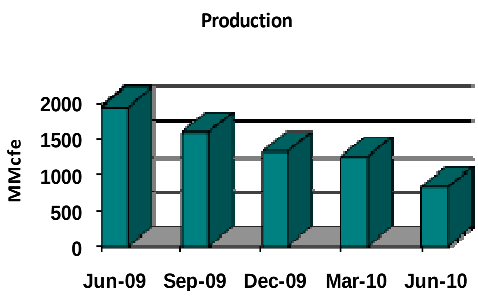
PETSEC ENERGY LTD
JUNE 2010 QUARTER RESULTS

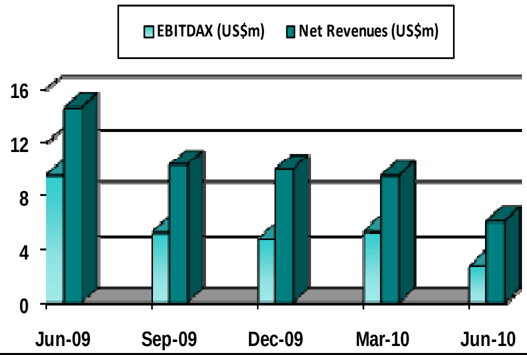
FINANCIALS (to be read in conjunction with "Financial Summary & Production Data" table on page 7)

Comparative Performance versus		Current Quarter	Previous Quarter		Corresponding Quarter	
		Jun 10	Mar 10	% Change	Jun 09	% Change
Production	*MMcfe*	**830**	1,273	(35%)	1,974	(58%)
Average sales price	*US$/Mcfe*	**7.43**	7.47	(1%)	7.41	-
Net revenue	*US$m*	**6.2**	9.5	(35%)	14.6	(58%)
EBITDAX	*US$m*	**2.7**	5.4	(50%)	9.5	(72%)
Net debt/(cash)[1]	*US$m*	**1.3**	(0.1)	n/a	22.1	(94%)
AE&D expenditure[2]	*US$m*	**5.1**	2.2	131%	1.0	401%

1 Includes restricted cash of US$5.2 million (Mar 10: US$1.1 million) used to support letters of credit. Excludes unamortised debt transaction costs.

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





USA

Operations

- Daily net production for the quarter averaged 8.4 MMcfe/day offshore and 0.8 MMcfe/day onshore.

Development

- Oil production commenced from the South Sunrise field in June 2010.

Acquisitions

- Petsec Energy awarded all eight lease blocks won at the March 2010 Central Gulf of Mexico Lease Sale 213.

Exploration

- Main Pass Block 20 #4 exploration well encounters tight gas reservoir rock and is plugged and abandoned.

CHINA

Development - Block 22/12, Beibu Gulf Wei 6.12, 6.12 South and 12.8 West oil fields

- Agreement reached with CNOOC on access to CNOOC infrastructure. Economics and commercial sections of the Overall Development Plan (ODP) were concluded in June. CNOOC elects to participate in project for full 51%.

June 2010 Quarter Activity

Production and Cashflow

Production of 830 MMcfe from the Company's U.S. Gulf of Mexico operations for the June 2010 quarter was 35% lower than the 1,273 MMcfe achieved in the March 2010 quarter, largely due to the shut-in of the Main Pass 270 field caused by damage to a third-party pipeline that transports oil production from the field (refer to "USA, Gulf of Mexico – Operations" commentary on page 3 for further details).

Petsec Energy received an average gas equivalent sales price of US$7.43/Mcfe (including hedging) during the current quarter, marginally lower than the US$7.47/Mcfe realised in the previous quarter. The Company hedged approximately 90% of June 2010 quarter gas production volumes at an average price of US$7.30/Mcf. The beneficial impact of the Company's hedging combined with higher oil production volumes for the quarter helped offset the impact of lower gas spot prices which averaged approximately US$4.25/Mcf for the quarter.

Current quarter net revenues of US$6.2 million were 35% lower than the US$9.5 million achieved for the previous quarter, primarily reflecting lower production for the period.

EBITDAX for the June 2010 quarter of US$2.7 million represents a 50% decrease on the March 2010 quarter largely reflecting lower production.

