



PETSEC ENERGY LTD

Entitlement Offer Document

A non-renounceable entitlement offer of one (1) New Share for every two (2) Shares held by Eligible Shareholders registered as at 7.00 pm on 24 November 2009 at an issue price of \$0.20 per New Share to raise approximately \$15.4 million (before costs).

The Offer is fully underwritten.

The Closing Date of the Entitlement Offer is 11 December 2009.

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.

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Sydney NSW 2000
Australia
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Underwriter:

Martin Place Securities Pty Limited
ABN 30 094 927 947
Level 3, 14 Martin Place
Sydney NSW 2000
Australia

Entitlement Offer

This Entitlement Offer is dated 26 November 2009 and is a non-renounceable offer of one (1) New Share for every two (2) Shares held by Eligible Shareholders registered at 7.00 pm (AEST) on 24 November 2009 at an issue price of \$0.20 per New Share, to raise approximately \$15.4 million.

This Entitlement Offer is scheduled to close at 5.00 pm (AEST) on 11 December 2009

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. It does not contain all the information 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. 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 interim 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 11 December 2009 you will not be issued with New Shares.

Hong Kong

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.

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1 Chairman's Letter

26 November 2009

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 16 November 2009, the Company announced a non-renounceable Entitlement Offer or "rights issue", as it is commonly known, of one (1) New Share for every two (2) Shares held at the record date of 24 November 2009. The New Shares will be issued at a cost of 20 cents per share.

The Offer is fully underwritten by Martin Place Securities Pty Limited.

The Offer will raise approximately \$15.4 million (before costs) through the issue of a maximum number of 77,100,000 New Shares under the Offer.

Proceeds from the Offer will be used to support the Company's 2010 exploration and development programme of three to five high impact exploration wells in the Gulf of Mexico, USA, and the expected start of development of the 6.12/6.12 South and 12.8 West oil fields in Block 22/12, Beibu Gulf, China.

The drilling programme in the Gulf of Mexico will expose the Company to potential recoverable reserves of 25 to 50 billion cubic feet of gas equivalent (Bcfe), more than double the current developed reserves in the USA of 20 Bcfe. The PV10 of the 20 Bcfe at current strip prices is in excess of US\$60 million and the PV10 on success of the drilling programme is US\$118 million for three wells and US\$171 million for five wells.

Drilling costs for the USA 2010 programme are estimated at US\$7 – US\$13 million, and success-based development costs of an additional US\$8 – US\$17 million.

To provide further financing flexibility for future development, the Company is contemplating selling part of its producing reserves in the USA in order to repay approximately US\$29 million of debt outstanding in Petsec Energy Inc., the Company's US operating arm. The Company is contemplating selling 50 % of its reserves (10 Bcfe) for US\$25 - US\$30 million.

Petsec Energy owns a 25% interest in five oil fields in Block 22/12, Beibu Gulf, China, which hold potentially recoverable reserves in excess of 43 million barrels of oil (P50). Part of the funds raised from the Offer will be used for the initial development costs of three of the five fields, the 6.12, 6.12 South and 12.8 West oil fields. The largest field of the three, the 6.12 South was discovered by the joint venture of Australian companies - Petsec Energy, ROC Oil, Horizon Oil and First Australia Resources, in mid 2006.

This development of 27 million barrels of recoverable oil (P50) is anticipated to commence in the second quarter of 2010, following lodging of the overall development plan (ODP) by CNOOC (China National Offshore Oil Company) expected in December 2009 or January 2010. First production is expected in the first half of 2012 at an initial rate of 19,000 barrels of oil per day.

The development of two well head platforms and eleven wells, tied back to a CNOOC owned and operated facility, is anticipated to cost Petsec Energy about US\$25 million over the two year

development period. To fully accommodate this expenditure the Company is contemplating disposing of a 10% interest for in excess of US\$15 million.

Due to the financial crisis, and a perception the Company holds too much debt (US\$29 million), a lack of drilling over the past 18 months, lower gas prices in the USA and delays to the commencement of development of the China oil fields, the Company's share price has fallen from a peak in mid 2006 of A\$3.50/share to a low of 13 cents in March of this year. In the past 6 months the share price has averaged about 25 cents per share. The market value of US\$37 million indicated by the current share price of 26 cents per share is significantly below the value indicated by current market prices for the Company's assets, with the indicated value of the Company's US and China oil and gas reserves being US\$90 million. The current PV10 of the developed US gas reserves is estimated at US\$61.8 million, and the undeveloped China oil reserves, US\$74 million.

Full details of the Entitlement Offer and key dates are set out in this Entitlement Offer Document. Further useful information can be found on Petsec Energy's website www.petsec.com.au, particularly the announcement of the rights issue and the Use of Funds Presentation, released on Monday 16th November.

The board and I are excited by the drilling programme designed for 2010 and by the prospect that after three years since the discovery of the 6.12 South oil field in China, we are very close to commencing the development.

