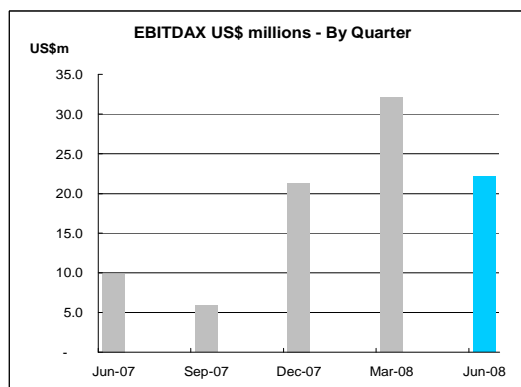
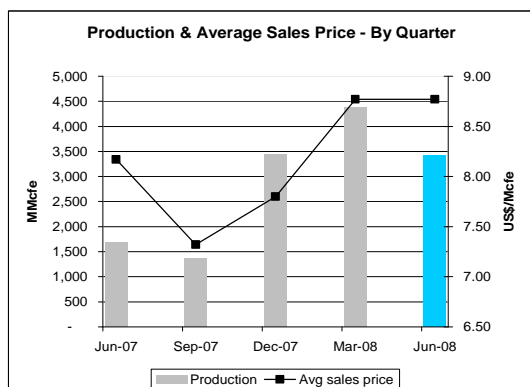


Second Quarter Report for the period ended 30 June 2008

KEY POINTS

FINANCIAL

		2 nd Qtr 2008	1 st Qtr 2008	Change %	6 mths 2008	6 mths 2007	Change %
Production	Bcfe	3.4	4.4	-22%	7.8	3.3	139%
Av. Sales Price	US\$/Mcf	\$8.77	\$8.77	-	\$8.77	\$8.33	5%
Net Revenue	US\$m	\$30.0	\$38.5	-22%	\$68.5	\$27.2	152%
EBITDAX	US\$m	\$22.1	\$32.1	-31%	\$54.2	\$18.8	188%
Net Debt	US\$m	\$41.1	\$54.0	-24%	\$41.1	nil	n/a
Capex	US\$m	\$12.4	\$19.1		\$31.5	\$25.9	



DEVELOPMENT

- **USA Gulf of Mexico: Main Pass 18/19 oil storage platform ,in operation**

The installation of a 3,000 barrel oil storage tank adjacent to the Main Pass 19 platform was completed in June allowing higher rates of oil & gas production from the Main Pass 18/19 fields.

- **USA Onshore Louisiana: Laurent #1 well (formerly Virginia Geason #1) brought into production**

Development of the Laurent #1 well, has been completed with the installation of production equipment, oil storage tanks and hook up to a nearby gas sales pipeline. Production commenced on 1 July 2008 at an initial rate of 5,000 MCFD and 125 BOPD, however, shortly after commencing production the well began making a significant amount of water. Current analysis indicates that the water production is the result of a mechanical breakdown in the wellbore and remedial plans are being developed.

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

Work continued, in conjunction with CNOOC, on the overall development plan (ODP) for the three oil fields. A final investment decision and the commencement of development is expected later this year.

EXPLORATION

- **USA Onshore Louisiana: Laurent #1 well (formerly Virginia Geason #1)**

The well intersected 6.3 metres (21 feet) of net gas pay, and tested 3 Mmcfpd gas and 70 bopd oil on a restricted choke.

- **USA Onshore Louisiana: CL&F#30-1 Well (Triple Play Prospect)**

The deepening of this well, suspended in September 2007, did not encounter a commercial quantity of gas and was plugged and abandoned at a cost of US\$1.7m, net to Petsec Energy.

- **USA Onshore Louisiana: WP Miles Timber #1 Well (Moonshine Project)**

At 22 July, the well was drilling ahead at 3,917 metres (12,926 feet) to a proposed total depth of 4,024 metres (13,280 feet) to test a target of 5 – 7 Bcfe net to Petsec Energy.

USA RESERVES REPORT - 30.6.08

- Independently estimated 2P reserves in USA at 30 June 2008 were 34.5 Bcfe. Petsec Energy internally estimated 2P reserves were 35.9 Bcfe.

QUARTER ACTIVITY

Production and Cashflow

Production in the June quarter was 3.4 Bcfe, down 22% from the previous period mainly due to the shut-in of the Main Pass 270 gas field for most of the quarter as a result of a third party pipeline blockage and lower than expected production from the Mobile Bay fields caused by increased water production from a number of the wells. Vermilion 258 production was lower than the previous quarter as all 3 producing wells await recompletion to the next gas sands.

The Main Pass 270 field was shut in on 19 April 2008 due to a "pig" stuck in a production pipeline owned and operated by a third party. Daily production from the Main Pass 270 field net to Petsec was approximately 4,700 MCF and 120 barrels of oil prior to the blockage.

