



PACIFICENERGY

**PACIFIC ENERGY LIMITED
ACN 009 191 744**

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Pacific Energy Limited will be held at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 on Friday, 25 November 2016 at 10:00 am (WST).

If you are unable to attend the meeting, you may complete the Proxy Form (enclosed) and return it to the Company as soon as possible and in any event so it is received by the Company Secretary at the place specified in the Proxy Form no later than 48 hours prior to the time of commencement of the meeting.

THIS DOCUMENT IS IMPORTANT

This Notice should be read in its entirety. If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9303 8888.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Pacific Energy Limited (**Company**) will be held at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 on Friday, 25 November 2016 at 10:00 am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 23 November 2016 at 5:00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2016, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."

Voting exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 – Re-election of Director – Mr Kenneth Joseph Hall

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with, article 17.2 of the Constitution and for all other purposes, Mr Kenneth Joseph Hall, Director, retires and being eligible, is re-elected as a Director."

4. Resolution 3 – Re-election of Director – Mr Mark Clifford Lawrenson

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, pursuant to and in accordance with, article 17.2 of the Constitution and for all other purposes, Mr Mark Clifford Lawrenson, Director, retires and being eligible, is re-elected as a Director."

5. Resolution 4 – Issue of Plan Shares to Mr Brady Hall

To consider and, if thought fit, to pass the following resolution as an ordinary resolution with or without amendment:

"That, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 28,220 Plan Shares to Mr Brady Hall (and/or his nominee) under the Employee Plan on the terms and conditions in the Explanatory Memorandum."

Voting exclusion

The Company will disregard any votes cast on this Resolution by Mr Brady Hall or his nominee, a Director (except one who is ineligible to participate in the Employee Plan) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson 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.

6. Resolution 5 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass, with or without amendment, the following **special resolution**:

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

Voting Exclusion

For the purposes of Listing Rule 7.3A, the Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities issued under the Company's 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates, unless it is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form); or
- (b) by a 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).

BY ORDER OF THE BOARD

Michael Kenyon
Company Secretary
Dated: 16 October 2016

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 on Friday, 25 November 2016 at 10:00 am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders when deciding whether or not to pass the Resolutions.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 10:00 am (WST) on 23 November 2016, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy holders (Remuneration of Key Management Personnel)

A vote on Resolution 1 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

3. Annual Report

In accordance with section 317(1) of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2016.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available by contacting the registered office on +61 8 9303 8888 or emailing info@pacificenergy.com.au;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five (5) Business Days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Adoption of Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified management and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report will cease to hold office and may stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2015 annual general meeting. Please note, if the Remuneration Report receives a Strike at this Meeting and a second Strike is received at the 2017 annual general meeting, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

5. Resolution 2 – Re-election of Director – Mr Kenneth Joseph Hall

Article 17.1 of the Constitution requires that one third of Directors, (excluding the managing director and rounded down to the nearest whole number) must retire at each annual general meeting of the Company and will be eligible for re-election. The Company currently has 4 Directors excluding the managing director, and therefore, 1 Director must retire under Article 17.1.

Article 17.2 of the Constitution provides that notwithstanding Article 17.1, each Director (excluding the managing director) must retire no later than at the third annual general meeting following his or her appointment and will be eligible for re-election. Any Director who retires under Article 17.2 is eligible to count towards the number to retire under Article 17.1 at the same meeting.

Mr Kenneth Hall was last appointed as a Director at the Company's 2013 annual general meeting and therefore will retire pursuant to Article 17.2 and, being eligible, seeks re-election.

Mr Kenneth Hall's retirement under Article 17.2 also satisfies the requirement under Article 17.1 for a Director to retire by rotation.

A brief CV of Mr Kenneth Hall is included in the Directors' Report.

The Board (excluding Mr Kenneth Hall) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

6. Resolution 3 – Re-election of Director – Mr Mark Clifford Lawrenson

Article 17.1 of the Constitution requires that one third of Directors, (excluding the managing director and rounded down to the nearest whole number) must retire at each annual general meeting of the Company and will be eligible for re-election. The Company currently has 4 Directors excluding the managing director, and therefore, 1 Director must retire under Article 17.1.

