

PETSEC ENERGY LTD

JUNE 2011 QUARTER RESULTS



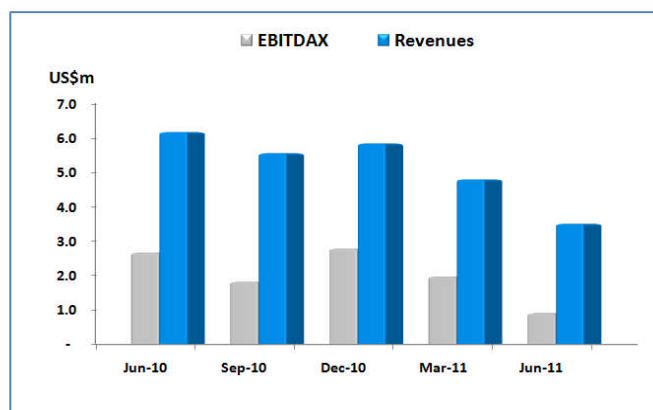
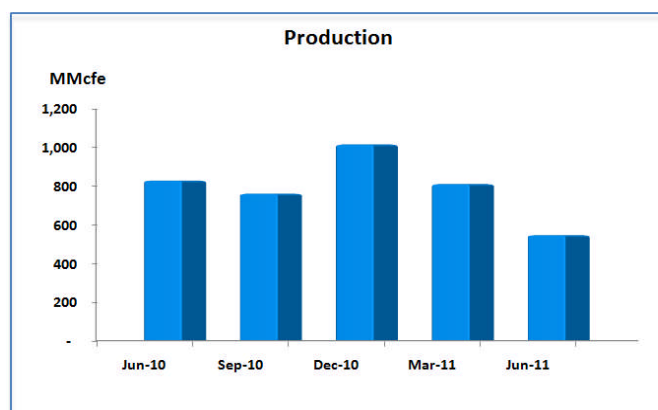
Financials (to be read in conjunction with "Financial Summary & Production Data" table on page 5)

Comparative Performance versus		Current Quarter Jun 11	Previous Quarter Mar 11	% Change	Corresponding Quarter Jun 10	% Change
Production	MMcfe	547	812	(33%)	830	(34%)
Average sales price	US\$/Mcf	6.41	5.91	9%	7.43	(14%)
Net revenue	US\$m	3.5	4.8	(27%)	6.2	(43%)
EBITDAX	US\$m	0.9	2.0	(54%)	2.7	(66%)
Outstanding debt ¹	US\$m	-	29.2	(100%)	29.3	(100%)
Cash ²	US\$m	50.5	24.2	108%	28.0	81%
AE&D expenditure ³	US\$m	2.0	0.1	n/a	5.1	(62%)

¹ Settlement of the outstanding debt was completed on 24 May 2011.

² 30 Jun 2011 cash amount reflects the sale of China assets and settlement of outstanding debt. Also includes restricted cash amounts of US\$7.4 million (Mar 11: US\$8.2 million; Jun 10: US\$5.2 million) used to support letters of credit amount in excess of the Company's bank borrowing base facility plus amounts held in escrow to fund certain abandonment obligations.

³ Acquisition, Exploration & Development expenditure (accrual-based amounts).



Highlights

USA

Term Debt

- Completed settlement of the US\$29.2 million subordinated term debt in late May 2011.

Operations

- Marathon #2 development/exploration well spud on 5th April 2011 with a target depth of 21,000 feet.

CHINA

- Completed sale of entire interest in the Block 22/12 Beibu Gulf project in China to Horizon Oil Limited for cash consideration of A\$38 million, plus 15 million share options with a three year term and an exercise price of A\$0.37.



June 2011 Quarter Activity

Production and Cashflow

Production in the June 2011 quarter was 547 MMcfe, 33% lower than the 812 MMcfe produced in the March 2011 quarter. The June quarter production was adversely impacted by shut-ins in three areas. Firstly, the A-3 well in the Main Pass 270 field ceased producing due to an influx of sand. Evaluation is underway to determine the feasibility of a workover to restore production from the well. Secondly, the Main Pass 18/19 and Chandeaur Area 31/32 fields were shut in for 25 days in June while annual maintenance was completed on the gas sales transportation line that services the fields. Thirdly, the gas sales line that carries production from the Marathon field was shut in by the owner for 28 days because of the fast flowing water in the Atchafalaya River as a result of the extensive flooding from the diversion of the Mississippi River.

During the current quarter, the Company received an average gas equivalent sales price of US\$6.41/Mcfe (including hedging). This was 9% higher than the US\$5.91/Mcfe realised for the previous quarter largely due to the effect of higher oil and gas prices received on unhedged production volumes in combination with a higher percentage of production for the quarter being hedged. The Company received an average price of US\$4.63/Mcf and US\$115.79/bbl for the June 2011 quarter (March 2011 quarter: US\$4.43/Mcf and US\$94.93/bbl) for unhedged gas and oil/condensate production volumes for the current quarter, respectively.