The Main Pass 270 field resumed production on 24 June 2008. Two wells were flowing at reduced rates and while bringing the third well into production, a third party operator discovered a leak downstream to Main Pass 270 in its pipeline at the Main Pass 133 platform. Production from Main Pass 270 flows by pipeline to Main Pass 133 where the oil and gas are separated and commingled with production from other fields and delivered into respective sales lines. Production is expected to recommence in August.

The average gas sales price received of US\$8.77/Mcfe, (including hedging), was the same as the March quarter. During the June quarter, approximately 77% of production was delivered into hedge contracts at fixed prices.

Revenues were US\$30.0 million, down 22% on the March quarter, in line with the lower production.

EBITDAX margin decreased to US\$6.45 per Mcfe, down 12% after lease operating expenses of US\$1.02/Mcfe and GG&A of US\$1.07/Mcfe.

Capital expenditure for the quarter was US\$12.5 million, including US\$8.6 million on exploration and US\$2.9 million on development activities.

Unsuccessful drilling costs of US\$2.0 million were expensed during the quarter, being US\$1.7 million for the CL&F#30-1 Well (Triple Play Prospect, Terrebonne Parish) and US\$0.3m in additional dry hole costs for the Beibu Gulf JV first quarter drilling programme.

Cash and Debt Facilities

The cash position at 30 June 2008 was US\$26.8 million (A\$27.8 million), compared to US\$30.5 million (A\$33.3 million) at 31 March 2008.

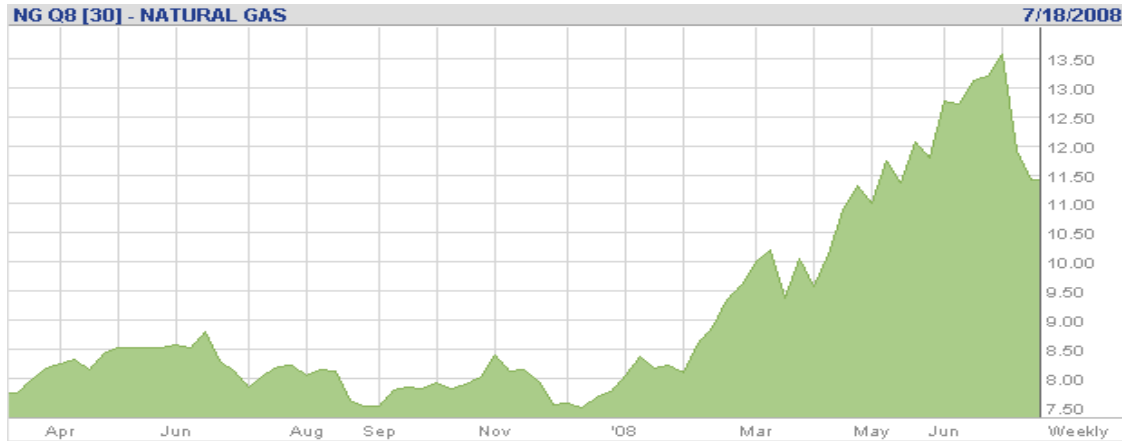
The Company's net debt at 30 June 2008 was US\$41.1 million, down 24% from US\$54.0 million at the end of first quarter 2008 and down 46% from US\$76.8 million at 31 December 2007. Debt was reduced by US\$16.575 million in the quarter. A similar level of debt repayment is expected to be made during the third quarter.

Total Debt of US\$67.9 million was drawn at 30 June 2008 (down from US\$84.4 million at the end of March), from available debt facilities of US\$92.9 million. At 1 July 2008, debt facilities comprise a three year US\$63 million revolving borrowing base facility maturing in 2010 and a US\$29.9 million subordinated term facility maturing in 2011. The short-term debt component of US\$30 million was fully repaid on 8 April 2008.

Gas Prices and Hedging

Spot gas prices increased to over US\$13.00/Mcfe in the quarter following higher oil prices and lower gas storage levels.

Natural Gas Prices US\$/MMBtu (Nymex: Near Month Henry Hub)



Source "Quote.com Australia & New Zealand U.S. Markets - Futures Quotes and Charts - Chart for NG Q8"

(NB. One MMBtu is approximately equivalent to one Mcf).

On 22 July 2008, 2 year swap levels were approximately US\$ 10.20 per MMBtu.

At 30 June 2008, Petsec Energy Inc. had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US\$ Price
Jul-Dec 2008	Swaps	2,269,800	8.57
	Puts*	2,072,950	6.37
2009	Swaps	4,335,100	8.46
	Puts*	844,000	6.33
2010		1,057,200	9.12
Total hedged volume		10,579,050	

* Put prices shown are net of premium cost.

