovered fields. There is also additional exploration potential in the licence area.



Map 3: Damis (Block S-1) hydrocarbon field locations



Figure 2: An Nayah Central Processing Facility with oil storage in the foreground

The previous operator had invested over US\$450 million on the Block over a period of 10 years developing the An Nayah Oilfield with attendant production facilities which have the capacity to process up to 20,000 barrels of oil per day (bopd) producing into an 80,000 bopd pipeline, which joins the 350,000 bopd Marib export pipeline to the Ras Isa terminal on the Red Sea.

The An Nagyah Oilfield has been shut-in since February 2014 following the declaration of Force Majeure by the previous operator due to political issues in Yemen. The field at the time of shut-in was producing at a restricted rate of over 5,600 bopd in and of the order of 10,000 bopd at an unrestricted rate two years earlier.

In August of this year, oil was shipped for the first time since March 2015, when 4 million barrels of oil were shipped from the Ash Shihr terminal near Mukalla on the Gulf of Aden which services Masila Basin oil production, and in turn the Masila oilfields have returned to production. The Aden Refinery, which has a 150,000 bopd processing capacity, has returned to production and the Company anticipates the restart of the Total operated LNG plant at Bal Haf on the Gulf of Aden. During the conflict the country's oil and gas infrastructure was largely untouched.

With the recommencement of oil shipments from Ash Shihr there is an opportunity for Petsec Energy to transport An Nagyah oil production by truck either to the Masila hub to the East or South to the Bir Ali terminal until such time as the Ras Isa terminal on the Red Sea reopens for shipping oil, which allows production through the Marib pipeline.

The An Nagyah oil production facility has been well maintained during the shut-in period and preparations are now underway for the re-start of production as soon as the political/logistical situation allows.



Figure 3: Yemen Ash Shihr oil export terminal showing crude oil storage tanks

5.3 Costs of Offer

The cash costs associated with the Offer are estimated to be \$390,000 and will be paid from the proceeds of the Offer. In addition, underwriting and some sub-underwriting fees are payable in equity securities as set out in Sections 3.10 and 3.11, above.

6 RISKS

The New Shares offered under this Offer Document are considered speculative. Shareholders should carefully consider the following risk factors in conjunction with all the information contained in this Entitlement Offer Document and carefully assess all associated risks before deciding whether to invest in the Company.

Shareholders should also consider their personal circumstances, including financial and taxation circumstances, and seek appropriate professional advice before deciding whether to invest in the New Shares.

Shareholders should be aware that there are many risks associated with investment in the Company. Certain of those risks are inherent to the Company's business, drilling for, producing, and marketing oil and gas. Although the Company is committed to minimising its risk exposure, many risks are largely beyond the control of the Company and its Directors. Moreover, other more general risks associated with the vicissitudes of commercial life, political change, and cyclic economic conditions are risks that the Company cannot control. The following are illustrative examples of both types of risks, but note, the risks identified below are by no means exhaustive.

- **Share Price Risk.** Investing in shares in any junior oil and gas company, including the Company, carries with it a comparatively greater degree of share price risk due to many factors. As a result, Shareholders may not be able to sell shares in the Company at the time, in the quantity or at the price desired, because of low trading volume. Factors that may directly or indirectly impact share price and marketability include, but are not limited to the following:
 - Growth may be hindered by the Company's ability to expand its production base using cash flow generated from a limited number of producing properties, limited debt capacity and limited capacity to make additional equity offerings;
 - Continued operations may be affected by the Company's ability to generate sufficient cash flow from a limited number of producing properties to satisfy debt covenants;
 - Growth may be hindered by the Company's ability to find or acquire additional, significant oil and gas reserves;
 - Growth of the Company may be hindered by its ability to fund planned capital expenditures;
 - Loss of key personnel could adversely affect the Company's ability to explore and operate;
 - Competition within the oil and gas industry may adversely affect the Company's ability to successfully realise opportunities;
 - Production, revenues, and cash flows may be affected by regional factors as the Company's operations are concentrated in the USA and the MENA region;
 - Insurance may not adequately protect the Company against all operating and business risks;
 - Default by joint venture partners in meeting their obligations; and
 - Risk that the Company may not be in a position to, or that the Directors may not choose to, pay dividends in the future.
- **Drilling and Production Risks.** Drilling for oil and natural gas is subject to numerous risks. Paramount is the risk that drilling operations will not result in the discovery of commercially productive oil or natural gas reservoirs. Also, projects are subject to economic risks. Before beginning a drilling project, the Company can only estimate the cost of drilling and completing wells as many undeterminable factors can affect the total cost. For example, oil and natural gas drilling and production activities may be extended, shortened, delayed or cancelled as a result of a variety of factors, many of which are beyond the Company's control. These risks may negatively impact the economics of drilling projects. In part, these factors include:
 - Unexpected drilling conditions including abnormal geological pressure or irregularities in formations;