Net revenues of US\$3.5 million were generated in the June 2011 quarter, 27% lower than the US\$4.8 million reported for the March 2011 quarter, largely due to the lower production.

EBITDAX of US\$0.9 million for the June 2011 quarter was lower than the US\$2.0 million achieved in the March 2011 quarter due to lower revenues.

The lower production volumes for the current quarter resulted in higher unit lease operating expenses of US\$2.27/Mcfe and geological, geophysical & administrative expense of US\$2.97/Mcfe. This compared to US\$1.86/Mcfe and US\$2.05/Mcfe, respectively for the previous quarter. As a result, EBITDAX margin for the June 2011 quarter of US\$1.65/Mcfe was lower than the March 2011 quarter margin of US\$2.43/Mcfe.

Acquisition, exploration and development expenditures incurred in the June 2011 quarter amounted to US\$2.0 million, primarily in connection with the Company's share of drilling costs of the Marathon #2 well.

Cash and Debt Facilities

During the quarter, all outstanding amounts under the subordinated term loan owed by the US subsidiary, Petsec Energy Inc. ("PEI") were settled. The amount of the term loan of US\$29.2 million was fully extinguished in exchange for US\$12 million in cash plus, a 2.5% working interest in the three 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 PEI's working interest in 10 non-producing leases in the Gulf of Mexico, USA.

As announced in June 2011, the Company sold 100% of its working interest in Block 22/12 Beibu Gulf China, to Horizon Oil Limited (ASX: HZN) for a A\$38 million cash payment, plus options with a three year term and exercise price of 37 cents per share over 15 million Horizon shares.

The proceeds received from the sale of the China interests together with the settlement of the term loan have considerably strengthened the balance sheet and liquidity of the Company.

June 2011 Quarter Activity (continued)

Cash and Debt Facilities (continued)

At 30 June 2011, the Company had total cash deposits of US\$50.5 million – equivalent to A\$47.2 million using the period end closing rate of 1.0693 (31 March 2011: US\$24.2 million or A\$23.5 million at 1.0319). This amount includes US\$7.4 million of restricted cash deposits that guarantee certain of the Company's future rehabilitation obligations.

Gas Price and Hedging

At 30 June 2011, the Company had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US\$ Price *
July – December 2011	Collars	246,000	6.00 – 7.60
Total hedged volume		246,000	6.00 – 7.60

* Floor/cap prices

Forward natural gas prices have been trading in the mid US\$4.00 - US\$5.00 range as above average summer temperatures in the U.S. have helped to soften the effect of high U.S. gas production and ample natural gas supplies in storage.

The NYMEX 12 month forward strip price for gas at the close of business on 18 July 2011 was approximately US\$4.76/MMBtu and the 36 month forward strip price for gas was approximately US\$5.09/MMBtu.

According to statistics released by the U.S. Energy Information Administration for the week ending 8 July 2011, U.S. working natural gas in storage stood at 2,611 Bcf, 7.7% lower than the level recorded for the corresponding period last year (2,829 Bcf) and 2.0% below the 5-year average (2,663 Bcf).

Operations

USA Gulf of Mexico/Onshore Louisiana and Texas

Exploration

Marathon #2 well

Petsec: 8% working interest (5.84% net revenue interest)

The Marathon #2 well was spud on 5th April 2011 in the shallow waters of the Atchafalaya Bay along the Louisiana Gulf Coast, USA with Phoenix Exploration as operator.

The 21,000 feet (6,500 metres) Marathon #2 well is a follow up to the successful #1 well and is situated in approximately 8 feet (2.4 metres) of water and is located approximately 900 metres from the #1 well location. The #2 well is designed to serve as a development well for the field and also to test deeper exploratory reserve potential on the Marathon structure.

As of 25 July 2011, the well had reached a measured depth of 19,446 feet (5,929 metres) and was drilling ahead to its total target depth of 21,000 feet.

Further details relating to the Marathon #2 well are contained within the media release made to ASX on 13 July 2011.



June 2011 Quarter Activity (continued)

Operations (continued)

Shale Oil

The Company continues to work with its joint venture partner on the technical evaluation of its shale oil opportunity.

Financial Summary and Production Data

A "Financial Summary and Production Data" table is provided on page 5.

Financial Results Guidance – 30 June 2011 Half-Year

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.

Based on a preliminary review by the Company of these values, it is expected that an impairment provision of approximately US\$7.7 million will be recognised due to the performance of certain producing wells and the further softening of natural gas prices since the beginning of the year. This amount is unaudited.

