

PETSEC ENERGY LTD

SEPTEMBER 2011 QUARTER RESULTS



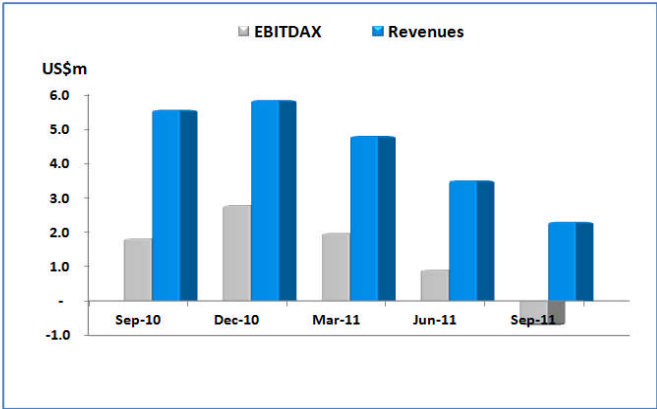
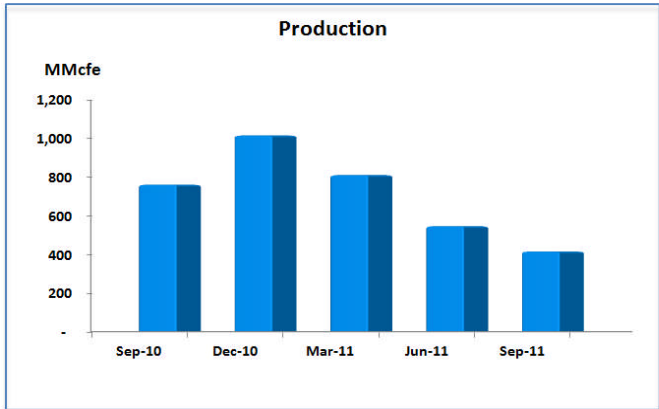
Financials (to be read in conjunction with "Financial Summary & Production Data" table on page 5)

| Comparative Performance versus | | Current Quarter Sep 11 | Previous Quarter Jun 11 | % Change | Corresponding Quarter Sep 10 | % Change |
|--|-----------------|---------------------------|----------------------------|----------|---------------------------------|----------|
| Production | MMcfe | 416 | 547 | (24%) | 762 | (45%) |
| Average sales price | US\$/Mcf | 5.61 | 6.41 | (13%) | 7.29 | (23%) |
| Net revenue | US\$m | 2.3 | 3.5 | (33%) | 5.6 | (58%) |
| EBITDAX | US\$m | (0.7) | 0.9 | n/a | 1.8 | n/a |
| Outstanding debt ¹ | US\$m | - | - | - | 29.2 | (100%) |
| Cash ² | US\$m | 44.5 | 50.5 | (12%) | 22.7 | 96% |
| AE&D expenditure ³ | US\$m | 0.7 | 2.0 | (63%) | 1.5 | (53%) |

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

² Sep 2011 cash includes restricted cash amounts of US\$6.6 million (Jun 11: US\$7.4 million; Sep 10: US\$5.2 million) used to guarantee certain future rehabilitation obligations.

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



Highlights

- The Marathon #2 development/exploration well in the Atchafalaya Bay, Louisiana confirmed and extended the gas productive reservoirs found in the #1 well.
- Technical evaluation work continued on the Shale oil project in preparation for lease acquisition.



September 2011 Quarter Activity

Production and Cashflow

The Company produced 416 million cubic feet of gas equivalent (“MMcfe”) in the September 2011 quarter (June 2011: 547 MMcfe). The September quarter production was hampered by a 33-day shut-in at the Main Pass 270 field, and a curtailment of production of approximately 40% from the Marathon #1 well due to pipeline capacity issues. Initial production from the Marathon #2 well is expected to commence in November 2011 and will provide a limited increase in production while current pipeline capacity constraints prevail (refer to “*Operations – Production*” section on page 3 for further details).

Petsec Energy received an average gas equivalent sales price of US\$5.61/Mcfe (including hedging) for the September 2011 quarter. This was 13% lower than the US\$6.41/Mcfe realised for the June 2011 quarter, largely due to the effect of lower oil and gas prices received on unhedged production volumes in combination with a lower percentage of hedged production for the current period. The Company received an average price of US\$4.56/Mcf and US\$104.84/bbl for the September 2011 quarter (June 2011 quarter: US\$4.63/Mcf and US\$115.79/bbl) for unhedged gas and oil/condensate production volumes for the current quarter, respectively.

September 2011 quarter net revenues of US\$2.3 million were 33% lower than the US\$3.5 million reported for the June 2011 quarter, due to the combined effect of the lower production and lower average sales price received for the current period.