- Equipment failures or accidents;
 - Weather conditions, including hurricanes and other tropical weather disturbances;
 - Shortages in experienced labour;
 - Shortages, delays in the delivery, or high cost of drilling rigs and equipment;
 - Constraints on access to transportation systems (pipelines) delaying sale of oil and natural gas;
 - Reduction or losses of resources or reserves;
 - Acquiring and maintaining title to its interests;
 - Unresolved landowner or regulatory issues; and
 - Inability of the Company's third-party joint venture partners to participate in or fund their share of drilling and production activities.
- **Operating Risks.** The exploration for and development and production of oil and natural gas involves a variety of industry operating risks. If any of these industry operating risks occur, the Company could incur substantial losses. Substantial losses could include injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. These risks include:
 - Fire, explosions, blowouts and surface cratering;
 - Lost or damaged oilfield drilling pipe and service tools;
 - Casing or cement failures;
 - Environmental hazards caused by oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases; and
 - Hazards of marine operations such as capsizing, collision and adverse weather and sea conditions.
- **Marketing and Sales Risks.** The marketing and sale of oil and natural gas is subject to the risk of adverse commodity price fluctuations that impact cash flow. Some factors that affect commodity prices include:
 - Relatively minor changes in the supply of and demand for oil and natural gas;
 - Market uncertainty;
 - The level of consumer product demand;
 - Weather conditions;
 - Domestic and foreign governmental regulations;
 - The price and availability of alternative fuels;
 - Technological advances affecting oil and natural gas consumption;
 - Political and economic conditions in oil producing countries, particularly those in the Middle East;
 - Policies of the Australian, U.S. and Yemen governments;
 - The foreign supply of oil and natural gas;
 - The price of oil and natural gas imports; and
 - General economic conditions.

To reduce the impact of price fluctuations, from time to time, the Company uses derivative financial instruments, such as natural gas swaps, puts and costless collars, on a portion of its future production. However, such hedging activities may not be sufficient to protect the Company against the risk of price declines and may limit income and liquidity if prices rise.

- Hedging activities that are intended to reduce the risk of downward price fluctuations on a portion of future production may limit the Company's potential income if oil and gas prices rise above a level established by its hedge instruments.
 - Hedging counterparties require collateral when the mark-to-market value of hedge instruments is in the counterparties' favour and exceeds the Company's credit limits with such counterparties. As a result, the Company may be required to provide substantial security to the counterparties when commodity prices change significantly. The security provided may be in the form of cash or letters of credit, and thus, could have a significant impact on the Company's liquidity.
- **Exchange Rate Risks.** Adverse exchange rate variations between the U.S. dollar and the Australian dollar may impact upon cash balances held in Australian dollars. Since most of the Company's operations are conducted in U.S. dollars, it generally maintains a substantial portion of its cash balances in U.S. dollar accounts. Occasionally, however, it may have substantial cash deposits in Australian dollar accounts. Until these funds are converted into U.S. dollars, the U.S. dollar value of the deposits will change as the exchange rate between the two currencies fluctuates.
 - **Other Risks.** Other factors can impact the environment in which the Company operates and thus can affect its ability to perform as desired. Such factors include:
 - Changes in legislation and government regulation both in the USA and in other countries in which the Company operates.
 - Political and societal risks from wars, social and ethnic unrest, changes in government and insurgencies in the districts, regions and countries in which the Company operates. The present civil conflict in Yemen is restricting the Company's activities in Yemen;
 - Environmental risks from existing and new regulations and standards being applied in the jurisdictions in which the Company operates;
 - General economic conditions in the USA, MENA region, China and Australia; and
 - Stock market conditions in Australia.

7 IMPORTANT INFORMATION

Please read this information carefully and in its entirety before deciding to take up the whole or any part of your Entitlement to invest in the New Shares.

7.1 ASX quotation

The Company has applied to the ASX for official quotation of the New Shares.

7.2 Neither a prospectus nor financial product advice

This Offer Document is **not** a prospectus under the Corporations Act and has not been lodged with ASIC. This Offer Document does **not** contain financial product advice and has been prepared without taking into account Shareholders' individual investment objectives, financial circumstances and particular needs. The Company is not licensed to provide financial product advice on the New Shares. Shareholders should consider whether the New Shares are a suitable investment for them in light of their own investment objectives and financial circumstances, and having regard to the merits and risks involved.

Shareholders should contact and consult their stockbroker, accountant, financial planner or other professional adviser before proceeding.

7.3 Underwriting Agreement

The Entitlement Offer is fully underwritten by Paradigm Securities Pty Ltd.

