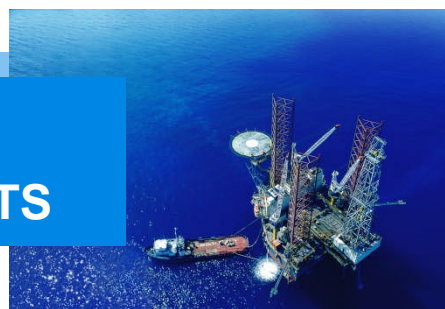


PETSEC ENERGY LTD

DECEMBER 2011 QUARTER RESULTS



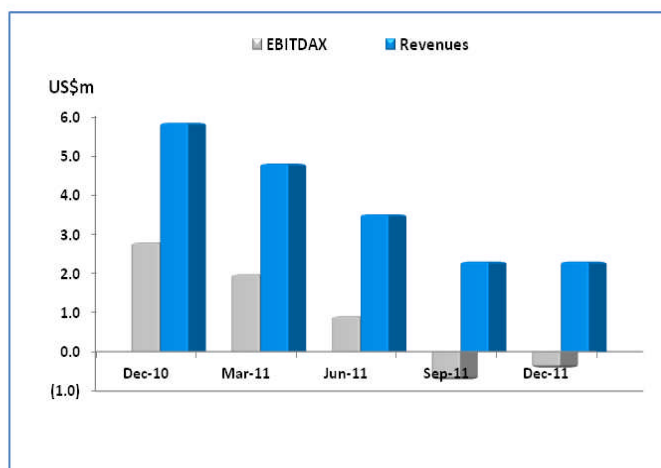
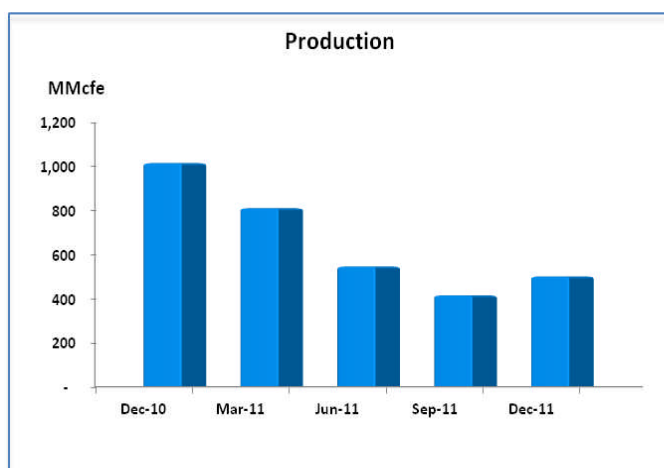
Financials (to be read in conjunction with "Financial Summary & Production Data" table on page 5)

Comparative Performance versus		Current Period		Previous Quarter	% Change	Corresponding Full Year	% Change
		Dec 11 Quarter	Dec 11 Full Year	Sep 11 Quarter		Dec 10 Full Year	
Production	MMcfe	502	2,277	416	21%	3,882	(41%)
Average sales price	US\$/Mcf	4.62	5.69	5.61	(18%)	6.98	(18%)
Net revenue	US\$m	2.3	13.0	2.3	-	27.1	(52%)
EBITDAX	US\$m	(0.4)	1.6	(0.7)	n/a	12.6	(87%)
Outstanding debt ¹	US\$m	-	-	-	-	29.2	(100%)
Cash ²	US\$m	41.6	41.6	44.5	(7%)	23.1	80%
AE&D expenditure ³	US\$m	1.2	3.9	0.7	62%	10.6	(63)%

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

² Dec 2011 cash includes restricted cash amounts of US\$6.6 million (Sep 11: US\$6.6 million; Dec 10: US\$5.7 million) used to guarantee certain future rehabilitation obligations.

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



Highlights

- The Marathon #2 well was brought into production on 12 November 2011 at a restricted gross production rate of 10 MMcfe per day.
- Technical evaluation work on the shale oil project continued and preliminary lease acquisition activities commenced.



December 2011 Quarter Activity

Production and Cashflow

The Company produced 502 million cubic feet of gas equivalent (“MMcfe”) in the December 2011 quarter (September 2011: 416 MMcfe) and a total of 2,277 MMcfe for the 2011 year. The Marathon #2 well in the Marathon gas/condensate Field was brought into production in November 2011 at a restricted rate of 10 MMcfe per day (“MMcfpd”). Current available capacity in the third party sales pipeline for the Marathon field is 10 MMcfpd consequently the #1 well has been temporarily shut-in. The well was producing 24 MMcfpd prior to the pipeline restriction. A third well and new facilities are planned for the second quarter to allow optimum production considered to be of the order of 25 MMcfpd per well.