Directors of the Company will be taking up their Entitlement of New Shares and we strongly encourage you to do likewise.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Terrence N. Fern', with a stylized flourish above the name.

Terrence N. Fern
Chairman and Managing Director

2 Key Dates

Following are the key dates relating to the Entitlement Offer:

Event	Date
Announcement Date and lodgement of Entitlement Offer Document and Appendix 3B with ASX	16 November 2009
Notice to Shareholders	17 November 2009
Shares quoted on ex-entitlement basis	18 November 2009
Record Date	7pm on 24 November 2009
Despatch of Offer Document and Entitlement and Acceptance Forms	26 November 2009
Closing Date	5pm on 11 December 2009
New Shares quoted on a deferred settlement basis	14 December 2009
Shortfall notification date	16 December 2009
Despatch date. Allotment and issue of New Shares. Deferred settlement trading ends	21 December 2009
Mail out of holding statements for New Shares	22 December 2009

The Company reserves the right, subject to the Corporations Act, the ASX 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, Registries Limited, between 9.00 am and 5.00 pm (AEST) on Mondays to Fridays during the Offer Period on 1300 737 760 within Australia, or (61 2) 9290 9600 from outside Australia.

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 one (1) New Share for every two (2) Shares held by Eligible Shareholders, being shareholders having a registered address in Australia, New Zealand or Hong Kong, registered at 7.00 pm (AEST) on 24 November 2009 at an issue price of \$0.20 per New Share, to raise approximately \$15.4 million (before costs).

The issue price represents a discount of 22% to the average closing price of the Shares of approximately 26 cents per share over the five (5) trading days on the ASX before 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	154,188,841
Maximum number of New Shares to be issued in Offer	77,100,000
Maximum number of Shares on Issue after Close of the Offer	231,288,841

The Company also has on issue 5,719,000 employee options to acquire Shares. To participate in the Entitlement Offer the options need to be exercised prior to the Record Date. No Offer is being made in respect of the options.

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 registered 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 Eligible Shareholders read and understand the information about Petsec Energy Ltd made publicly available prior to accepting any Entitlement. 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 one (1) New Share for every two (2) Shares you held as at 7.00 pm (AEST) on 24 November 2009.

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 The Offer Period

The Entitlement Offer will open for the receipt of acceptances on 26 November 2009. The Closing Date and time for acceptances and payments is scheduled to be 5.00 pm (AEST) on Friday, 11 December 2009, subject to the Company varying the Closing Date in accordance with the Corporations Act and the ASX Listing Rules.

3.4 Who may participate in the Entitlement Offer?

Shareholders with holdings of Shares in the Company who:

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

3.5 Offer Price

The Offer Price is \$0.20 per New Share.

3.6 No Entitlement trading

The Entitlements are non-renounceable. There will be no rights trading on ASX and Entitlements may not be sold or transferred.

3.7 Issue of New Shares

The Company expects that the New Shares will be issued on or around 21 December 2009. Issues of New Shares under the Entitlement Offer will only be made after the ASX has granted permission for their quotation on the ASX.

3.8 Refunds of 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.

3.9 Underwriting

The Company has entered into an Underwriting Agreement with Martin Place Securities Pty Limited in respect of the Offer. The Underwriter has agreed, subject to conditions, to underwrite subscription for all New Shares under the Entitlement Offer. A summary of the terms of the Underwriting Agreement is included at Section 7.3, below.

3.10 Other Directors' Interests

Directors will be taking up their Entitlements under the Offer. Entities associated with the Chairman have agreed to sub-underwrite 25% of the Offer. A 2% sub-underwriting fee is payable by the Underwriter.

4 What Shareholders need to do

4.1 Enquiries

If Shareholders have any questions about their Entitlement they should contact either Registries Limited on 1300 737 760 within Australia or (61 2) 9290 9600 from outside Australia or consult their stockbroker or professional adviser.

4.2 No rights trading

The Entitlement Offer is non-renounceable, which means you can not sell or transfer the whole or any part of your entitlement to another party. Even if a Shareholder does not take up their Entitlement the Shareholder does not get any value or payment for that unused Entitlement.

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 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:

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, the Shareholder should:

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

Either

- post or hand deliver to Registries 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;

Or

- pay the correct Application Monies for the number of New Shares being applied for by BPAY® 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 you are making the declarations to the Company that are set out in the Form.

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

The Company will treat Shareholders as applying for as many New Shares as their payment, whether by cheque or BPAY®, will pay for in full, up to the Shareholder’s full Entitlement.

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 Registries Limited on or before 5.00 pm AEST on 11 December 2009 (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 \$0.20 per New Share applied for, by no later than the Closing Date, currently 5.00 pm AEST on 11 December 2009.

