



PETSEC ENERGY LTD

ACN 000 602 700

16 April 2010

NOTICE OF 2010 ANNUAL GENERAL MEETING

Petsec Energy Ltd's 2010 Annual General Meeting will be held on Friday, 21 May 2010 at 10.00am 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 Tuesday, 20 April 2010. Pursuant to ASX Listing Rule 3.17, a copy of the Notice of Meeting follows this announcement and will also be available on the Petsec Energy website at www.petsec.com.au.

The 2009 Annual Report will also be mailed to shareholders, who have elected to receive a printed copy of this document, on Tuesday, 20 April 2010. 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:

Mr Paul Gahdmar
Group Financial Controller and Company Secretary
Petsec Energy Ltd
Tel: (61 2) 9247 4605
Email: pgahdmar@petsec.com.au

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



PETSEC ENERGY LTD

ACN 000 602 700

Notice of 2010 Annual General Meeting

Notice is hereby given that the 2010 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, Australia on Friday, 21 May 2010 at 10.00 am (Sydney time).

Ordinary 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 2009.

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

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

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

“That Mr Michael Harvey, who retires as a Director by rotation in accordance with rule 43 of the Company’s Constitution, be re-elected as a Director of the Company.”

Information regarding Mr Harvey appears in the Explanatory Notes accompanying this Notice of Meeting.

RESOLUTION 2 – APPROVAL OF EMPLOYEE OPTION PLAN

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

“That 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 appears in the Explanatory Notes accompanying this Notice of Meeting.

RESOLUTION 3 – APPROVAL OF EMPLOYEE SHARE PLAN

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

“That 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 appears in the Explanatory Notes accompanying this Notice of Meeting.

RESOLUTION 4 – 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 2009 be adopted.”

Information regarding this resolution appears in the Explanatory Notes accompanying this Notice of Meeting.

Other Business

To transact any other business that may be legally brought before the meeting.

Voting exclusion statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on resolutions 2 and 3 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of any such director or directors. 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 if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolutions

Resolutions 1 – 3 are ordinary resolutions for the Company. They will be passed if more than 50% of eligible votes cast on the resolution are in favour of the resolution.

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 at 7.00pm (EST) on 19 May 2010.
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. Completed proxies may also be sent by facsimile to either Petsec Energy Ltd on +61 2 9251 2410 or the Company's share registry on +61 2 9279 0664.

By order of the Board

Dated this 20th day of April 2010

Paul Gahdmar
Company Secretary

EXPLANATORY NOTES

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

All of the resolutions to be voted on are ordinary resolutions, which require a simple majority of votes cast by shareholders entitled to vote on the resolution.

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

Dr Peter Power retires as a Director by rotation in accordance with rule 43 of the Company's Constitution. Dr Power has not offered himself for re-election, wishing to retire at the conclusion of the meeting.

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

Michael L Harvey

Mr Harvey joined the board in October 2008 and is a third generation Texan oil man who brings a wealth of experience of establishment and successful growth of exploration and production (E&P) companies in South-East Asia and the Gulf of Mexico, USA. After receiving his degree from Texas A&M in 1969, Mr Harvey served as a Captain in the US Army in Vietnam. Subsequently, he began his career in the oil industry with Shell Oil Company in its Corporate Planning and Economics department. Since 1987 to date, he has founded and been the CEO of four private US E&P companies operating in the Gulf of Mexico and the Gulf Coast of the USA. Between 1987 and 1998 he established, grew and sold Gulfstar Petroleum Corporation and Gulfstar Energy Inc. In 2000 he founded Gryphon Exploration Inc. which was acquired in 2005 by Woodside Petroleum Ltd for US\$285 million. In 2007 he founded Stonegate Production Company, for which he is Chairman and CEO. Mr Harvey is a non-executive director of the listed Norwegian company Scorpion Offshore which builds and deploys offshore rigs for international operations.

Mr Harvey is considered by the Board to be an independent Director.

The other Directors recommend that shareholders vote in favour of the re-election of Mr Harvey.

RESOLUTION 2 – APPROVAL OF EMPLOYEE OPTION PLAN

Rules are already in place in relation to the Employee Option Plan (**Plan**) (**Plan Rules**). Briefly, by way of background, the Plan allows the Company to grant options to acquire ordinary shares in the Company to selected eligible employees, subject to satisfying performance and service conditions set down at the time of offer. Directors consider the options to be a necessary component of employee remuneration packages.