Production for the second half of 2008 is forecast to be approximately 7 Bcfe of which around one third is hedged by way of swaps at a price of US\$ 8.57/Mcfe and a further third underpinned by put options at US\$6.37/Mcfe.

USA, GULF OF MEXICO

Development

Main Pass 18/19 – Development of additional oil storage facilities completed

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

Operator: Petsec Energy

The development of additional oil storage facilities on a refurbished platform set adjacent to the Main Pass 19 platform was completed during the quarter and became fully operational early in July.

The additional oil storage facilities were developed to accommodate higher than expected oil production from the Main Pass 18 & 19 fields, which has resulted in both oil and gas production from the platform being restricted over the past year.

Acquisitions

Three new leases – Gulf of Mexico

During the quarter the US Minerals Management Service (MMS) awarded Petsec Energy all three leases on which it was the highest bidder at the March 2008 Central Gulf of Mexico Lease Sale 206.

Details of the leases and working interests are as follows:

Block	Area (Acres)	Working Interest	Operator	Status
West Cameron 631	5000	100%	Petsec	Awarded
West Cameron 636	5000	100%	Petsec	Awarded
East Cameron 102	5000	54%	Petsec	Awarded

Petsec Energy now holds interests in over 50 Gulf of Mexico leases.

Exploration

Drilling:

The following exploration wells were drilled during the second quarter of 2008:

Well Name	Basin/Area	Spud Date	Target	Working Interest %	Total Depth (metres)	Comments
USA Laurent #1 well (formerly Virginia Geason#1 well) (Dickel Prospect)	Moonshine Project, Onshore Louisiana	04 Feb	Gas	80%	3,508 m (11,576 ft)	Discovery of 6.3 metres (21 feet) of net gas pay. Production commenced on 1 July 2008.
CL&F #30-1 well (Triple Play Prospect)	Terrebonne Parish, Onshore Louisiana	04 June	Gas	45%	4,145 m (13,678 ft)	Plugged and abandoned. Deepening of well drilled in Sept 2007.
W.P. Miles Timber #1 well (Crown Royal Prospect)	Moonshine Project, Onshore Louisiana	16 June	Gas	62%	4,024m (13,279 ft)	Drilling ahead at 3,917 m (12,926) ft toward target depth.

USA

Laurent #1 Well (formerly Virginia Geason #1 well) – Dickel Prospect, Moonshine Project

Operator: Petsec Energy (80% WI, 59% NRI)

The Laurent #1 well was spud on 4 February and encountered 6.3 metres (21 feet) of net gas pay in the target sand. During the June quarter, the well was flow tested at a rate of 3 million cubic feet of gas (MMCFD) and 70 barrels of condensate (BCPD) per day on a 13/64" choke with 2,700 psi flowing tubing pressure, and was subsequently completed for production and linked to a sales pipeline. Production commenced on 1 July 2008 at an initial rate of 5,000 MCFD and 125 BCPD. Shortly after commencement of production, the well began making a significant amount of water. Current analysis indicates that the water production is the result of a mechanical breakdown in the wellbore and remedial plans are being developed.

CL&F#30-1 well – Triple Play Prospect, Terrebonne Parish

Operator: Petsec Energy (68% WI, 45% NRI)

In June, the CL&F#30-1 well (drilled and temporarily plugged in September 2007) was re-entered and deepened a further 151 metres (500 feet), reaching a measured depth of 4,145 metres (13,680 feet), to test the target Hollywood #2 sand. The well was plugged and abandoned after logs indicated thin laminated gas sands which were not commercial to develop. Drilling costs of US\$1.7 million net to Petsec were expensed.

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

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

The well which spud on 14 June 2008 is located in Township 13 South, Lafourche Parish, Louisiana approximately 100 kilometres (60 miles) west of New Orleans and proximal to the Skywagon Prospect that was drilled in May 2007.

The well will test the Crown Royal Prospect, with a potential target range of 5 – 7 Bcfe, net to Petsec Energy. The proposed total depth is 4,024 metres (13,280 feet). At report date the well was drilling ahead at 3,917 metres (12,926 ft);

USA Reserves Report - 30 June 2008

Independently estimated 2P (proved and probable) reserves in the USA at half year end were 34.5 Bcfe after production of 7.8 Bcfe, addition of 1.0 Bcfe at the Laurent #1 well and downward revisions of 4.8 Bcfe mainly at Mobile Bay and South Sunrise, related to premature water encroachment.

Petsec Energy internally estimated 2P reserves in the USA were 35.9 Bcfe.

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 Limited

Development - Wei-6-12/6-12 South and 12-8 West Oil Discoveries

Work is continuing on the front-end engineering and design studies (FEED) and an overall development plan (ODP) for the 6-12/ 6-12 South and 12-8 West oil fields for submission to Chinese authorities. The final stages of the work on the ODP are being conducted in conjunction with CNOOC. Gross recoverable oil is estimated at 19 to 27 million barrels of oil for 6-12/6-12 South and 10 million barrels of oil for 12.8 West.