EBITDAX for the September 2011 quarter was negative US\$0.7 million (June 2011: positive US\$0.9 million), mainly due to the lower revenues. The higher unit lease operating expenses of US\$2.46/Mcfe and geological, geophysical & administrative expense of US\$4.36/Mcfe (June 2011: US\$2.27/Mcfe and US\$2.97/Mcfe, respectively), are a consequence of the lower production volumes for the quarter. Consequently, EBITDAX margin for the September 2011 quarter was negative US\$1.76/Mcfe (June 2011: US\$1.65/Mcfe).

Acquisition, exploration and development expenditures incurred in the September 2011 quarter totalled US\$0.7 million primarily in connection with the Company’s share of drilling and completion costs of the Marathon #2 well.

Cash and Debt Facilities

At 30 September 2011, Petsec Energy held total cash deposits of US\$44.5 million – equivalent to A\$45.5 million using the period end closing rate of 0.9777 (30 June 2011: US\$50.5 million or A\$47.2 million at 1.0693). This amount includes US\$6.6 million of cash deposits held in an escrow account to partially secure US\$7.4 million of operator bonds that are on issue to the Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEMRE”).

The Company has no outstanding borrowings following the settlement of the term loan owed by the Company’s US subsidiary Petsec Energy Inc. (“PEI”) in May 2011 and the expiry of PEI’s revolving facility on 15 August 2011.

September 2011 Quarter Activity (continued)

Gas Price and Hedging

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

| Production period | Hedge types | Total MMBtu volume | Weighted average US\$ Price * |
|----------------------------|-------------|--------------------|-------------------------------|
| October – December 2011 | Collars | 92,000 | 6.00 – 7.63 |
| Total hedged volume | | 92,000 | 6.00 – 7.63 |

* Floor/cap prices

The NYMEX 12 month forward strip price for gas at the close of business on 11 October 2011 was approximately US\$4.01/MMBtu and the 36 month forward strip price for gas was approximately US\$4.51/MMBtu.

According to statistics released by the U.S. Energy Information Administration, U.S. working natural gas in storage stood at 30 September 2011 stood at 3,409 Bcf, 2.2% lower than the level recorded for the corresponding period last year (3,487 Bcf) and 0.8% above the 5-year average (3,381 Bcf).

Operations

USA Gulf of Mexico/Onshore Louisiana and Texas

Production

Main Pass 270

Petsec: 22.5% working interest (18.75% net revenue interest)

The Main Pass 270 field platform was shut-in on 24 August for approximately 33 days due to leaks in third party pipelines. The pipelines were repaired and the field recommenced production on 27 September. The Main Pass 270 A-3 well, which ceased producing in April 2011 due to an influx of sand, remains shut-in subject to finalisation of evaluation work to determine the feasibility of a workover to restore production from the well. The company is waiting on a proposal from the operator regarding future well operations.

Main Pass 18/19

Petsec: 100%/55% working interest (83.33%/45.83% net revenue interest)

The Main Pass 18 G-6 well and the Main Pass 19 G-1 and G-4 wells ceased production from the completed zones during the quarter. Recompletions to up-hole zones are planned in each of the three wells and are expected to be completed during the first quarter of 2012.

Marathon Field – Atchafalaya Bay

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

Production from the Marathon gas/condensate field has been curtailed since mid-July due to capacity constraints in the third party sales pipeline, and is being produced at some 40% less than the well's prior highest production rate of 26 MMcfpd. The operator of the field is investigating alternative delivery options.



September 2011 Quarter Activity (continued)

Operations (continued)

The Marathon #2 well, located 900 metres from the successful #1 well, was spud on 5th April and reached target depth of 21,000 feet. The Marathon #2 well confirmed the gas productive reservoirs found in the #1 well, extending the known field pays across the structure. The deeper, exploratory section of the well was found to contain non-commercial hydrocarbons. The well has been completed for production in one of the upper pay sands and production is expected to commence in November of this year. The well is expected to perform similarly to the # 1 well but production from the well will be impacted by field pipeline constraints until such time as an unconstrained alternative pipeline has been connected.

Further details relating to the Marathon #2 well are contained within the media release made to ASX on 31 August 2011.

Plug & Abandonment

During the quarter, the Company concluded work on the plug and abandonment of the wells and platforms in the Mobile Bay Area and Main Pass 20 fields. Petsec's share of the total cost of these operations amounted to approximately US\$8 million.

Exploration

Shale Oil

The Company continues to work on the technical evaluation of its shale oil opportunity in preparation for acquiring leases. For competitive reasons, the location of the project, actual leasing activities and size will need to be held confidential for a period of time until lease acquisition has largely been completed.