Amendments to the Plan Rules were last approved by shareholders in May 2007.

The purpose of the approval of the Plan is twofold: to amend the Plan Rules; and seek exemption to the 15% limit on new issues of securities, as set out below.

(a) Amendments to the Employee Option Plan

The Company wishes to increase the maximum number of securities that can be issued under the Plan from 9,990,132 to 15,033,435. When the Plan Rules were last approved by shareholders in 2007, the 9,990,132 limit represented 6.5% of shares then on issue. Following the rights issue undertaken by the Company in 2009, 6.5% of the shares on issue (231,283,622 shares) is 15,033,435 shares.

For the Plan to qualify as an "incentive stock option" under the provisions of the US Internal Revenue Code, which is relevant to the Company's US employees, it is necessary to have a fixed number as a limit to the number of options that can be issued under the Plan. It is therefore proposed to set the limit at 15,033,435 shares, which is 6.5% of the number of shares in the Company currently on issue).

Rule 2 currently provides:

"The total number of Shares which could be issued by the Company in respect of which Options have been granted, when aggregated with the number of ordinary Shares issued, or which could be issued by the Company under options granted, pursuant to all employee share and option schemes established by the Company during the previous five (5) years shall not exceed 9,990,132 ordinary Shares in the capital of the Company."

Accordingly, the Board proposes that Rule 2 of the Plan Rules be amended by replacing "9,990,132" with "15,033,435".

The Company also wishes to add the following to Rule 12.2 "Adjustment", in order to comply with changes to the ASX Listing Rules since the implementation of the Plan:

- I. In the event of a reorganisation of the Company's share capital, the rights of the Optionholder will be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- II. Optionholders cannot participate in new issues without exercising their Options.

Additional proposed minor amendments to the Plan Rules include the correction of typographical errors and updating historical terms to their current equivalent, eg "Australian Stock Exchange Limited" is now "ASX Limited", "Articles of Association" is now "Constitution", and "Corporations Law" is now "Corporations Act".

(b) Exemption from 15% rule

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

ASX 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 each class of securities (**15% Rule**). An exception to this rule is set out in ASX 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 ASX Listing Rule 7.1.

The effect of the approval sought will be that for the next 3 years, the issue of securities under the Plan 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 Plan to directors of the Company and their associates will still require shareholder approval under ASX Listing Rule 10.14. The issue of options under the Plan also remains subject to the issue limits under the Plan.

The Company presently has 6,705,500 employee options on issue with an exercise price in the range of \$0.20 to \$3.11 and a weighted average remaining life of 2.39 years.

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

- 65,000 exercisable at \$1.91 by 13 April 2012;
- 1,500,000 exercisable at \$2.40 by 14 June 2012;
- 500,000 exercisable at \$3.11 by 14 June 2012;
- 30,000 exercisable at \$1.48 by 17 July 2012;
- 150,000 exercisable at \$1.60 by 18 October 2012;
- 90,000 exercisable at \$1.19 by 12 February 2013;
- 455,500 exercisable at \$0.20 by 31 December 2013
- 381,000 exercisable at \$0.20 by 31 December 2013;
- 2,146,000 exercisable at \$0.23 by 31 December 2014.

A possible disadvantage, if Resolution 2 is passed, is the dilutory 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 amended Plan Rules is attached to this Notice of Meeting (see **Annexure A**). A copy of the amended Plan Rules is available to members on request to the Company Secretary.

The Board recommends the approval of the Plan 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 Terry Fern has an interest, he does not make a recommendation.

RESOLUTION 3 –APPROVAL OF EMPLOYEE SHARE PLAN

Rules are already in place in relation to the Employee Share Plan (**Plan**) (**Plan Rules**). Briefly, by way of background, the Plan allows the Company to issue ordinary shares in the Company to selected eligible employees, subject to satisfying performance and service conditions set down at the time of offer. Directors consider the shares to be a necessary component of some employee remuneration packages.

Approval of the Plan was last renewed by shareholders in 2004. Shares have not been issued under the Plan since 2004 and there are presently no shares on issue under the Plan.

The purpose of the approval of the Plan is twofold: to amend the Plan Rules; and seek exemption to the 15% limit on new issues of securities, as set out below.