The development envisages two well head platforms delivering oil to a floating production storage facility (FPSO).

The joint venture anticipates making a final investment decision and commencing development during the second half of 2008.

PROPOSED ACTIVITIES - SEPTEMBER QUARTER 2008

Development

China

Beibu Gulf, Block 22/12

A final investment decision followed by the commencement of development is expected during the second half of 2008.

Exploration

USA

Onshore Louisiana

Miles Timber#1 well (Crown Royal Prospect)

Target depth of 4,024 metres (13,279 ft) is expected to be reached by the end of July.

A Financial summary and Production Data is contained on the following page

PETSEC ENERGY
JUNE 2008 QUARTERLY REPORT

FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED FINANCIAL DATA		Jun 2008	Mar 2008	% Increase/ (decrease)	Jun 2007	% Increase/ (decrease)	6 Months 2008	6 Months 2007	% Increase/ (decrease)		
		QTR	QTR		QTR						
<i>Amounts in US\$000</i>											
Net Revenue		30,010	38,451	-22%	13,794	118%	68,461	27,219	152%		
Other Revenue/(Expense)		(779)	(44)		83		(823)	124			
Lease Operating Expenses		(3,491)	(2,825)		(1,383)		(6,316)	(2,888)			
Geological, Geophysical & Administrative Expenses (G,G&A)		(3,660)	(3,466)		(2,630)		(7,126)	(5,646)			
EBITDAX	<i>US\$000</i>	22,080	32,116	-31%	9,864	124%	54,196	18,809	188%		
Outstanding bank debt	<i>US\$000</i>	67,850	84,425		-						
Cash	<i>US\$000</i>	26,747	30,467		34,830						
Net Debt/(Cash)	<i>US\$000</i>	41,103	53,958	-24%	(34,830)						
Acquisition, exploration & development expenditure											
Acquisitions		959	260		1,327		1,219	6,879			
Exploration		8,610	16,800		6,091		25,410	14,326			
Development		2,881	2,027		3,332		4,908	4,708			
Total	<i>US\$000</i>	12,450	19,087		10,750		31,537	25,913			
Production (MMcfe)											
		W.L.	N.R.I.								
Offshore Gulf of Mexico											
Vermilion 258	P	100%	83.33%	293	460	823	753	1,878			
Main Pass 18/19	P	100%/ 55%	83.33%/ 45.88%	462	429	743	891	1,247			
Mobile Area	-	40%-50%	30.5% - 41.7%	560	809	74	1,369	74			
Chandeleur 31/32	* P	100%	81.8%	1,196	1,235	-	2,431	-			
Main Pass 20	* P	100%	81.8%	458	386	-	844	-			
Main Pass 270	* -	25%	20.8%	79	456	-	535	-			
Other Offshore	P	56.25% - 100%	46.12% - 82.33%	22	12	49	34	69			
	-	-	4% - 7% ORRI								
Onshore Louisiana	* P	46% - 78%	32% - 58%	351	596	-	947	-			
Total		<i>MMcfe</i>		3,421	4,383	-22%	1,689	103%	7,804	3,268	139%
Unit revenue/cost analysis per Mcfe (USD)											
Oil/Condensate per barrel		112.43	98.06		60.81		102.47	59.20			
Gas per Mcf		8.65	8.60		8.13		8.62	8.31			
Average sales price per Mcfe		8.77	8.77	0%	8.17	7%	8.77	8.33	5%		
Other revenue/(expense)		(0.23)	(0.01)		0.05		(0.11)	0.04			
Lease operating expense		(1.02)	(0.64)		(0.82)		(0.81)	(0.88)			
G,G&A expenses		(1.07)	(0.79)		(1.56)		(0.91)	(1.73)			
EBITDAX per Mcfe	<i>US\$</i>	6.45	7.33	-12%	5.84	11%	6.94	5.76	21%		

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 Taxes, Depreciation, Depletion, Amortization, and Exploration Expenses

* Acquired Nov 2007

P Operated by Petsec Energy

Dated: 23 July 2008

For further information, please contact:

Craig Jones
General Manager – Corporate
Petsec Energy Ltd
Level 13, 1 Alfred Street
Sydney NSW 2000
Tel: 612 9247 4605 Fax 612 9251 2410

Ross A Keogh
President
Petsec Energy Inc.
3861 Ambassador Caffery Parkway, Suite 500
Lafayette, LA 70503, USA
Tel: 1 337 989 1942 Fax: 1 337 989 7271

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.

Q
U
A
R
T
E
R
L
Y

R
E
P
O
R
T