Article 17.2 of the Constitution provides that notwithstanding Article 17.1, each Director (excluding the managing director) must retire no later than at the third annual general meeting following his or her appointment and will be eligible for re-election. Any Director who retires under Article 17.2 is eligible to count towards the number to retire under Article 17.1 at the same meeting.

Mr Lawrenson was last appointed as a Director at the Company's 2013 annual general meeting and therefore will retire pursuant to Article 17.2 and, being eligible, seeks re-election.

Mr Lawrenson's retirement under Article 17.2 also satisfies the requirement under Article 17.1 for a Director to retire by rotation.

A brief CV of Mr Lawrenson is included in the Directors' Report.

The Board (excluding Mr Lawrenson) recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

7. Resolution 4 – Issue of Plan Shares to Mr Brady Hall

7.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 10.14 for the grant of 28,220 Plan Shares to Mr Brady Hall (and/or his nominee).

Mr Brady Hall is an employee of the Company, and is eligible to receive Plan Shares pursuant to the Employee Plan for the entitlement period ended 31 August 2016.

The purpose of the issue of the Plan Shares is for the Company to retain, motivate and reward its employees. Mr Brady Hall has maintained a senior position within the Company for several years and the issue of Plan Shares to him is solely for his efforts as an employee of the Company.

7.2 Section 208 of the Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party the Company must obtain Shareholder approval, unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Mr Brady Hall is a related party of the Company as he is the child of a Director, Mr Kenneth Hall.

The Directors have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the granting of the Plan Shares to Mr Brady Hall as the exception in section 211 of the Corporations Act applies. The Directors have determined that the Plan Shares are reasonable remuneration for Mr Brady Hall's responsibilities in the Company.

7.3 Listing Rule 10.14

In accordance with Listing Rule 10.14, the Company must not issue securities to an associate of a Director of the Company unless it obtains Shareholder approval.

Mr Brady Hall is a related party of a Director, Mr Kenneth Hall as he is a child of Mr Kenneth Hall. Mr Brady Hall is therefore taken to be an associate of that Director pursuant to Listing Rule 19.2.

As Shareholder approval is sought under Listing Rule 10.14, no approval is required under Listing Rules 7.1 or 10.11.

Shareholder approval of Resolution 4 means that the issue of the Plan Shares to Mr Brady Hall will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

7.4 Specific information required by Listing Rule 10.15

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (a) The Plan Shares will be issued to Mr Brady Hall. Mr Brady Hall is an associate of a Director, Mr Kenneth Hall, as he is a related party to that Director, being a child of Mr Kenneth Hall.
- (b) The maximum number of securities to be issued under this Resolution is 28,220 Plan Shares.
- (c) Each Plan Share will be issued for nil cash consideration. No funds will therefore be raised by the issue of the Plan Shares.
- (d) Since 24 November 2015, 26,896 Plan Shares have been issued to Mr Brady Hall for nil cash consideration.
- (e) Under the rules of the Employee Plan, Mr Brady Hall is the only person referred to in Listing Rule 10.14 that is entitled to participate in the Employee Plan.

- (f) The Plan Shares will be issued no later than 12 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (g) No loans have been provided by the Company in connection with the issue of the Plan Shares.
- (h) A voting exclusion statement is included for Resolution 4 in the Notice.

8. Resolution 5 – Approval of 10% Placement Facility

8.1 General

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

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities the eligible entity may issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2 below).

The effect of this Resolution will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Facility during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity under Listing Rule 7.1.

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

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

The Chairman intends to exercise all available proxies in favour of Resolution 5.

8.2 Listing Rule 7.1A

(a) Shareholder approval

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

(b) Equity Securities

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

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, being listed Shares and one class of unlisted options.

(c) **Formula for calculating 10% Placement Facility**

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

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

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval; and
- (iv) less the number of fully paid shares cancelled in the 12 months.

D is 10%.

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

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

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

At the date of this Notice, the Company has on issue 370,210,333 Shares and has a capacity to issue:

- (i) 55,531,550 Equity Securities under Listing Rule 7.1; and
- (ii) 37,021,033 Equity Securities under Listing Rule 7.1A.

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

(e) **Minimum Issue Price**

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

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

(f) **10% Placement Period**

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

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

or such longer period if allowed by ASX (**10% Placement Period**).