Financial Summary and Production Data

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

Proposed Activities – December 2011 Quarter

The principal activities of the December 2011 quarter will be to evaluate further drilling on the Marathon gas/condensate field and to complete technical evaluation of the shale oil project.

2011 Production and Revenue Forecast

As a consequence of the shut-ins and constraints noted above , the Company has lowered its forecast of production and net revenue for the 2011 year from existing producing fields to 2.2 Bcfe and US\$13 million, respectively (previous forecast: 2.5 Bcfe and US\$14 million).

September 2011 Quarter Activity (continued)

SEPTEMBER 2011 QUARTER FINANCIAL SUMMARY AND PRODUCTION DATA

| UNAUDITED PRELIMINARY FINANCIAL DATA | Sep 2011 Quarter | Jun 2011 Quarter | % Increase/ (decrease) | Sep 2010 Quarter | % Increase/ (decrease) | Nine Months to 30 Sep 2011 | Nine Months to 30 Sep 2010 | % Increase/ (decrease) |
|---|----------------------|---------------------|---------------------------|---------------------|---------------------------|-------------------------------|-------------------------------|---------------------------|
| <i>Amounts in US\$000</i> | | | | | | | | |
| Net Revenue | 2,333 | 3,507 | -33% | 5,555 | -58% | 10,637 | 21,239 | -50% |
| Other Revenue/(Expense) | (175) | 263 | | (215) | | 222 | 570 | |
| Lease Operating Expenses | (1,024) | (1,240) | -17% | (1,506) | -32% | (3,774) | (5,374) | -30% |
| Geological, Geophysical & Administrative Expenses (G,G&A) | (1,813) | (1,624) | 12% | (2,015) | -10% | (5,102) | (6,577) | -22% |
| EBITDAX | US\$000 (679) | 906 | | 1,819 | | 1,983 | 9,858 | -80% |
| Total Outstanding Debt (excl. unamortised debt transaction costs) ¹ | US\$000 - | - | | 29,175 | -100% | - | 29,175 | -100% |
| Cash ² | US\$000 44,503 | 50,489 | -12% | 22,659 | 96% | 44,503 | 22,659 | 96% |
| ¹ Settlement of the outstanding debt completed on 24 May 2011. | | | | | | | | |
| ² Sep 2011 cash amount includes restricted cash deposits of US\$6.6 million used to support letters of credit. | | | | | | | | |
| Acquisition, exploration & development expenditure | | | | | | | | |
| Acquisition | 25 | 7 | | 68 | | 109 | 1,671 | |
| Exploration | - | 519 | | 1,013 | | 528 | 6,396 | |
| Development | 688 | 1,425 | | 449 | | 2,145 | 832 | |
| Total | US\$000 713 | 1,951 | -63% | 1,530 | -53% | 2,782 | 8,899 | -69% |
| Production (MMcfe) | | | | | | | | |
| | | W.I. | N.R.I. | | | | | |
| Offshore Gulf of Mexico | | | | | | | | |
| Main Pass 18/19 | 1 | 100%/ 55% | 83.33%/ 45.83% | 70 | 84 | 304 | 1,137 | |
| Main Pass 270 | | 22.5%-25% | 18.75%-20.83% | 90 | 177 | 58 | 358 | |
| Chandeleur 31/32 | 1 | 100% | 81.83% | 131 | 136 | 235 | 819 | |
| Mobile Bay Area | 2 | 40%-50% | 30.53%-41.67% | - | - | 25 | 237 | |
| Other Offshore | | | 4% ORR | - | 1 | 6 | 32 | |
| Onshore Louisiana | | | | | | | | |
| | | 8% - 80% | 5.84% - 60.61% | 125 | 149 | 134 | 282 | |
| Total | | MMcfe | | 416 | 547 | -24% | 762 | -45% |
| Unit revenue/cost analysis per Mcfe (USD) | | | | | | | | |
| Oil/Condensate per barrel | 104.77 | 115.79 | | 77.11 | | 102.88 | 75.89 | |
| Gas per Mcf | 5.25 | 5.50 | | 6.43 | | 5.26 | 7.02 | |
| Average sales price per Mcfe | 5.61 | 6.41 | -13% | 7.29 | -23% | 5.99 | 7.41 | -19% |
| Other revenue/(expense) | (0.42) | 0.48 | | (0.28) | | 0.13 | 0.20 | |
| Lease operating expense | (2.46) | (2.27) | | (1.98) | | (2.13) | (1.88) | |
| G,G&A expenses | (4.36) | (2.97) | | (2.04) | | (2.87) | (2.30) | |
| EBITDAX per Mcfe | US\$ (1.63) | 1.65 | | 2.39 | | 1.12 | 3.43 | -67% |

Glossary

Bcfe = billion cubic feet of gas equivalent

Mcf = 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 completed within the September 2011 quarter.

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