

# PETSEC ENERGY LTD

ACN 000 602 700

25 November 2016

## Non-renounceable Rights Issue

On 24 November 2016, the Company announced that it would undertake a non-renounceable entitlement offer of 1 new share for every 3.2 shares held by eligible shareholders at the record date of 29 November 2016. The offer will allow eligible shareholders to acquire additional shares in the Company at 15 cents per share.

The attached letters regarding the entitlement offer will be mailed to shareholders today:

- The first example is to eligible shareholders with registered addresses in Australia, New Zealand, Singapore or Hong Kong; and
- The second example is to shareholders with registered addresses outside of Australia, New Zealand, Singapore or Hong Kong.

For Further Information:

Paul Gahdmar  
Company Secretary and 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: [www.petsec.com.au](http://www.petsec.com.au)

# PETSEC ENERGY LTD

ACN 000 602 700

25 November 2016

Dear Shareholder,

## Notice to Eligible Shareholders – Non-renounceable Rights Issue

Petsec Energy Ltd announced to ASX on 24 November 2016 that it would undertake a non-renounceable entitlement offer of 1 new share for every 3.2 shares held by eligible shareholders at the record date of 29 November 2009. The offer will allow eligible shareholders to acquire additional shares in the Company at 15 cents per share, free of brokerage costs.

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 offer price represents a discount of approximately 17% to the volume weighted average price of the Company's shares over the 3 months of trading on the ASX preceding the announcement of the offer.

The Company will raise approximately \$11 million through the issue of up to 73,900,000 new shares under the entitlement offer. The offer is fully underwritten by Paradigm Securities Pty Ltd, trading as Martin Place Securities.

The details of the offer are contained in the offer document lodged on 24 November 2016 with the ASX, available at [www.petsec.com.au](http://www.petsec.com.au) or [www.asx.com.au](http://www.asx.com.au). The offer document and personalised acceptance form are due to be mailed to eligible shareholders on 30 November 2016. The entitlement offer is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth). Accordingly, the Company is not required to prepare a prospectus. The Company lodged a cleansing notice and an Appendix 3B with the ASX on 24 November 2016.

The offer will be extended to shareholders with registered addresses in Australia, New Zealand, Hong Kong and Singapore.

Proceeds from the offer will 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 oil production from the Company's An Nanyah Oilfield (Damis Block S-1) in the Republic of Yemen.

## 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

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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.

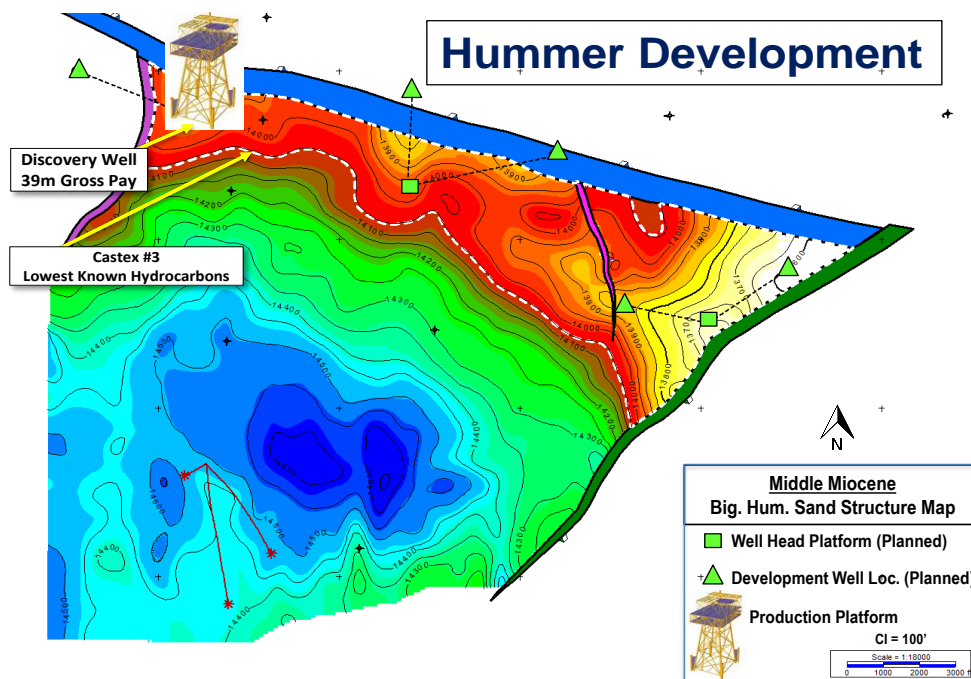


Figure 1: Hummer development project depth structure map

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.

