

Petsec Energy Ltd

March 2015 Quarter Results



Financials

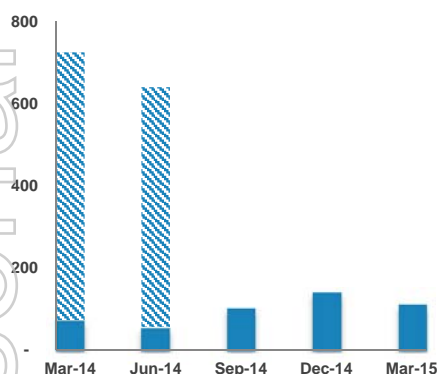
Comparative Performance		Current Quarter Mar 15	Previous Quarter Dec 14	% Change	Corresponding Quarter Mar 14	% Change
Net production	MMcfe	112	142	(21%)	726	(85%)
Average sales price	US\$/Mcf	3.00	3.59	(16%)	5.43	(45%)
Net revenue	US\$m	0.3	0.5	(34%)	3.9	(91%)
EBITDAX ¹	US\$m	(0.7)	(1.6)	(56%)	2.0	(135%)
Cash ²	US\$m	28.9	32.6	(11%)	27.3	6%
AE&D expenditure ³	US\$m	0.6	2.1	(69%)	-	n/a
US\$/A\$ closing exchange rate		0.7625	0.8181	(7%)	0.9274	(18%)

¹ Earnings before interest, income tax, depreciation, depletion and amortisation, and exploration (including dry hole, impairment and abandonment expense, seismic and work-over expense). EBITDAX is a non IFRS number and is unaudited.

² March 2015 cash includes restricted cash amounts of US\$5.3 million (December 2014: US\$5.3 million; March 2014: US\$5.3 million) used to guarantee certain future rehabilitation obligations.

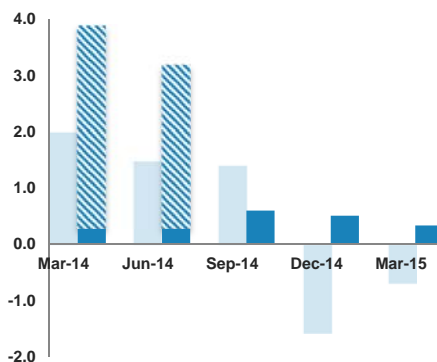
³ Acquisition, exploration and development expenditure (accrual-based amounts).

Production — MMcfe



■ Marathon/MP270 Production

Revenues/EBITDAX — US\$m



■ Marathon/MP270 Revenues ■ Revenues ■ EBITDAX

The above graphs highlight the contributions that were made by the Marathon and Main Pass 270 fields to production and revenues during the period from 1 January through 14 July 2014 - these amounts formed part of the Purchase Price Adjustment on the close of the sale of these assets.

Highlights

Operations

- Net production of 112 MMcfe for the March 2015 quarter
- Ruth R. Bravanec, et al #1 well was drilled on the West Crab Lake prospect – the well was plugged and abandoned after it failed to encounter commercial reserves
- 2015 Exploration Programme in the USA confirmed – seven conventional exploration wells estimated to cost US\$9.2 million for an estimated total target size exposure of 21.4 Bcfe net to Petsec Energy.
- 4 to 5 wells expected to spud in June quarter

Financials

- Net oil and gas revenues of US\$0.3 million
- Cash of US\$28.9 million and no debt

Subsequent events

- Appointment of Maki Petkovski as Chief Executive Officer of Petsec Energy (Middle Eastern) Limited
- Acquisition Agreement signed with Oil Search Ltd– Petsec Energy to increase participating interest in Block 7, Yemen to 63.75% and assume operatorship of the Block

Petsec Energy Ltd

ASX: PSA
OTC ADR: PSJEY

Petsec Energy is an independent oil and gas exploration and production company listed on the Australian Stock Exchange with operations in the shallow waters of the Gulf of Mexico and onshore Texas and Louisiana, USA, and the Republic of Yemen.

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Terrence Fern

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David Mortimer
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Management

Australian Executives
Terrence Fern – Managing Director
Paul Gahdmar – Company Secretary

US Executives – Petsec Energy Inc.
Richard Smith - CEO
Ross Keogh – President/Group CFO
Ron Krenzke – EVP Exploration

MENA Executive – Petsec Energy (Middle Eastern) Limited
Maki Petkovski - CEO

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Financial

Production

Net production for the March 2015 quarter was 112 MMcf, down 21% on the December 2014 quarter due to production interruptions at Main Pass Block 19 and pipeline restrictions at the Jeanerette Field.

