

March 2009 Quarter Report

KEY POINTS

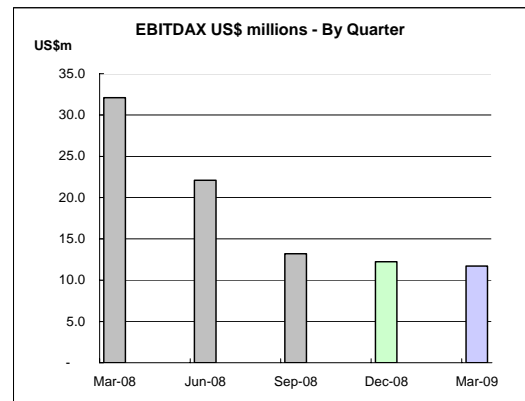
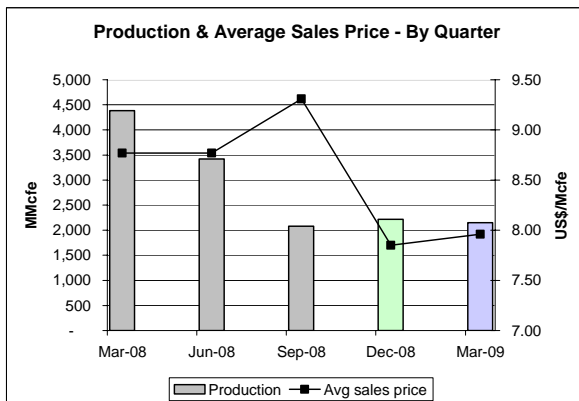
General

Gas hedges provide support for solid March 2009 quarter financial results in spite of precipitous fall in spot prices.

Financials

March 2009 quarter compared to December 2008 quarter

- Production: 2,152 MMcfe – down 3%
- Net revenue: US\$17.1 million – down 2%
- EBITDAX: US\$11.7 million – down 4%
- Average sales price received: US\$7.96/Mcfe – up 1%
- Net debt: US\$32.8 million at 31 March 2009 – down 11%
- On track to meet 2009 full-year production target of 7 Bcfe



Operations

USA

- **Main Pass 270 (25.00% working interest & 20.83% net revenue interest)**

Production from the Main Pass 270 gas field, which had been shut-in since April 2008 pending completion of third party pipeline repairs, was restored on 2 March 2009 at an average gross rate of 20.0 million cubic feet of gas per day (MMCFD) and 650 barrels of oil per day (BOPD).

Development

CHINA

- **China Block 22/12, Beibu Gulf: Wei 6-12/6-12 South and 12-8 West oil fields**

Studies conducted jointly with China National Offshore Oil Corporation (CNOOC) supporting an Overall Development Plan (ODP) are nearing completion.

Lodgement of an ODP is expected to occur by mid 2009, and a final investment decision in the second half of 2009, which if approved could lead to first oil in late 2010/early 2011.

QUARTER ACTIVITY

Production and Cashflow

Production for the March 2009 quarter of 2.15 Bcfe was 3% lower than the December 2008 quarter.

The average gas equivalent sales price received (including hedging) was US\$7.96/Mcfe, up 1% on the US\$7.85/Mcfe reported in the previous quarter.

Revenues of US\$17.1 million were 2% lower than the December 2008 quarter, reflecting the marginally lower production for the period.

EBITDAX was US\$11.7 million, down 4% on the previous quarter due to the combined effect of lower production and higher geological, geophysical and administrative expenditure (GG&A).

EBITDAX margin was US\$5.45/Mcfe, down 1% on the previous quarter of US\$5.50/Mcfe. Lease operating expenses were US\$1.27/Mcfe and GG&A, US\$1.20/Mcfe.

Acquisition, exploration and development expenditures for the quarter were US\$1.4 million, including US\$0.6 million on exploration and US\$0.7 million on development activities.

Cash and Debt Facilities

At 31 March 2009, the Company's cash position was US\$11.7 million (equivalent to A\$17.2 million), compared to US\$13.7 million (equivalent to A\$19.4 million) at 31 December 2008.

Under the Company's revolving credit facility with Guaranty Bank, the Company has an existing borrowing base of US\$45 million at 1 April 2009, currently reducing at the rate of US\$2 million per month. The borrowing base is subject to semi-annual review by the Bank and expires in November 2010. The next semi-annual redetermination of the borrowing base amount by the Bank will occur in May 2009.

