

MEDIA RELEASE

11 March 2011

## Term Loan Settled Petsec Now Debt Free

*Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy Ltd is pleased to announce that the Company has reached an agreement to settle all outstanding amounts under the Subordinated Term Loan owed by its US subsidiary, Petsec Energy Inc. ("PEI").

The amount of the term loan of US\$29.2 million will be fully extinguished in exchange for US\$12 million in cash, a 2.5% working interest in the Company's Main Pass 270 producing wells, a 2.0% working interest in the Company's leases in the Atchafalaya Bay area (Marathon discovery), Louisiana, and 25% of the Company's working interest in 10 non-producing leases in the Gulf of Mexico, USA.

On completion of the settlement, the Petsec Energy group will have zero outstanding debt, US\$10.5 million in cash, and 2P reserves at 1 January 2011 of 15.5 billion cubic feet of gas equivalent ("Bcfe") in eight fields in the USA with a net present value using a 10% per annum discount rate ("NPV10") of US\$46.4 million using five year oil and gas strip prices.

The Company expects to produce 3 Bcfe in 2011 from its U.S. operations and generate revenues net of royalties of approximately US\$15 million.

The Company's 10 non-producing leases in the Gulf of Mexico hold prospects with 400 - 750 Bcfe of gross reserve potential.

The Company also has 2P reserves of 2.94 million barrels of oil in three fields in Beibu Gulf, China, where development has begun and first production is expected in late 2012.

Petsec Energy's Chairman, Terry Fern, said: "Extinguishing this debt is a major step forward for the company and stabilises our financial position. We look forward to advancing our strategy in the USA to test larger targets in the Gulf of Mexico and Gulf Coast, and the pursuit of shale oil onshore".

The following table shows the independently estimated reserve balances of the Company in the USA immediately following the settlement conveyance.

Gas Equivalent (Bcfe)	Independent Assessment		
	Proved Reserves	Probable Reserves	Proved and Probable Reserves
<b>USA Reserves at 31.12. 2010</b>	<b>13.1</b>	<b>3.8</b>	<b>16.9</b>
Net conveyance to subordinated term loan lender	(0.9)	(0.5)	(1.4)
<b>USA Reserves effective 1.1. 2011</b>	<b>12.2</b>	<b>3.3</b>	<b>15.5</b>

Formal completion of the settlement may not occur for several weeks while certain regulatory filings are being completed.

The firms of Vinson and Elkins LLP, and Parkman Whaling LLC were advisors to Petsec Energy Inc. in connection with the successful completion of this transaction.

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