Refer to table below and "Operations" section for further details on production from the various fields.

Net production (in MMcf)	Mar 2015 Quarter	Dec 2014 Quarter	% Increase/Decrease
Atchafalaya Bay *	-	-	n/a
Main Pass 270 *	-	2	n/a
Main Pass 19	34	52	(35%)
Jeanerette Field – ASF No.4	78	88	(11%)
Total	112	142	(21%)

* In July 2014, the Company divested all of its working interests in the Atchafalaya Bay and Main Pass Block 270 fields. The December quarter movement for the Main Pass 270 Field reflects pipeline adjustments to production estimates reported in the previous quarters.

Revenues and Cashflow

The Company realised an average gas equivalent sales price of US\$3.00/Mcf for the March 2015 quarter (December 2014 quarter: US\$3.59/Mcf). The lower comparative sales price due to a continued fall in oil and natural gas prices during the quarter (see U.S. Oil and Natural Gas Prices section for further details). The Company received average sales prices for its natural gas and oil/condensate production of US\$2.87/Mcf and US\$51.09/bbl, respectively in the current period (December 2014 quarter: US\$3.37/Mcf and US\$78.36/bbl).

Net oil and gas revenues of US\$0.3 million were 34% below that achieved in the previous quarter, reflecting the combined effect of the lower production volumes and lower sales price received for the current period.

Unit lease operating expense decreased substantially to US\$1.31/Mcf (December 2014 quarter: US\$6.44/Mcf) – the previous quarter had been negatively impacted by revisions to prior period product handling fees.

Unit geological, geophysical & administrative (GG&A) expense of US\$9.25/Mcf was 8% higher than the previous quarter expense of US\$8.55/Mcf, due to lower production.

The Company recorded negative EBITDAX of US\$0.7 million for the current period. This compares to negative EBITDAX of US\$1.6 million for the December 2014 quarter. The effect of the lower net oil and gas revenues being absorbed by significantly reduced operating expenditures.

A "Financial Summary and Production Data" table is provided on page 4 of this report.

Cash Position

At 31 March 2015, the Company's cash balance of US\$28.9 million (A\$37.9 million) was 11% lower than the 31 December 2014 cash balance of US\$32.6 million (A\$39.8 million); and 6% higher than the previous corresponding period cash balance of US\$27.3 million (A\$29.4 million). The cash deposits which are predominantly held in US dollars include US\$5.3 million held in an escrow account to secure operator bonds that are on issue to the Bureau of Ocean Energy Management ("BOEM").

Hedging

The Company currently has no oil or natural gas swap hedge contracts in place.

U.S. Oil and Natural Gas Prices

U.S. WTI crude oil and natural gas prices remained soft throughout the March 2015 quarter.

The May 2015 WTI crude oil price is currently trading at approximately US\$55/bbl, with record commercial crude inventory levels in Cushing,

Oklahoma (the locus at which WTI prices are established) maintaining downward pressure on prices in the short-term.

The NYMEX 12 month and 36 month forward strip prices for WTI crude oil were trading at approximately US\$59/bbl and US\$61/bbl on 17 April 2015. This compares to US\$50.37/bbl and US\$56.28/bbl, respectively on 16 January 2015.

The May 2015 NYMEX U.S. natural gas spot price is currently trading at approximately US\$2.65/MMBtu. Strong growth in U.S. natural gas production during the cold winter months lessened the need for natural gas to be taken out of inventories, and contributed to the weakness in natural gas prices.

The NYMEX 12 month and 36 month forward strip prices for US natural gas were trading at approximately US\$2.80/MMBtu and US\$3.00/MMBtu, respectively on 17 April 2015. This compares to US\$3.17/MMBtu and US\$3.40/MMBtu, respectively, on 16 January 2015.

As of 10 April 2015, the U.S. Energy Information Administration's estimate of working natural gas in storage was 1,539 Bcf, which was 692 Bcf or 81.7% higher than last year at the same time and 145 Bcf or 8.6% lower than the 5-year average.

Operations



Production

Adeline Sugar Factory No. 4 Well – Jeanerette Field

Petsec: 12.5% working interest (9.2% net revenue interest)

The Adeline Sugar Factory ("ASF") No. 4 well is an onshore producing well located in the Jeanerette Field in St. Mary Parish, Louisiana.

Average gross daily production rates from the field for the March 2015 quarter were approximately 9.4 MMcfpd and 56 bopd.

