

PETSEC ENERGY LTD

ACN 000 602 700

16 November 2009

Non-renounceable Rights Issue

Petsec Energy Ltd will undertake a non-renounceable Entitlement Offer or “rights issue”, as it is commonly known, of one new share for every two shares held by eligible shareholders at the record date of 24 November 2009. The Offer will allow eligible shareholders to acquire additional shares in the Company at 20 cents per share, free of brokerage costs.

The Offer price represents a discount of 22% to the weighted average price of the Company's shares on the ASX in the five trading days up to and including 13 November 2009.

The Company will raise approximately \$15 million through the issue of up to 77,100,000 new shares under the Entitlement Offer. The Offer is fully underwritten by Martin Place Securities Pty Limited, who will receive a 3% underwriting fee.

Details of the Offer are contained in the Offer Document being lodged today with ASX, available at www.petsec.com.au or www.asx.com.au. The Offer Document and personalised acceptance form are due to be mailed to eligible shareholders on 26 November 2009.

The Offer will be extended to shareholders with registered addresses in Australia, New Zealand or Hong Kong.

Proceeds from the Offer will be used to support the Company's 2010 exploration and development programme of three to five high impact exploration wells in the Gulf of Mexico, USA, and the expected start of development of the 6.12/6.12 South and 12.8 West oil fields in Block 22/12, Beibu Gulf, China.

The drilling programme in the Gulf of Mexico will expose the Company to potential recoverable reserves of 25 to 50 billion cubic feet of gas equivalent (Bcfe), more than double the current developed reserves in the USA of approximately 20 Bcfe. The PV10 of the 20 Bcfe at current strip prices is in excess of US\$60 million and the PV10 on success of the drilling programme is US\$118 million for three wells and US\$171 million for five wells.

Drilling costs for the USA 2010 programme are estimated at US\$7 – US\$13 million, and success-based development costs of an additional US\$8 – US\$17 million.

To provide further financing flexibility for future development, the Company is contemplating selling part of its producing reserves in the USA in order to repay approximately US\$29 million of debt outstanding in Petsec Energy Inc., the Company's US operating arm. The Company is contemplating selling 50 % of its reserves (approximately 10 Bcfe) for US\$25 - US\$30 million.

Petsec Energy owns a 25% interest in five oil fields in Block 22/12, Beibu Gulf, China, which hold potentially recoverable reserves in excess of 43 million barrels of oil (P50). Part of the funds raised will be used for the initial development costs of three of the five fields, the 6.12, 6.12 South and 12.8 West oil fields. The largest field of the three, the 6.12 South was discovered by the joint venture of Australian listed companies - Petsec Energy, ROC Oil, Horizon Oil and First Australian Resources, in mid 2006.

This development of 27 million barrels of recoverable oil (P50) is anticipated to commence in the second quarter of 2010, following lodgement of the overall development plan (ODP) by CNOOC (China National Offshore Oil Company) expected in December 2009 or January 2010. First production is expected in the first half of 2012 at an initial rate of 19,000 barrels of oil per day.

The development of two well head platforms and eleven wells, tied back to a CNOOC owned and operated facility, is anticipated to cost Petsec Energy about US\$25 million over the two year development period. To fully accommodate this expenditure the Company is contemplating the disposing of a 10% working interest for in excess of US\$15 million.

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Due to the financial crisis, and a perception the Company holds too much debt (US\$29 million) ,a lack of drilling over the past 18 months, lower gas prices in the USA and delays to the commencement of development of the China oil fields, the Company's share price has fallen from a peak in mid 2006 of A\$3.50/share to a low of 13 cents in March of this year. In the past 6 months the share price has averaged about 25 cents per share. The market value of US\$37 million indicated by the current share price of 26 cents per share is significantly below the value indicated by current market prices for the Company's assets, with the indicated value of the Company's US and China oil and gas reserves being US\$90 million. The current PV10 of the developed US gas reserves is US\$61.8 million, and the undeveloped China oil reserves, US\$74 million.

The Use of Funds investor presentation being lodged today with the ASX contains further details. This and other information concerning the Company can be found on the Petsec Energy website www.petsec.com.au

The directors of the Company will be taking up their entitlements and strongly encourage all shareholders to participate in the rights issue.

The timetable for the Entitlement Offer is set out below.

Event	Date
Announcement Date and lodgement of Appendix 3B	16 November 2009
Notice to Shareholders	17 November 2009
Shares quoted on ex-entitlement basis	18 November 2009
Record Date	7pm on 24 November 2009
Despatch of Offer Document and Entitlement and Acceptance Forms	26 November 2009
Closing Date	5pm on 11 December 2009
New Shares quoted on a deferred settlement basis	14 December 2009
Shortfall notification date	16 December 2009
Despatch date. Allotment and issue of New Shares. Deferred settlement trading ends	21 December 2009
Mail out of holding statements for New Shares	22 December 2009

Note: The Company reserves the right, subject to the *Corporations Act 2001*, the ASX Listing Rules and other applicable laws, to vary the timetable, including extending the offer period, without notice. The Company reserves the right to withdraw or amend the offer at any time before the allotment of new shares in its absolute discretion. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Competent Person Statement

In accordance with ASX Listing Rules, the estimates for Petsec's US reserves and resources are based upon information compiled, reviewed and signed off by Mr. Dana Westphal, Reservoir Engineer, a full time employee of Petsec Energy. Mr. Westphal has at least five years' relevant experience within the sector and consents to the disclosure of this information in the form and context in which it appears.

For Further Information:

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