

20 August 2010

Half year 2010 Reserve Estimates and Financial Results Guidance

Petsec Energy Ltd (ASX: PSA; ADR's: PSJEY.PK)

Petsec Energy today announced its internal reserve estimates at 30 June 2010, and provided guidance for its half year 2010 results.

Reserve Estimates

Estimated proved and probable (2P) reserves by the Company at 30 June 2010 attributable to its U.S. producing leases is 14 billion cubic feet of gas equivalent (Bcfe).

Estimates of China proved and probable (2P) reserves for the 6.12, 6.12 South and 12.8 West oil fields under the current Overall Development Plan, net to the Company, following China National Offshore Oil Corporation's decision to participate for 51% (Petsec 12.25%), are expected to be in the range of 3.1 to 3.4 MMbbl and up to 6.4 MMbbl on a 3P basis.

The table below is a summary of the USA reserve estimates and movements for the six months to 30 June 2010, adjusted for the LP Theriot well in the South Sunrise field, which loaded up and ceased production on 11 August 2010. Installation of a compressor is planned in late August to attempt to bring the well back into production.

	Petsec Energy Inc. Estimated Recoverable Proved and Probable Reserves USA <i>Gas Equivalent Bcfe</i>
USA Reserves	
Reserves at 1 January 2010	18.9
Net additions	-
Revisions	(2.8)
Production	(2.1)
USA Reserves at 30 June 2010	14.0

Competent Person Statement

In accordance with ASX Listing Rules, the Petsec Energy Inc., USA internal reserve estimates information in this report is based upon information compiled, reviewed and signed off by Mr Ron Krenzke, Executive Vice President Exploration, a full time employee of Petsec Energy Inc. Mr Krenzke 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.

Financial Results Guidance

In accordance with Australian Accounting Standards and company policy, the Company periodically reviews the carrying values of its oil and gas properties and is required to demonstrate that the carrying values are no less than, the estimated future discounted cash flows to be generated from the expected production from these properties.

A
N
N
O
U
N
C
E
M
E
N
T

The Company expects to recognise a total dry hole, impairment and abandonment expense charge of US\$16.7 million for the six months to 30 June 2010, comprising US\$3.1 million in relation to Petsec Energy's share of dry hole costs for the Main Pass Block #4 exploration well; US\$13.5 million in impairment provisions against producing properties and undrilled leases due to reserve revisions and the current difficult Gulf of Mexico investment climate; and US\$0.1 million increase in estimates of rehabilitation provisions. This expense is preliminary and is in the process of being reviewed by our auditors.

The impairment provisions recognised against the carrying value of the oil and gas properties potentially may be reversed, to the extent allowed, at a future time should there be a recovery in commodity prices or if there is any other change in the estimates used to determine the recoverable amounts.

The Company is also required under Australian Accounting Standards, to assess at each reporting period, the extent to which deferred tax assets in respect of the carry-forward of unused tax losses and temporary differences qualify for recognition on the balance sheet based on current facts and circumstances, including projected future taxable profits.

Consequently, the Company also expects to recognise an impairment against its deferred tax assets of US\$13.3 million due to current uncertainty and poor investment climate in the Gulf of Mexico and the Company's capacity to achieve growth in the Gulf in the near to medium term.

Petsec Energy expects to announce its half-year results on 31 August 2010.

Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and the onshore Louisiana Gulf Coast region of the USA, and oil in the shallow waters of the Beibu Gulf off the south coast of China.

For Further Information:

Paul Gahdmar
Petsec Energy Ltd
Level 13
1 Alfred Street
Sydney NSW 2000
Tel: 612 9247 4605
Fax: 612 9251 2410

Ross Keogh
Petsec Energy Inc.
4023 Ambassador Caffery Parkway
Suite 550
Lafayette, LA 70503
Tel: 1 (337) 989 1942
Fax: 1 (337) 989 7271

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: petsec.com.au