8.3 Listing Rule 7.1A

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

8.4 Specific information required by Listing Rule 7.3A

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

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days (on which trades in that class were recorded) immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within five (5) Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of convertible securities, only if the convertible securities are converted into Shares). There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

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

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

Variable “A” in Listing Rule 7.1A.2		Dilution		
		\$0.32 50% decrease in Issue Price	\$0.64 Issue Price	\$0.96 50% increase in Issue Price
Current Variable A 370,210,333 Shares	10% voting dilution	37,021,033 Shares		
	Funds raised	\$11,846,731	\$23,693,461	\$35,540,192
50% increase in current Variable A 555,315,500 Shares	10% voting dilution	55,531,550 Shares		
	Funds raised	\$17,770,096	\$35,540,192	\$53,310,288
100% increase in current Variable A 740,420,666 Shares	10% voting dilution	74,042,067 Shares		
	Funds raised	\$23,693,461	\$47,386,923	\$71,080,384

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No convertible securities (including any convertible securities issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of this Meeting.

- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes convertible securities, it is assumed that those convertible securities are converted into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.64, being the closing price of Shares on the ASX on 30 September 2016.
- (e) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (f) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration. In which case, the Company may use the funds raised towards reducing debt, increasing capital expenditure or employing it towards its working capital requirements; or
 - (ii) non-cash consideration for the acquisition of (or securing the right to make acquisitions of) new projects and investment or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A3.
- (g) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (i) The subscribers under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

- (j) Further, if the Company is successful in acquiring new assets or investments, it is possible that the subscribers under the 10% Placement Facility will be the vendors of the new assets or investments.
- (k) The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A at any of its annual general meetings.
- (l) A voting exclusion statement is included in the Notice for Resolution 5.
- (m) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8.5 Directors' recommendation

Based on the information available, including the information contained in this Explanatory Memorandum, all of the Directors consider that Resolution 5 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 5. The Directors have formed this view as the passing of this Resolution will provide greater flexibility when considering future capital raising opportunities. The passing of Resolution 5 will increase the Directors' ability to issue new Shares permitted by the Listing Rules without requiring Shareholder approval.

Each Director has indicated that he intends to vote the Shares he owns or controls in favour of Resolution 5. The Chairperson intends to vote all undirected proxies in favour of the Resolution.

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

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in section 8.1.

10% Placement Period has the meaning given in section 8.2.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2016.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

ASIC means *Australian Securities and Investments Commission*.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

Chairperson means the person appointed to chair the Meeting, or any part of the Meeting, convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company or **Pacific Energy** means Pacific Energy Limited ABN 22 009 191 744.

Constitution means the constitution of the Company as at the date of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company as at the date of this Notice.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Employee Plan means the Pacific Energy Limited Employee Share Plan.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice.

Financial Report means the financial report prepared under chapter 2M of the Corporations Act of the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Plan Share means a Share issued under the Employee Plan.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Secretary means a company secretary of the Company as at the date of this Notice.

Section means a section of this Explanatory Memorandum.

Share means an ordinary share in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

Trading Day has the same meaning as in the Listing Rules.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

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PROXY FORM

The Company Secretary
Pacific Energy Limited ACN 009 191 744

By delivery:

338 Gnangara Road
LANDSDALE WA 6065

By post:

PO Box 5
KINGSWAY WA 6065

By facsimile:

+61 8 9303 8899

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

The Chairman (mark box)

OR if you are **NOT** appointing the Chairman as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at 10am (WST) on 25 November 2016 at the Pan Pacific Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 and at any adjournment or postponement of that Meeting.

Important – If the Chairman is your proxy or is appointed as your proxy by default

The Chairman intends to vote all available proxies in favour of Resolutions 1 to 5 (inclusive). If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 1 to 5 (inclusive) you will be expressly authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolutions 1 to 5 (inclusive) even if any of Resolutions 1 to 5 (inclusive) are connected directly or indirectly with the remuneration of a member of Key Management Personnel and even if the Chairman is a member of Key Management Personnel or a Closely Related Party of Key Management Personnel.

Step 2 – Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Kenneth Joseph Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director – Mr Mark Clifford Lawrenson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Plan Shares to Mr Brady Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Landsdale office of the Company (338 Gnangara Road, Landsdale WA, 6065, or by post to PO Box 5, Kingsway, WA, 6065 or Facsimile (08) 9303 8899 if faxed from within Australia or +618 9303 8899 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).