On 31 March 2009, the amount drawn under the revolving credit facility comprised US\$14.8 million in loans and US\$6.6 million in letters of credit, primarily to support bonding requirements with the US Minerals Management Service.

The Company also has a US\$29.6 million subordinated fixed term facility maturing in 2011.

Total outstanding bank debt at 31 March 2009 was US\$44.4 million, down 12% on the US\$50.5 million outstanding at the end of the previous quarter.

Net debt at 31 March 2009 fell 11% to US\$32.8 million (previous quarter: US\$36.8 million).

Debt reduction will remain a high priority for the Company over the course of the 2009 year.

Gas Prices and Hedging

Gas prices continued to decline during the quarter due to weak demand and increasing supply from shale gas and LNG.

The current NYMEX 12 month forward strip gas price to April 2010 is approximately US\$4.81/Mcf.

No additional hedging was put in place during the period.

At 31 March 2009, Petsec Energy had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US\$ Price
Apr – Jun 2009	Swaps	1,561,900	7.94
Jul – Dec 2009	Swaps	1,049,200	8.35
	Puts*	844,000	6.33
2010	Swaps	1,057,200	9.12
Total hedged volume		4,512,300	

* Put prices shown are net of premium cost. (NB. One MMBtu is approximately equivalent to one Mcf).

USA, GULF OF MEXICO

Acquisition

There were no acquisitions during the March quarter 2009.

The Company is actively pursuing acquisition opportunities for good quality, high rate production, which lends itself to hedging, with exploration and exploitation potential that can be readily accessed from existing infrastructure.

Production

Production from the Main Pass 270 gas field, which had been shut-in since April 2008 pending completion of third party pipeline repairs, was restored on 2 March 2009 at 20.0 million cubic feet of gas per day (MMCFD) and 650 barrels of oil per day (BOPD).

Production from the Vermilion 258 field has ceased as all commercial reserves have been produced. It is expected the platform will be removed within 18 months.

Exploration

No wells were drilled during the March quarter 2009, and the expectation is that the Company will not drill until late in 2009.

The Company's exploration strategy for the short-term is to ensure its prospects are ready for drilling at such time as service costs have fallen to levels that will allow profitable exploration at current oil and gas prices.

Development

W.P. Miles Timber #1 well – Crown Royal Prospect, Moonshine Project

Operator: Petsec Energy (62% WI, 46% NRI)

The Miles Timber #1 well reached total measured depth of 4,022 metres (13,274 ft) on 29 July 2008 and intersected an initial estimate of five net feet of gas and condensate pay. The well was completed over an interval of 13 feet and flow tested at an unrestricted rate of 1.7 million cubic feet of gas (MMCFD) and 170 barrels of oil (BOPD) per day.

The well commenced initial production to sales on 14 February 2009 at a rate of 1.5 MMCFD and 75 BOPD and no water on a 7/64' choke with 4,750 psi flowing tubing pressure.

The well is currently producing at a rate of 0.8 MMCFD and 34 BOPD.

CHINA

Block 22/12, Beibu Gulf

Petsec: 25% working interest (12.25 % net revenue interest should China National Offshore Oil Corporation (CNOOC) back-in for 51%)

Operator: Roc Oil Company Limited

Development – Wei 6-12, 6-12 South and 12-8 West oil discoveries

As reported in the September 2008 quarter, CNOOC confirmed on 27 September 2008 that the Wei 6-12, 6-12 South, 12-8 West, 12-8 East and 12-3-1 oil fields had been declared development areas for the Block 22/12 Joint Venture (JV). These five oil fields contain oil in place of 185 to 262 million barrels of oil (P50 to P10) and potentially recoverable reserves of 43 to 124 million barrels of oil. Feasibility studies have been completed on all five fields and the JV has decided to first proceed with the development of the 6-12, 6-12 South and 12-8 West fields.

The 6-12, 6-12 South and 12-8 West fields hold P50 recoverable reserves of 27.2 million barrels of oil and P10 recoverable reserves of 52 million barrels of oil.

Studies, in concert with CNOOC, supporting an Overall Development Plan (ODP) proceeded in the March 2009 quarter and are nearing completion. These studies investigated two options; a stand alone production platform at 6-12 South and shared facilities with CNOOC adjacent to their 12-1-1 platform. Initial production rates are 14,500 BOPD. JV development costs for both developments of the 27.2 million barrels (P50) indicate in the order of US\$6/bbl.

