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2 June 2011**Petsec Energy announces A\$38 million sale of China oil interests***Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)*

Petsec Energy Ltd announced today that it has agreed to sell 100% of the company's wholly owned subsidiary, Petsec Petroleum LLC, which holds Petsec Energy's entire interest (25% working interest) in Block 22/12, Beibu Gulf, China.

Petsec Energy has entered into a Sale and Purchase Agreement with Horizon Oil Limited ("Horizon") for a A\$38 million cash payment, plus options with a 3 year term and exercise price of 37 cents/share over 15 million Horizon Oil Limited shares (ASX: HZN).

The sale – which is expected to be completed during June 2011 – follows previous advice from Petsec Energy that it had decided to put the China interests on the market and to use sale proceeds to fund a significant expansion of the Company's USA petroleum operations.

Petsec Energy Ltd's Chairman, Mr Terry Fern, said the sale of the China interests, combined with Petsec's existing Gulf of Mexico gas production, would provide funds to launch the Company into a new era of growth in the USA.

"Our Board took the view that the required funding of US\$37 million to develop the Company's 12.25% interest in the 6.12/12.8W oil fields, in Block 22/12, would deliver better and earlier returns if applied to shale oil operations in the USA," Mr Fern said.

"As well as our strategy of moving into areas where the shale source rocks are liquid rich, Petsec is also making the structured transition to greater focus on oil exploration generally – in particular since there is currently an oversupply of natural gas in the USA and a relatively low price as a consequence" he said.

"This includes our previously stated move away from the exploration and production of smaller, natural gas targets, which at current US natural gas prices are marginally economic. Instead, we have set a minimum prospect target of greater than 20 billion cubic feet of gas equivalent (Bcfe) and with concentration on those prospects that are likely to have higher hydrocarbon liquids content and hold associated oil."

Petsec, which last week announced that it was debt free after eliminating US\$100 million of debt during the past three years, plans to accelerate its move into the shale oil business as well as transitioning its traditional Gulf of Mexico oil and gas exploration and production focus to the Gulf Coast and onshore Louisiana and Texas.

Last year the Company participated in the Marathon gas/condensate discovery onshore Louisiana with a well drilled to 18,800 feet. The follow-up Marathon No 2 well is currently drilling ahead at 17,300 feet, with a target total depth of 21,000 feet.

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