The Main Pass 270 A-3 well remained shut-in (since April 2011) pending a decision of the operator to effect a work-over of the well.

Petsec Energy received an average gas equivalent sales price of US\$4.62/Mcfe (including hedging) for the December 2011 quarter. This was 18% lower than the US\$5.61/Mcfe realised for the September 2011 quarter, largely due to the effect of lower 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\$3.61/Mcf and US\$112.09/bbl during the December 2011 quarter (September 2011 quarter: US\$4.56/Mcf and US\$104.84/bbl) for unhedged gas and oil/condensate production volumes.

December 2011 quarter net revenues of US\$2.3 million were in line with net revenues reported for the September 2011 quarter. The benefit of increased production for the quarter was offset by the impact of lower gas prices.

As a result of the lower realised gas prices, EBITDAX for the December 2011 quarter was negative US\$0.4 million (September 2011: negative US\$0.7 million). The higher production volumes for the quarter and lower operating costs resulted in lower unit lease operating expenses of US\$1.93/Mcfe and geological, geophysical & administrative expense of US\$3.25/Mcfe (September 2011: US\$2.46/Mcfe and US\$4.36/Mcfe, respectively). EBITDAX margin for the December 2011 quarter was negative US\$0.69/Mcfe (September 2011: negative US\$1.63/Mcfe).

In the low natural gas price environment, the Company’s EBITDAX will likely remain negative until the capacity constraints in the Marathon Field are remedied, production from the Main Pass 270 A-3 well is restored, and natural gas prices improve.

Acquisition, exploration and development expenditures incurred in the December 2011 quarter totalled US\$1.2 million in connection with the Company’s share of completion costs of the Marathon #2 well and costs incurred in the technical evaluation and lease investigations of the Company’s shale oil project.

Cash Position

At 31 December 2011, the Company had no debt and held total cash deposits of US\$41.6 million – equivalent to A\$40.8 million using the period end closing rate of 1.0208 (30 September 2011: US\$44.5 million or A\$45.5 million at 0.9777). 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”).



December 2011 Quarter Activity (continued)

Gas Price and Hedging

The NYMEX 12 month forward strip price for US natural gas at the close of business on 19 January 2012 was approximately US\$2.70/MMBtu and the 36 month forward strip price for gas was approximately US\$3.34/MMBtu which compares with US\$4.01 and US\$4.51/MMBtu respectively on the 11 October 2011 as reported in the September 2011 quarter report and US\$4.87/MMBtu and US\$5.09/MMBtu respectively in the 20 January 2011.

Mild winter weather in the U.S. coupled with continued strong gas supply predominately from shale gas operations has resulted in historically high gas storage levels and consequently very soft gas prices. According to statistics released by the U.S. Energy Information Administration, U.S. working natural gas in storage stood at 13 January 2012 stood at 3,290 Bcf, 19.6% higher than the level recorded for the corresponding period last year (2,751 Bcf) and 20.8% above the 5-year average (2,724 Bcf).

At 31 December 2011, the Company had no outstanding natural gas hedges in place.

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 A-3 well, which ceased producing in April 2011 due to an influx of sand, remains shut-in until a work-over to restore production from the well can be undertaken. The Company is waiting on a proposal from the operator regarding the 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 third quarter. The G-1 well was recompleted to an up-hole zone during the fourth quarter and recompletions to up-hole zones in the G-6 and G-4 wells were completed in early January 2012. The three wells are producing at a combined rate in excess of 3 MMcfpd.

Marathon Field – Atchafalaya Bay

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

The Marathon #2 well (the second well drilled in the Marathon gas/condensate Field) located approximately 2,950 feet (900 metres) from the successful #1 well, reached TD of 21,160 feet (6,450 metres) in August 2011. The #2 well confirmed the productive reservoirs found in #1 well, and extended the known field pays across the structure. The #2 well commenced production in November 2011 at a restricted rate of 10 MMcfpd due to third party pipeline constraints. Production from the #1 well has been temporarily shut in because the third party sales pipeline cannot accommodate the production from both wells. The well was producing at a rate of 24 MMcfpd prior to pipeline restrictions.

A third well is planned to be spud in March 2012 and during its drilling and completion the operator of the field plans to install additional facilities to allow for alternative delivery options and increased production handling that will allow current and future planned wells to produce at optimum rates.



December 2011 Quarter Activity (continued)

Operations (continued)

Exploration

Shale Oil

The Company has initiated lease acquisition in its shale oil project area. For competitive reasons, the location of the project and leasing activities will need to be held confidential until lease acquisition has largely been completed.