Also, an accounting gain is likely to be recognised in the financial results for the half year on the settlement of the term debt (US\$11 million), and on the sale of the Beibu Gulf asset (US\$28 million).

Proposed Activities – September 2011 Quarter

The principal activities in the September 2011 quarter will be to drill the Marathon #2 well to target depth of 21,000 feet and complete the well for gas and condensate production and to continue with technical evaluation of the shale oil project.

2011 Production and Revenue Forecast

As a consequence of the shut-ins noted above, the Company has lowered its forecast of production and net revenue for the 2011 year from existing producing fields to 2.5 Bcfe and US\$14 million, respectively (previous forecast: 3.0 Bcfe and US\$15 million).

June 2011 Quarter Activity (continued)

JUNE 2011 QUARTER FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED PRELIMINARY FINANCIAL DATA			Jun 2011 Quarter	Mar 2011 Quarter	% Increase/ (decrease)	Jun 2010 Quarter	% Increase/ (decrease)	Six Months to 30 Jun 2011	Six Months to 30 Jun 2010	% Increase/ (decrease)	
<i>Amounts in US\$000</i>											
Net Revenue			3,507	4,797	-27%	6,171	-43%	8,304	15,684	-47%	
Other Revenue/(Expense)			263	351		281		614	785		
Lease Operating Expenses			(1,240)	(1,510)	-18%	(1,547)	-20%	(2,750)	(3,868)	-29%	
Geological, Geophysical & Administrative Expenses (G,G&A)			(1,624)	(1,665)	-2%	(2,238)	-27%	(3,289)	(4,561)	-28%	
EBITDAX		US\$000	906	1,973	-54%	2,667	-66%	2,879	8,040	-64%	
Total Outstanding Debt (excl. unamortised debt transaction costs) ¹		US\$000	-	29,175	-100%	29,250	-100%	-	29,250	-100%	
Cash ²		US\$000	50,489	24,240	108%	27,963	81%	50,489	27,963	81%	
¹ Settlement of the outstanding debt completed on 24 May 2011.											
² Jun 2011 cash amount includes restricted cash deposits of US\$7.4 million used to support letters of credit.											
Acquisition, exploration & development expenditure											
Acquisition			7	77		1,282		84	1,603		
Exploration			519	9		3,632		528	5,383		
Development			1,425	32		232		1,457	383		
Total		US\$000	1,951	118		5,146		2,069	7,369	-72%	
Production (MMcfe)											
			W.L.			N.R.I.					
Offshore Gulf of Mexico											
Main Pass 18/19	1	100%/ 55%	83.33%/ 45.83%	84	170	371		254	833		
Main Pass 270		22.5%-25%	18.75%-20.83%	177	277	16		454	300		
Chandeleur 31/32	1	100%	81.83%	136	174	300		310	584		
Mobile Bay Area	2	40%-50%	30.53%-41.67%	-	-	61		-	212		
Other Offshore			4% ORRI	1	4	12		5	26		
Onshore Louisiana											
		8% - 80%	5.84% - 60.61%	149	187	70		336	148		
Total			MMcfe	547	812	-33%	830	-34%	1,359	2,103	-35%
Unit revenue/cost analysis per Mcfe (USD)											
Oil/Condensate per barrel			115.79	94.93		73.21		102.65	74.66		
Gas per Mcf			5.50	5.10		7.20		5.26	7.21		
Average sales price per Mcfe			6.41	5.91	9%	7.43	-14%	6.11	7.46	-18%	
Other revenue/(expense)			0.48	0.43		0.34		0.45	0.37		
Lease operating expense			(2.27)	(1.86)		(1.86)		(2.02)	(1.84)		
G,G&A expenses			(2.97)	(2.05)		(2.70)		(2.42)	(2.17)		
EBITDAX per Mcfe		US\$	1.65	2.43	-32%	3.21	-49%	2.12	3.82	-45%	

Glossary

Bcfe = billion cubic feet of gas equivalent

Mcfe = thousand cubic feet of gas equivalent

MMbbls = million barrels

Mmcf = million cubic feet of gas equivalent

EBITDAX = Earnings before interest, income tax, depreciation, depletion, amortisation, rehabilitation and exploration (including dry hole, impairment and abandonment expense, seismic and repair expense) and derivative gains

¹ Operated by Petsec Energy

² Permanent plug and abandonment of the Mobile Bay Area wells commenced in the June 2011 quarter and is expected to be complete within the September 2011 quarter.

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Certain statements in this report regarding future expectations and plans of the Company may be regarded as "forward-looking statements". Although the Company believes that its expectations and plans are based upon reasonable assumptions, it can give no assurance that its goals will be met. Actual results may vary significantly from those anticipated due to many factors, including oil and gas prices, operating hazards, drilling risks, environmental risks and uncertainties in interpreting engineering and other data relating to oil and gas reservoirs, as well as other risks.