Production is currently constrained by flow line capacity. The operator plans to install additional flow lines and other upgrades to the main production facility to increase production rates from the field.

Main Pass 19

Petsec: 55% working interest (45.833% net revenue interest)

The Main Pass Block 19 field is located in the Gulf of Mexico, USA, and was discovered in 2005. The Company drilled a total of six wells on the block during the period 2005 to 2006, of which two are currently producing.

The field was shut-in for approximately 36 days during the March 2015 quarter due to equipment issues. Consequently, the average gross daily production rate from the field was approximately 0.8 MMcfpd of gas.

2015 Exploration Programme


The Company's exploration strategy is to focus on high impact conventional exploration, in mainly gas/condensate and oil rich areas onshore Gulf Coast (Louisiana and Texas) and shallow Gulf of Mexico, USA, and to acquire onshore leases with producing reserves, or near term development reserves, with significant exploitation and exploration potential.

Block 7 in Yemen contains an undeveloped oil discovery (Al Meashar), which is expected to be brought into production late in 2015, and significant exploration potential. Further acquisitions of reserves, both producing and undeveloped, will be sought through a considered

expansion into the Middle East and North African, "MENA", region. Building a material business of high value assets in the region will diversify the company's portfolio of assets and expose the company to significant oil reserves.

The 2015 exploration programme consists of seven committed wells in the USA at an estimated cost of US\$9.2 million with an estimated total target size exposure of 21.4 Bcfe net to the Company, and US\$3 million for the production test of the Al Meashar oil discovery in Yemen.

Location	No. of Wells	2015											
		J	F	M	A	M	J	J	A	S	O	N	D
USA													
Onshore LA	6												
GOM	1												
Total	7												
Yemen													
Block 7	1												

 Exploration Drilling and Testing Activities

Ruth R. Bravanec, et al #1 well – West Crab Lake Prospect

Petsec: 20.0% WI

In January 2015, the Company participated in the drilling of the Ruth R. Bravanec, et al #1 well on the West Crab Lake prospect, located in Cameron Parish, onshore Louisiana. The well reached a total depth of 12,500 feet TVD (12,911 feet measured) in late January, but failed to encounter commercial hydrocarbons. Petsec Energy's share of the drilling costs were approximately US\$0.7 million which has been expensed.

Block 7, Al Barqa Permit, Republic of Yemen

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) located approximately 340 kilometres east of Sana'a, the capital of Yemen. The block is operated by Australia's Oil Search Limited and contains the Al Meashar oil discovery as well as an inventory of leads and prospects defined by 2D and 3D seismic surveys, which hold significant oil potential.

The Company announced in March 2014 that it had executed an agreement with a wholly owned subsidiary of AWE Limited to acquire its 21.25% Participating Interest in the Block 7, Al Barqa Permit, in the Republic of Yemen. In May 2014, following the agreement executed with AWE, an agreement with Mitsui E&P Middle East B.V. to acquire its 8.5% Participating Interest in the Block 7, was executed, thereby increasing Petsec Energy's total interest in Block 7 to 29.75%.

Completion of both transactions is subject to customary approvals from the Joint Venture Partners, the Yemen government and the state owned Yemen Oil and Gas Company. The Company anticipates that these transactions will be completed in 2015.

The Engineering design and costing of production, storage and transportation facilities for the long term production testing of the Al Meashar Oil Field, is currently being finalised and will be presented to the Yemen authorities for their approval shortly. Government approval to proceed with the testing is anticipated in mid-2015. Subject to that approval, exploration and long-term testing of the Al Meashar oil discovery is anticipated to begin late in 2015 at an estimated cost of US\$3.0 million to the Company.

Appointment of CEO – MENA

On 9 April 2015, the Company announced the appointment of Mr. Maki Petkovski as Chief Executive Officer of its newly formed subsidiary, Petsec Energy (Middle Eastern) Limited.

Mr. Petkovski will lead the Company's operational expansion in the Middle Eastern and North African ("MENA") region, starting with the Block 7, Al Barqa Permit, in Yemen. He has over 25 years' experience in the international upstream oil and gas business sector and has held various managerial and senior technical roles with large E&P companies including

BP, Ampolex Ltd and most recently Oil Search Ltd where he was responsible for managing Oil Search's MENA portfolio, focusing on Yemen and Tunisia.

Further information on Mr. Petkovski is contained within the media release to the ASX on 9 April 2015 and is also available on the Company website at www.petsec.com.au.