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/- Registries Limited
GPO Box 3993
Sydney NSW 2001

So that the cheque and the Form reach Registries 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 11 December 2009. 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 then they can simply not respond or make any payment. That 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 will not receive any 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 Underwriter taking up any Shortfall.

5 Purpose of the Entitlement Offer

Proceeds from the Offer will be used to support the Company's 2010 exploration and development programme of three to five high impact exploration wells in the Gulf of Mexico, USA, and the expected start of development of the 6.12/6.12 South and 12.8 West oil fields in Block 22/12, Beibu Gulf, China.

The drilling programme in the Gulf of Mexico will expose the Company to potential reserves of 25 to 50 billion cubic feet of gas equivalent (Bcfe), more than double the current developed reserves in the USA of 20 Bcfe. The PV10 of the 20 Bcfe at current strip prices is in excess of US\$60 million and the PV10 on success of the drilling programme is US\$118 million for three wells and US\$171 million for five wells. Drilling costs for the USA 2010 programme are estimated at US\$7 – US\$13 million, and success-based development costs of an additional US\$ 8 – US\$17 million.

Petsec Energy owns a 25% interest in five oil fields in Block 22/12, Beibu Gulf, China, which potentially hold recoverable reserves in excess of 43 million barrels of oil (P50). Part of the funds raised from the Offer will be used for the initial development costs of three of the five fields, the 6.12, 6.12 South and 12.8 West oil fields, which contain 27 million barrels of recoverable oil. The largest field of the three, the 6.12 South was discovered by the joint venture of Petsec Energy, ROC Oil, Horizon Oil and First Australian Resources, in mid 2006. Petsec Energy estimates that its proportion of the capital costs is US\$25 million, over the two year development period.

The costs associated with the Offer are estimated at \$462,600 and will be paid from the proceeds of the Offer.

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 a geographic area;
 - 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 have 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 U.S. government;
- 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 our 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 our 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 we provide 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 our operations are conducted in U.S. dollars, we generally maintain a substantial portion of our cash balances in U.S. dollar accounts. Occasionally, however, we 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;
 - 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, 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 the 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 Martin Place Securities Pty Limited. The Underwriter has agreed, subject to conditions, to underwrite subscriptions for up to the total 77,100,000 New Shares to be issued under the Offer, for an underwritten amount of \$15,420,000 (before costs).

The Underwriter will be entitled to be paid a 3% underwriting fee in respect of the underwritten amount.

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 Options

The Company has on issue 5,719,000 employee options to acquire Shares. To participate in the Entitlement Offer the options need to be exercised prior to the Record Date. No Offer is being made in respect of the options.

7.5 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.

7.5.1 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 (the "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 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 advise on foreign laws.

7.7 Disclaimer of representations and forward looking statements

No person other than the Company is authorised to give any information or to 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.

7.8 Privacy

As a Shareholder, the Company and Registries Limited have already collected certain personal information from you. If you apply for New Shares, the Company and Registries 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 Registries 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 Registries Limited. If the Company's or Registries Limited's record of your personal information is incorrect or out of date, it is important that you contact Registries Limited so that your records can be corrected.

7.9 Competent Person Statement

In accordance with ASX Listing Rules, the estimates for Petsec's US reserves and resources are based upon information compiled, reviewed and signed off by Mr Dana Westphal, Reservoir Engineer a full time employee of Petsec Energy. Mr Westphal has at least five years' relevant experience within the sector and consents to the disclosure of this information in the form and context in which it appears.

7.10 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 11 December 2009 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 or Hong Kong, 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 \$0.20 each on the basis of one (1) New Share for every two (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	26 November 2009 unless changed by the Company
New Share	A new Share proposed to be issued under the Entitlement Offer
Record Date	24 November 2009
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
Underwriter	Martin Place Securities Pty Limited (ABN 30 094 927 947)
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriter dated 13 November 2009.
US Person	A US person as defined in Regulation S of the US Securities Act of 1933
\$	Australian Dollar

9 Corporate Directory

Petsec Energy Ltd

ABN 92 000 602 700
Level 13, 1 Alfred Street
Sydney NSW 2000
Australia
Tel: +61 2 9247 4605
Fax: +61 2 9251 2410
email: mail@petsec.com.au
website: www.petsec.com.au

Underwriter:

Martin Place Securities Pty Limited
ABN 30 094 927 947
Level 3, 14 Martin Place
Sydney, NSW 2000
Australia

Directors:

Terrence N Fern – Chairman and Managing Director
Michael L Harvey – Non-Executive Director
David A Mortimer AO – Non-Executive Director
Peter E Power – Non-Executive Director

Company Secretary:

Paul Gahdmar

Registrar:

Registries Limited
GPO Box 3993
SYDNEY NSW 2001
Tel: 1300 737 760 (within Australia)
Tel: +61 2 9290 9600 (outside Australia)
Fax: +61 2 9279 0664
email: registries@registries.com.au
website: www.registries.com.au