The Underwriter will be entitled to be paid an underwriting fee in respect of 5% of the funds raised from the rights issue, not guaranteed by the sub-underwriter Sim Rim Pte Ltd, that has guaranteed 50% of the issue for a fee consisting of 5 million fully paid shares plus 10 million options to subscribe for shares, exercised at \$0.15 per share by 31 December 2017.

The Lead Manager and Underwriter will also earn a management fee of one million options to purchase Shares at an exercise price of \$0.50 per share with an expiry date of 31 December 2017.

The Company has indemnified the Underwriter in connection with its activities relating to the Offer and provided the Underwriter with certain warranties and representations in connection with the conduct of the Offer.

The Underwriter may terminate its underwriting commitment and be released from its underwriting obligations under the Underwriting Agreement if certain events occur, including:

- There is a material adverse change in the financial position of the Company or any subsidiary including the loss or termination or encumbrance of any production tenement;
- There is a 10% fall in the All Ordinaries Index of the ASX or the Dow Jones Industrial Average;
- Certain adverse government or regulatory action, or changes in law occur, or hostilities commence in certain countries;
- Any director or Officer of the Company named in the Offer Document is charged with or convicted of an indictable offence;
- The Company or an Officer of the Company materially contravenes a provision of the Corporations Act, the Listing Rules, or any requirement of ASX, ASIC or a governmental agency; and
- Disclosures in this Entitlement Offer Document are false, misleading or deceptive,

but only if in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a materially adverse effect on the success of the Offer.

7.4 Director sub-underwriting

Entities associated with Petsec Energy director Mr. T Fern, will sub-underwrite the Entitlement Offer in the amount of \$2.8 million (up to 18.7 million Shares) in consideration of a 5% sub-underwriting fee.

Entities associated with Petsec Energy director Mr. D Mortimer will sub-underwrite the Entitlement Offer in the amount of \$430,000 (2.9 million Shares) in consideration of a 5% sub-underwriting fee.

The sub-underwriters are related parties of the Company as they are Directors. Payment of the sub-underwriting fee may constitute giving a financial benefit to a related party. It is the view of the other Director that the sub-underwriting agreements are on commercial arm's length terms. Entities associated with the Directors will receive the same 5% fee as other sub-underwriters.

7.5 Effect of underwriting on control of the Company

The Entitlement Offer will not have any material effect on the control of the Company as Eligible Shareholders have sub-underwritten over \$7.4 million of the Offer leaving a maximum of \$3.6 million, or approximately 24 million shares representing 7.7% voting power, potentially available to new investors through sub-underwriting.

The potential effect the Offer will have on the control of the Company and the consequences are as follows:

- (i) If all the Eligible Shareholders take up their Entitlements in full, then the Offer will have no significant effect on the control of the Company;
- (ii) If Eligible Shareholders do not take up their Entitlements then the Underwriter is required, under the Underwriting Agreement, to take up any Shortfall;
- (iii) As detailed above, the Underwriter has entered into sub-underwriting agreements to ensure that neither the Underwriter nor any sub-underwriter will breach section 606 of the Corporations Act as a result of performing their underwriting or sub-underwriting obligations; and
- (iv) In the event of a Shortfall, in order to comply with the requirements of the Underwriting Agreement, neither the Underwriter nor any sub-underwriter may, in carrying out their underwriting or sub-underwriting obligations, acquire relevant interests in more than 19.99% of the Company's Shares.

7.6 Foreign jurisdictions

The information in this Offer Document has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. No action has been taken to register or qualify the Entitlement Offer or the New Shares, or otherwise permit the public offering of the New Shares in any jurisdiction other than Australia and New Zealand.

If you come into possession of this information in a jurisdiction other than Australia or New Zealand, you should observe such restrictions of law as may be applicable in that jurisdiction and seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

The information contained in this Offer Document does not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

7.6.1 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- to "professional investors" (as defined in the SFO and any rules made under that ordinance); or
- in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Entitlement Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.6.2 Singapore

This Entitlement Offer Document has not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. It will be specifically distributed to Shareholders with a registered address in Singapore pursuant to the prospectus exemption under section 273(1)(cd) of the *Securities and Futures Act*, Chapter 289 of Singapore (SFA). It is not for general circulation in Singapore under any circumstances. There are on-sale restrictions in Singapore that may be applicable to Shareholders who take up their Entitlements. Such Shareholders should acquaint themselves with SFA resale restrictions in Singapore and comply accordingly.

7.7 Nominees

The Entitlement Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any registered holder of Shares is acting as a nominee or the identity or residence of any beneficial owners of those Shares. Where an Eligible Shareholder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws. Any person in the United States or any person that is acting for the account or benefit of a US Person with a holding through a nominee must not take up any entitlement or send any materials into the United States or to any person that is, or is acting for, the account or benefit of a US Person. The Company is not able to give advice on foreign laws.