EBITDAX margin of US$3.21/Mcfe was down 24% on the March 2010 quarter margin of US$4.23/Mcfe. Lease operating expense of US$1.86/Mcfe (March 2010 quarter: US$1.82/Mcfe) and geological, geophysical & administrative expense of US$2.70/Mcfe (March 2010 quarter: US$1.82/Mcfe) were higher on a unit-basis due to lower production.

Acquisition, exploration and development expenditures for the quarter totalled US$5.1 million comprising: US$1.3 million on lease acquisitions; US$3.4 million on exploration (including US$3.1 million of dry hole costs relating to the Main Pass Block 20 #4 well); and US$0.4 million on development of the South Sunrise field oil zone.

Cash and Debt Facilities

At 30 June 2010, Petsec Energy held total cash deposits of US$28.0 million – equivalent to A$32.9 million using the period end closing rate of 0.8500 (31 March 2010: US$29.4 million or A$32.0 million at 0.9182), including US$5.2 million of restricted cash deposits used to support letters of credit totalling US$9.2 million that guarantee certain of the Company's future rehabilitation bonding obligations.

Total debt outstanding at 30 June 2010, relating to subordinated term debt that matures in 2011, amounted to US$29.25 million (31 March 2010: US$29.325 million).

June 2010 Quarter Activity (continued)

Gas Price and Hedging

Gas prices remain relatively soft due to ample gas supply and low growth in the U.S. economy.

On 25 June 2010, U.S. natural gas storage was approximately 2.7 Tcf, similar to the corresponding period last year and 10% above the 5-year average.

At 30 June 2010, the Company had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US$ Price
Jul 2010 – Dec 2010	Swaps	652,000	7.92
2011	Collars	789,000	6.00 – 7.56
Total hedged volume		**1,441,000**	

The NYMEX 12 month forward strip price for gas on 16 July 2010 was approximately US$4.94/MMBtu and the 36 month forward strip price for gas was approximately US$5.37/MMBtu.

USA, Gulf of Mexico

Operations

Gulf of Mexico

The deep water (5,000 feet) BP operated Macondo well blew out on 20 April 2010, releasing a significant amount of oil to surface until the well was capped in mid July. The extensive oil spill caused the Federal US government to suspend all drilling in the deep water, affecting 33 wells, and announced a moratorium for further deep water drilling (greater than 500 feet of water), and cancelled the Texas offshore lease sale that was scheduled for August 2010. The Federal government drilling regulatory body in the Gulf of Mexico, the MMS, has been reconstituted as a consequence of the oil spill and is now called the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), with new senior management.

While the spill has not directly affected Petsec Energy's production operations to date, it has affected the timing of approval of development and drilling permits. The resultant changes in the permitting of wells by both U.S. Federal and Louisiana State regulatory authorities is expected to continue to cause general delays in the issue of new drilling permits for the Gulf of Mexico Shelf (less than 300 feet of water), where the Company operates. Consequently, the Company's anticipated three to five well 2010 drilling programme in the Gulf of Mexico is unlikely to recommence until 4th quarter 2010/1st quarter 2011.

Main Pass 270 field

The Main Pass Block 270 field was shut-in in early April 2010 due to a leak in an onshore oil pipeline which is owned and operated by a third party. Although repair of the leak was straight forward, uncertainties caused by the BP oil spill incident and the consequent delays in obtaining permits necessary to complete the repairs resulted in the shut-in of the field for a period longer than had been anticipated. The pipeline operator has recently advised that it has received the necessary permits to complete the repairs. The pipeline is expected to return to service by late July 2010.

The production interruption has deferred approximately 0.4 Bcfe of net production from the Main Pass 270 field and reduced the Company's full year production guidance from 4.4 Bcfe to 4.0 Bcfe.

June 2010 Quarter Activity (continued)

Vermilion 258 field

The abandonment of the Vermilion Block 258 wells and platform was completed in June 2010 and the site has been cleared.

Onshore Louisiana - South Sunrise field

Production from the oil zone recompleted in May 2010 commenced in late June 2010 following the changeover of the gas facilities to oil. Production commenced at 600 bopd (340 bopd net to Petsec) and is currently producing at 400 bopd (240 bopd net).