Financial Summary and Production Data

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

2011 Financial Results Guidance

Petsec Energy periodically reviews the carrying values (i.e. book value) of its oil and gas properties and, in accordance with accounting standards and the Company's policy, is required to demonstrate the carrying value of its properties are no less than, the estimated future discounted cash flow to be generated from the expected production from these properties.

Due to the effect of low gas prices at year end in combination with downward reserve adjustments on certain fields the Company expects to recognise an impairment and abandonment expense of approximately US\$9.5 million for the six months to 31 December 2011 and approximately US\$17.2 million for the year (a US\$7.7 million impairment and abandonment charge was recognised in the first half of the year).

Proposed Activities – March 2012 Quarter

The principal activities of the March 2012 quarter will be lease acquisition for the shale oil project, commence drilling of the Marathon #3 well, and to commence development of facilities to increase sales production capacity in the Marathon gas/condensate Field.

2012 Exploration, Development, Production and Revenue Forecast

Exploration/Development

The Company's focus in 2012 will be on shale oil due to the anticipated soft US natural gas prices in 2012 and the increased regulatory burden for operating in the Gulf of Mexico. In 2012 Petsec Energy expects to acquire a sizeable lease position and commence drilling in its shale oil project area. The Company will seek to acquire further shale oil interests in other areas either directly or through participation in third party projects, in order to form a balanced portfolio of unconventional oil assets.

Production

Forecast net production from the Company's existing producing fields is expected to be in the order of 2 Bcfe in the 2012 financial year.

December 2011 Quarter Activity (continued)

DECEMBER 2011 QUARTER FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED PRELIMINARY FINANCIAL DATA		Dec 2011 Quarter	Sep 2011 Quarter	% Increase/ (decrease)	Dec 2010 Quarter	% Increase/ (decrease)	Twelve Months to 31 Dec 2011	Twelve Months to 31 Dec 2010	% Increase/ (decrease)
<i>Amounts in US\$000</i>									
Net Revenue		2,318	2,333	0%	5,841	-60%	12,955	27,080	-52%
Other Revenue/(Expense)		(65)	(175)		492		157	1,062	
Lease Operating Expenses		(971)	(1,024)	-5%	(1,541)	-37%	(4,745)	(6,915)	-31%
Geological, Geophysical & Administrative Expenses (G,G&A)		(1,633)	(1,813)	-10%	(2,006)	-19%	(6,735)	(8,583)	-22%
EBITDAX	US\$000	(351)	(679)		2,786		1,632	12,644	-87%
Total Outstanding Debt (excl. unamortised debt transaction costs) ¹	US\$000	-	-		29,175	-100%	-	29,175	-100%
Cash ²	US\$000	41,579	44,503	-7%	23,073	80%	41,579	23,073	80%
¹ Settlement of the outstanding debt completed on 24 May 2011.									
² Dec 2011 cash amount includes restricted cash deposits of US\$6.6 million used to support letters of credit.									
Acquisition, exploration & development expenditure									
Acquisition		418	25		3		527	1,674	
Exploration		97	-		1,340		625	7,736	
Development		641	688		398		2,786	1,230	
Total	US\$000	1,156	713	62%	1,741	-34%	3,938	10,640	-63%
Production (MMcfe)									
		W.I.	N.R.I.						
Offshore Gulf of Mexico									
Main Pass 18/19	1	100%/ 55%	83.33%/ 45.83%	122	70	302	446	1,439	
Main Pass 270		22.5%-25%	18.75%-20.83%	144	90	365	688	723	
Chandeleur 31/32	1	100%	81.83%	118	131	242	559	1,061	
Mobile Bay Area	2	40%-50%	30.53%-41.67%	-	-	-	-	237	
Other Offshore			4% ORR	-	-	5	5	37	
Onshore Louisiana									
		8% - 80%	5.84% - 60.61%	118	125	103	579	385	
Total		MMcfe		502	416	21%	1,017	3,882	-41%
Unit revenue/cost analysis per Mcfe (USD)									
Oil/Condensate per barrel		112.09	104.77		81.94		104.25	77.69	
Gas per Mcf		4.06	5.25		5.01		4.99	6.50	
Average sales price per Mcfe		4.62	5.61	-18%	5.74	-20%	5.69	6.98	-18%
Other revenue/(expense)		(0.13)	(0.42)		0.48		0.07	0.27	
Lease operating expense		(1.93)	(2.46)		(1.52)		(2.08)	(1.78)	
G,G&A expenses		(3.25)	(4.36)		(1.97)		(2.96)	(2.21)	
EBITDAX per Mcfe	US\$	(0.69)	(1.63)		2.73		0.72	3.26	-78%

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 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.

Dated: 24 January 2012

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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.