Acquisition Agreement Signed

On 17 April 2015, the Company announced it had executed an agreement with Oil Search Limited (ASX: OSH) to acquire all the shares of its subsidiary Oil Search (ROY) Limited which holds a 34% participating interest in Block 7, Al Barqa Permit, in the Republic of Yemen, and is the designated operator of the Block.

The acquisition increases Petsec Energy's overall participating interest in Block 7 to 63.75%, and Petsec Energy will assume operatorship of the Block. Completion of the transaction is subject to customary approvals from the Government of Yemen and the Ministry of Oil and Minerals.

Further information on the acquisition is contained within the media release to the ASX on 17 April 2015 and is also available on the Company website at www.petsec.com.au.

Proposed Activities – June 2015 Quarter

USA

The Company expects to spud 4-5 wells in the USA during the June 2015 quarter - one well offshore Gulf of Mexico and 3 to 4 wells onshore Gulf Coast of South Louisiana.

Yemen

Petsec Energy will seek Yemen Government approvals and will prepare for the long term production testing of the Al Meashar oil discovery, on Block 7.

Reserves and Production

Oil and Gas Reserves – USA

Independently estimated proved and probable (2P) oil and gas reserves net to the Company in the USA as of 1 January 2015, were 1.9 Bcfe.

The estimates of the above oil and gas reserves were announced to the ASX on the 24 February 2015.

The Company confirms that it is not aware of any new information or data that materially affects the information included within that announcement, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

2015 Forecast Production

Forecast production for the 2015 financial year from the Company's Main Pass Block 19 and Jeanerette fields in the USA is 0.5 Bcfe.

Financial Summary and Production Data

Unaudited preliminary financial data			Mar 15 Quarter	Dec 14 Quarter	% Increase/ (decrease)	Three months to Mar 15	Three months to Mar 14	% Increase/ (decrease)
Financials								
Net revenue	US\$000		336	510	(34%)	336	3,942	(91%)
Other revenue/(expense)	US\$000		155	39		155	(177)	
Lease operating expenses	US\$000		(147)	(914)		(147)	(785)	
Geological, geophysical & administrative expenses (GG&A)	US\$000		(1,036)	(1,214)		(1,036)	(995)	
EBITDAX	US\$000		(692)	(1,579)	(56%)	(692)	1,985	n/a
Cash ¹			28,873	32,591	(11%)	28,873	27,276	6%
Acquisition, exploration & development expenditure								
Acquisition	US\$000		579	401		579	-	
Exploration	US\$000		63	1,657		63	10	
Development	US\$000		7	54		7	20	
Total	US\$000		649	2,112	(69%)	649	30	n/a
Production (MMcfe)	W.I.	N.R.I						
Offshore Gulf of Mexico								
Main Pass 18/19 ²	100%/55%	83.33%/45.83%	34	52		34	73	
Main Pass 270 ³	22.5%	18.75%	-	-		-	105	
Onshore/Coastal Louisiana								
Atchafalaya Bay ³	8%	5.84%	-	2		-	548	
Jeanerette Field	12.5%	9%	78	88		78	-	
Total			112	142	(21%)	112	726	(85%)
Unit revenue/cost analysis per Mcfe (US\$)								
Oil/Condensate per barrel	US\$		51.09	78.36	(35%)	51.09	104.52	(51%)
Gas per Mcf	US\$		2.87	3.37	(15%)	2.87	4.96	(42%)
Average sales price per Mcfe	US\$		3.00	3.59	(16%)	3.00	5.43	(45%)
Other revenue/(expense) per Mcfe	US\$		1.38	0.27		1.38	(0.24)	
Lease operating expense per Mcfe	US\$		(1.31)	(6.44)		(1.31)	(1.08)	
GG&A expense per Mcfe	US\$		(9.25)	(8.55)		(9.25)	(1.37)	
EBITDAX per Mcfe	US\$		(6.18)	(11.13)	(44%)	(6.18)	2.74	n/a

¹ March 2015 cash includes restricted cash deposits of US\$5.3 million used to guarantee certain future rehabilitation obligations (December 2014: US\$5.3 million; March 2014: US\$5.3 million)

² Operated by Petsec Energy

³ Marathon and Main Pass 270 interests were sold effective 1 January 2014 – production amounts through to the close of the transaction formed part of the purchase price adjustment

Glossary

Bcfe = billion cubic feet of gas equivalent
Mcf = thousand cubic feet of gas
MMcfe = million cubic feet of gas equivalent

Bcpd = barrels of condensate per day
Mcfe = thousand cubic feet of gas equivalent
MMcpd = million cubic feet of gas per day

Bopd = barrels of oil per day
MMbbl = million barrels

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