7.8 Disclaimer of representations and forward looking statements

No person other than the Company is authorised to give any information or make any representation in connection with the Entitlement Offer that is not contained in this Offer Document.

Neither the Company nor any other person warrants or guarantees the future performance of the Company or the New Shares, nor any return on investment made under this Offer Document. Any forward looking statement, opinions and estimate provided is based on assumptions and contingencies which are subject to change without notice, as are statements about market, industry and exploration trends and possibilities.

Forward looking statements including projections, guidance and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company, and which could cause actual results or performance to differ materially from future results or performance expressed or implied by any forward looking statements in this Offer Document. Past share price performance provides no guarantee or reliable guidance to future share price performance.

Any information or representation that is not in this Offer Document may not be relied on as having been authorised by the Company in connection with the Entitlement Offer. Except as required by law, and only to the extent required, neither the Company, nor any other person, warrants or guarantees the future performance of the Company or any return on any investment made under this Offer Document.

7.9 Privacy

As a Shareholder, the Company and Boardroom Pty Limited have already collected certain personal information from you. If you apply for New Shares, the Company and Boardroom Pty Limited may update your personal information or collect additional personal information. Such information will be used to assess your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not

be able to be processed efficiently, if at all. The Company and Boardroom Pty Limited may disclose your personal information for purposes related to your shareholding to their agents and service providers as authorised under the Privacy Act. Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company and Boardroom Pty Limited. If the Company's or Boardroom Pty Limited's record of your personal information is incorrect or out of date, it is important that you contact Boardroom Pty Limited so that your records can be corrected.

7.10 Competent Person Statement

In accordance with the Listing Rules: the estimates for Petsec's U.S. reserves and resources are based upon information compiled, reviewed and signed off by Cawley, Gillespie & Associates; and the estimates for Petsec's Yemen reserves and resources are based upon information compiled, reviewed and signed off by DeGolyer and McNaughton Canada Limited; who each consent to the disclosure of the relevant reserves and resources information in the form and context in which it appears.

The reserves assessment follows guidelines set forth by the Society of Petroleum Engineers–Petroleum Resource Management System (SPE-PRMS). The USA and Yemen reserve estimates provided within this document are based on information contained within the following releases to the ASX: Announcements on 8 March 2016 and 15 March 2016; and the 2015 Annual Report.

The Company confirms that it is not aware of any new information or data that materially affects the information included above, and that all material assumptions and technical parameters underpinning the above estimates continue to apply and have not materially changed.

7.11 Governing law

The Entitlement Offer, this Offer Document and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in the State of New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales.

8 DEFINITIONS

Defined Term	Meaning
AEST	Australian Eastern Standard Time
Applicant	A person who submits an Entitlement and Acceptance Form
Application	The submission of an Entitlement and Acceptance Form
Application Monies	The sum of money accompanying a Shareholder's application for New Shares, whether by way of cheque, or by BPAY® electronic transfer
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited
Closing Date	5.00pm AEST on 12 December 2016 unless changed by the Company
Company	Petsec Energy Ltd (ASX:PSA) (ABN 92 000 602 700)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of the Company
Eligible Shareholder	A Shareholder whose details appear on the Company's register of Shareholders as at the Record Date having a registered address in Australia, New Zealand, Hong Kong or Singapore, and who is not a US Person
Entitlement	The number of New Shares to which a Shareholder is entitled under the Offer
Entitlement Offer	The Offer
Entitlement and Acceptance Form	The Entitlement and Acceptance Form accompanying this Entitlement Offer Document
Form	The Entitlement and Acceptance Form
Entitlement Offer Document	This Document
Issuer Sponsored	The facility for registration of shares managed by the share registry on behalf of the Company
Listing Rules	The Listing Rules of the ASX
Offer	The non-renounceable pro rata offer of New Shares at an issue price of \$0.15 each on the basis of 1 New Share for every 3.2 Shares held on the Record Date pursuant to this Entitlement Offer Document
Offer Period	The period during which the Entitlement Offer is open
Opening Date	30 November 2016 unless changed by the Company
New Share	A new Share proposed to be issued under the Entitlement Offer, including the Top Up Facility
Record Date	29 November 2016
Share	Fully paid ordinary share in the capital of the Company
Shareholder	The holder of Shares
Shortfall	Those Entitlements not taken by Shareholders
Timetable	The indicative timetable as set out by the Company in the Entitlement Offer Document
Top Up Facility	The facility described in Section 3.3 under which Eligible Shareholders may apply for Top Up Shares
Top Up Shares	New Shares applied for in excess of an Eligible Shareholder's Entitlement
Underwriter	Paradigm Securities Pty Ltd
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriter dated 23 November 2016.
US Person	A US person as defined in Regulation S of the US Securities Act of 1933
\$	Australian Dollar