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Year End 2008 Reserve Estimates and Financial Results Guidance

Petsec Energy Ltd (ASX: PSA; ADR's: PSJEY.PK)

Petsec Energy today announced its independently assessed and internal reserve estimates at 31 December 2008, and provided guidance for its full year 2008 results.

Reserve Estimates

In the USA, the Ryder Scott Company, independent petroleum engineers, estimated the company's proved reserves (1P) at 31 December 2008 to be 24.2 billion cubic feet of gas equivalent (Bcfe), and proved and probable (2P) reserves, 30.8 Bcfe.

Using weighted average prices of US\$6.95 per Mcf of gas and US\$56.08 per barrel of oil, the estimated future cash flows from the proved and probable reserves is US\$157.9 million. At a 10% discount rate, this results in a net present value of US\$127.8 million.

Internally the company estimated its recoverable reserves to be 30.4 Bcfe in the USA and 21.5 Bcfe in China, for total recoverable reserves of 51.9 Bcfe.

The table below is a summary of the reserve estimates and movements for 2008.

Gas Equivalent Bcfe	Independent Assessment Ryder Scott Company			Petsec Energy Estimated Recoverable Proved and Probable Reserves
	Proved Reserves	Probable Reserves	Proved and Probable Reserves	
USA				
Reserves at 1/1/08	36.1	10.0	46.1	48.1
Net additions	0.6	1.3	1.9	1.3
Sold in place				(0.3)
Revisions	(0.4)	(4.7)	(5.1)	(6.6)
Production	(12.1)	-	(12.1)	(12.1)
USA Reserves at 31/12/08	24.2	6.6	30.8	30.4
China				
Reserves at 1/1/08				*3.6 million barrels of oil 21.5
Net additions				-
China Reserves at 31/12/08				*3.6 million barrels of oil 21.5
Total Reserves at 31/12/08				51.9

* Energy equivalence oil to gas: 6:1. Petsec Energy holds a 25% working interest in five oil fields in Block 22/12, Beibu Gulf, China. The fields contain 300-400 million barrels of oil in place and estimated recoverable reserves of 56-66 million barrels of oil. The China reserves stated of 3.6 million barrels represents a 12.25% net interest in 29 million barrels of oil being the lower estimate of the 29-37 million barrels of oil for the 6.12 and 12.8 West oil fields which are scheduled for development in 2009/2010.

ANNOUNCEMENT

Financial Results

The Company expects to announce its audited full-year results to the market on 26 February. On 22 January 2009, the Company released its Fourth Quarter Report announcing significant increases in production, revenues and cash flow for the twelve months ended 31 December 2008.

Production of 12.1 Bcfe for the year generated US\$105.3 million in net revenues and US\$79.6 million in operating cash flow. The Company was able to repay US\$53.5 million in debt over the twelve months.

Accounting standards require the Company to review the carrying values of its oil and gas properties at each reporting date and recognise an impairment if the carrying amount of an oil and gas property on the balance sheet exceeds its estimated recoverable amount.

For the half year ended 30 June 2008, the Company recognised exploration write-offs of US\$14.2 million and impairments totalling US\$18.7 million relating to net reserve revisions at that time of 6.9 Bcfe as well as the downgrading of the prospectivity for the Moonshine exploration area.

The sharp fall in oil and gas prices since the announcement of the half-year results is expected to result in recognition of additional impairments of approximately US\$25 million to US\$30 million in the full-year accounts for certain producing fields. However, the impairment will be ameliorated on the balance sheet as the effect of the decline in prices on the carrying values of the producing fields should be offset to a significant extent by the increase in the mark-to-market value of the Company's hedge book.

In addition, in light of current market conditions the Company has decided to discontinue exploration efforts on a number of exploration leases. As a result, the Company expects to recognise an impairment of approximately US\$10 million to US\$15 million against the carrying value of the associated leasehold costs. These numbers are preliminary and unaudited.

The impairment provisions recognised against the carrying value of the oil and gas properties potentially may be reversed, to the extent allowed, at a future time should there be a recovery in commodity prices or if there is any other change in the estimates used to determine the recoverable amounts.

Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and the onshore Louisiana Gulf Coast region of the USA, and oil in the shallow waters of the Beibu Gulf off the south coast of China.

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