The ODP for the development of the 6-12, 6-12 South and 12-8 West oil fields is expected to be lodged by mid 2009 and approval within 90 days of lodgement. A final investment decision will be made in the second half of 2009, with a view for first oil production in late 2010 into the first half 2011. Development is expected to commence in late 2009. Exploration prospects adjacent to the 6-12 South field are expected to be tested at the time of development drilling in 2010. Development of the 12-8 East and 12-3-1 fields, which hold recoverable reserves ranging from 15 to 72 million barrels (P50 to P10), is anticipated after the start of production of the 6-12, 6-12 South and 12-8 West fields.

FINANCIAL SUMMARY AND PRODUCTION DATA

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

PROPOSED ACTIVITIES – JUNE 2009 QUARTER

Operating cashflow will continue to be principally applied to further debt repayment.

Development

China

Beibu Gulf, Block 22/12

Completion of an ODP for the Wei 6-12, 6-12 South and 12-8 West oil fields by mid 2009 for submission for CNOOC and Chinese Government approval.

Exploration

No drilling is currently planned for the June 2009 quarter. Exploration efforts will continue to concentrate on preparing our prospects for drilling and reviewing acquisition opportunities.

PRODUCTION FORECAST 2009

Production from the Company's current producing fields is currently on track to meet our production target for the 2009 year of 7 Bcfe.

PETSEC ENERGY
MARCH 2009 QUARTER
FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED FINANCIAL DATA				March 2009 Quarter	December 2008 Quarter	% Increase/ (decrease)	March 2008 Quarter
<i>Amounts in US\$000</i>							
Net Revenue				17,131	17,429	-2%	38,451
Other Revenue/(Expense)				(90)	(71)		(44)
Lease Operating Expenses				(2,742)	(3,297)		(2,825)
Geological, Geophysical & Administrative Expenses (G,G&A)				(2,575)	(1,839)		(3,466)
EBITDAX				11,724	12,222	-4%	32,116
				<i>US\$000</i>			
Outstanding bank debt				44,425	50,500		84,425
Cash				11,665	13,735		30,467
Net Debt/(Cash)				32,760	36,765	-11%	53,958
				<i>US\$000</i>			
Acquisition, exploration & development expenditure							
Acquisition				78	(324)		260
Exploration				595	1,452		16,800
Development				723	5,038		2,027
Total				1,396	6,166	-77%	19,087
				<i>US\$000</i>			
Production (MMcfe)							
		W.I.	N.R.I.				
Offshore Gulf of Mexico							
Vermilion 258	1	100%	83.33%	140	60		460
Main Pass 18/19	1	100%/ 55%	83.33%/ 45.88%	524	717		429
Mobile Bay Area	2	40%-50%	30.5% - 41.7%	118	213		809
Chandeleur 31/32	1	100%	81.8%	923	968		1,235
Main Pass 20	1	100%	81.8%	29	80		386
Main Pass 270	-	25%	20.8%	153	-		456
Other Offshore	1	56.25% - 100%	46.12% - 82.33%	5	3		12
	-	-	3.2% - 7% ORRI				
Onshore Louisiana	3	46% - 78%	32% - 58%	260	178		596
Total				2,152	2,219	-3%	4,383
				<i>MMcfe</i>			
Unit revenue/cost analysis per Mcfe (USD)							
Oil/Condensate per barrel				40.56	53.33		98.06
Gas per Mcf				8.00	7.82		8.60
Average sales price per Mcfe				7.96	7.85	1%	8.77
Other revenue/(expense)				(0.04)	(0.03)		(0.01)
Lease operating expense				(1.27)	(1.49)		(0.64)
G.G&A expenses				(1.20)	(0.83)		(0.79)
EBITDAX per Mcfe				5.45	5.50	-1%	7.33
				<i>US\$</i>			

Glossary

Bcfe = billion cubic feet of gas equivalent

Mcf = thousand cubic feet of gas equivalent

MMbbls = million barrels

Mmcfe = million cubic feet of gas equivalent

EBITDAX = Earnings Before Interest, Income Taxes, Depreciation, Depletion, Amortization, and Exploration Expenses

- 1 Operated by Petsec Energy.
- 2 Petsec Energy operates Mobile Bay 953 #1 and #3.
- 3 Petsec Energy operates E. Laurent #1 & Lapeyrouse.

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