(a) Amendments to the Employee Share Plan

The Company wishes to increase the maximum number of shares that can be issued under the Plan from 6.5% of the shares on issue to 15,033,435. Following the rights issue undertaken by the Company in 2009, 6.5% of the shares on issue (231,283,622 shares) is 15,033,435 shares.

For the Plan to qualify as an "incentive stock option" under the provisions of the US Internal Revenue Code, which is relevant to the Company's US employees, it is necessary to have a fixed number as a limit to the number of options that can be issued under the Plan. It is therefore proposed to set the limit at 15,033,435 shares, which is 6.5% of the number of shares in the Company currently on issue.

Rule 15 currently provides:

"The total number of Shares issued under the Plan when aggregated with the number of ordinary Shares issued by the Company pursuant to all employee share and option schemes established by the Company during the previous five (5) years, shall not exceed six and a half percent (6.5%) of the total number of issued ordinary Shares in the capital of the Company as at the Determination Date."

Accordingly, the Board proposes that Rule 15 of the Plan Rules be amended by replacing "six and a half percent (6.5%) of the total number of issued ordinary Shares in the capital of the Company as at the Determination Date" with "15,033,435 ordinary Shares in the capital of the Company".

Additional proposed minor amendments to the Plan Rules include the correction of typographical errors and updating historical terms to their current equivalent, eg "Australian Stock Exchange Limited" is now "ASX Limited", "Articles of Association" is now "Constitution", and "Corporations Law" is now "Corporations Act".

(b) Exemption from 15% rule

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

ASX 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 each class of securities (**15% Rule**). An exception to this rule is set out in ASX 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 ASX Listing Rule 7.1.

The effect of the approval sought will be that for the next 3 years, the issue of shares under the Plan 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 Plan to directors of the Company and their associates will still require shareholder approval under ASX Listing Rule 10.14. The issue of shares under the Plan also remains subject to the issue limits under the Plan.

A possible disadvantage, if Resolution 3 is passed, is the dilutory 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 amended Plan Rules is attached to this Notice of Meeting (see **Annexure A**). A copy of the amended Plan Rules is available to members on request to the Company Secretary.

The Board recommends the approval of the Plan 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 Terry Fern has an interest as a possible participant in the Plan, he does not make a recommendation.

RESOLUTION 4 – 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, which is contained within the Directors' Report for the year ended 31 December 2009, 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.

ANNEXURE A

SUMMARY OF THE RULES OF THE PETSEC ENERGY LTD EMPLOYEE OPTION PLAN

In summary, the Employee Option Plan Rules provide that:

- (a) A Committee appointed by the Board may from time to time offer options over ordinary shares in the Company to employees of the Company or any subsidiary of the Company;
- (b) The total number of shares which could be issued by the Company in respect of which options have been granted, when aggregated with the number of ordinary shares issued, or which could be issued by the Company under options granted, pursuant to 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 which 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 ASX Listing Rules;
- (h) Optionholders 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 optionholder will be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and
- (j) The Plan will continue in operation at the discretion of the Committee.

SUMMARY OF THE RULES OF THE PETSEC ENERGY LTD EMPLOYEE SHARE PLAN

In summary, the Employee Share Plan rules provide that:

- (a) Employees who are invited to participate in the Plan will be given the opportunity to apply for shares which will be held on their behalf by the Trustee of the Plan, 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 of the Company, a subsidiary or any other company approved by the Committee appointed by the Board to administer the Plan 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 Plan applies to fully paid ordinary shares.
- (d) The Plan is subject to the ASX Listing Rules which, amongst other things, require that any issue of shares under the Plan 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.

The Committee will determine when shares are to be offered to eligible employees.

- (f) The total number of shares issued under the Plan when aggregated with the number of ordinary shares issued by the Company pursuant to all employee share and option schemes established by the Company during the previous 5 years must not exceed 15,033,435.
- (g) The issue price of the shares must be not less than the market price of the Company's shares (a weighted average ASX sale price) at or about the time of the offer.
- (h) Subject to the terms of the Plan, shares issued under it rank equally in all respects with the other ordinary shares of the Company then on issue. The Trustee will be the registered holder of the shares while they are restricted.
- (i) 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.
- (j) 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.

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.

- (k) 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 in the Company.

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.

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.