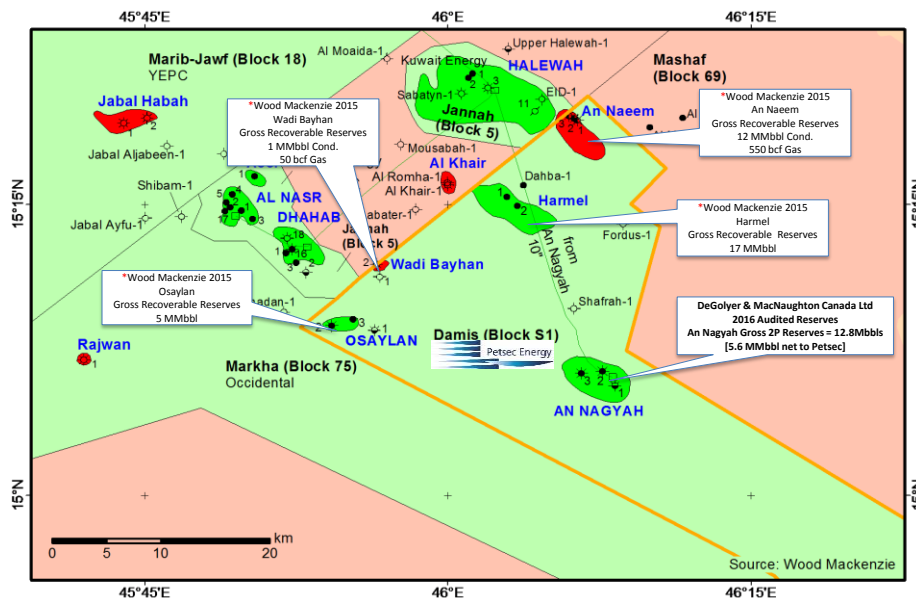
## An Nagyah Oilfield (Damis Block S-1), Yemen

Petsec Energy owns a 100% working interest in the Damis (Block S-1) Production Licence in Yemen, which it acquired in early 2016. Damis (Block S-1) is located in the prolific Shabwa Basin approximately 80 kilometres to the Southwest of the Company's other lease in Yemen, Block 7, some 450 kilometres connected by oil pipeline East of the Ras Isa oil terminal on the Red Sea, some 250 kilometres North by road of the Bir Ali oil export terminal on the Bay of Aden, and 450 kilometres West by road of the Masila Basin Production Hub.



Map 2: Petsec licence location and Yemen infrastructure

The Damis (Block S-1) Production Licence holds five sizeable oil and gas discoveries – the developed and productive (until suspended in 2014) An Nagyah Oilfield, which holds 12.8 million barrels of oil gross to Petsec Energy as estimated by DeGolyer and McNaughton Canada Limited (5.6 million barrels net to Petsec with a PV10 in the order of US\$155 million<sup>1</sup>), and a further four undeveloped oil and gas fields – Osaylan, An Naeem, Wadi Bayhan, and Harmel which hold in excess of 34 million barrels of recoverable oil and 550 Bcf of gas<sup>2</sup> which will be a source of future growth of reserves and production for the Company when conditions allow.



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

There is also additional exploration potential in the licence area. The previous operator had invested over US\$450 million on the Block over a period of 10 years developing the An Nagyah 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.



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

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

The timetable for the entitlement offer is set out below:

<b>Event</b>	<b>Date</b>
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
<b>Record Date</b>	<b>7pm on 29 November 2016</b>
Despatch of offer document and entitlement and acceptance forms	30 November 2016
<b>Closing Date</b>	<b>5 pm on 12 December 2016</b>
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.

Details of the terms and conditions of the offer of new shares will be contained in the offer document that will be sent to eligible shareholders on 30 November 2016. A personalised acceptance form will accompany the offer document. A copy of the offer document, which was lodged with the ASX on 24 November 2016, can be reviewed at [www.petsec.com.au](http://www.petsec.com.au) and the ASX website at [www.asx.com.au](http://www.asx.com.au).

The directors of the Company recommend that you read the offer document carefully when you receive it. The entitlement offer will be made without a prospectus and accordingly it is important that you review the Company's ASX announcements before deciding whether to participate in the offer.

Yours sincerely

Terrence N. Fern

Chairman and Managing Director

Level 13, Gold Fields House, 1 Alfred Street, Sydney NSW 2000, Australia

PO Box R204, Royal Exchange NSW 1225, Australia

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#### Footnotes

- 1 The Yemen reserve estimates provided within this letter is based on information contained within the release to the ASX on 15 March 2016 and is also contained in the 2015 Annual Report.

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

2. Source: Wood Mackenzie Asia Pacific Pty Ltd.

**PETSEC ENERGY LTD**

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25 November 2016

Dear Shareholder,

**Notice to Non-eligible Shareholders – Non-renounceable Rights Issue**

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The offer is fully underwritten by Paradigm Securities Pty Ltd, trading as Martin Place Securities.

The offer will be extended to shareholders with registered addresses in Australia, New Zealand, Singapore or Hong Kong.

The Company has determined, in accordance with Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to offer participation in the entitlement offer to shareholders outside of Australia, New Zealand, Singapore and Hong Kong due to the legal limitations in some countries, the relatively small number of shares held by shareholders in other countries, the likely funds that would be raised from shareholders in those countries and the cost of complying with regulatory requirements in those countries.

Accordingly, as you do not have a registered address in Australia, New Zealand, Singapore or Hong Kong, the Company must advise you that you will not be extended the opportunity to participate in the entitlement offer.

Under the terms of the offer you are not eligible to subscribe for new shares and you will not be sent a copy of the offer documents or the personalised acceptance form, however a copy of the offer document, which was lodged with ASX on 24 November 2016, can be reviewed at [www.asx.com.au](http://www.asx.com.au) or [www.petsec.com.au](http://www.petsec.com.au).

This notice is to inform you of the entitlement offer. You are not required to do anything in response to this letter.

Yours sincerely



Terrence N Fern

Chairman and Managing Director

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