Acquisitions

The MMS (now the BOEMRE) has awarded all eight lease blocks that the Company successfully bid on at the Central Gulf of Mexico Lease Sale 213 held in New Orleans, Louisiana USA on 17 March 2010.

The Company submitted four sole bids (100% W.I.) and four joint bids with another company. The leases contain prospects mapped by the Company ranging in size from 20 to 100 Bcfe.

Details of the lease blocks are as follows:

Lease	Cost US$	Working Interest	Petsec Share US$
Main Pass 273	$1,166,500	50%	$583,250
Main Pass 274	$178,500	50%	$89,250
Breton Sound 42	$562,500	50%	$281,250
Breton Sound 39	$168,840	75%	$126,630
Main Pass 18 N/2	$76,900	100%	$76,900
Main Pass 132	$158,900	100%	$158,900
Ship Shoal 36	$158,900	100%	$158,900
Ship Shoal 74	$127,900	100%	$127,900

Exploration

Drilling

The proposed 2010 drilling programme of three to five wells, targeting 20-50 Bcfe net to the Company, was designed to test the new suite of prospects generated by Petsec Energy which hold potential reserves of 20-100 Bcfe each, located on the Gulf of Mexico shelf (less than 300 feet of water) in the geologic section of 12,000 to 18,000 feet.

June 2010 Quarter Activity (continued)

Main Pass 20 # 4 well (Petsec: 30% working interest)

The first well in the 2010 drill programme was spud in mid April 2010 to target potential gross reserves of 20 – 45 Bcfe. The well was drilled to a total depth of 3,900 metres (12,800 feet) in early June 2010 intersecting a thick channelised reservoir sequence confirming the targets predicted by the Company’s 3D seismic analysis. Log analysis indicated the presence of 100 feet of gas charged, fine grain sand reservoir which correlated to the strong seismic amplitude response. Further petrophysical analyses, however, indicated that the reservoir had very low permeability and was incapable of producing hydrocarbons at commercial rates. Consequently the well was plugged and abandoned at a cost of US$3.1 million, net to Petsec Energy.

Whilst the low permeability was disappointing, the geologic model and seismic interpretation were confirmed and the log results will provide valuable information to support the potential of the nearby prospects. Of the Company’s five prospects in closest proximity to this well, only one has been impaired by this result.

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 Company Limited

Development – Wei 6.12, 6.12 South and 12.8 West oil fields

Petsec Energy owns a 25% working interest in five oil fields in Block 22/12, Beibu Gulf, China, which have been estimated to hold potentially recoverable reserves in the range of 43 to 124 million barrels of oil (P50 to P10) of which Petsec Energy’s share is 5 to 15 million barrels on the basis CNOOC backs-in for 51%. Eight undrilled prospects in Block 22/12 hold an additional 100 million barrels gross potential.

During 2009, CNOOC in conjunction with the joint venture (JV) completed a feasibility study on the 6.12, 6.12 South and 12.8 West oil fields, which have been estimated to hold 27 to 52 million barrels of gross recoverable oil (P50–P10), based on sharing production, pipeline and oil storage facilities with CNOOC on its adjacent 12.1.1 oil field. The technical section of the Overall Development Plan (ODP) was completed by CNOOC in December 2009.

Commercial negotiations between the joint venture and CNOOC over the economics and commercial sections of the Overall Development Plan (ODP) were concluded in June 2010 with the signing of a Commercial Negotiation Memorandum which specifies the terms and conditions for the joint development of the 6.12, 6.12 South and 12.8 West oil fields in Block 22/12 Beibu Gulf, China. CNOOC has elected to participate in the development of the three oil fields and will back-in for its full 51% share of the project. Consequently, Petsec Energy’s share of the development is 12.25%.

The agreed commercial terms have been incorporated into a revised ODP which has been subject to Chinese Expert Review. The JV is currently in the process of negotiating with CNOOC a Supplemental Development Agreement (SDA) to the Petroleum Contract. Following finalisation of the SDA, the JV will proceed with Final Investment Decision (FID) and lodgement of the ODP for formal Chinese Government approval. Start of development is then expected to commence resulting in first oil in 2012.

June 2010 Quarter Activity (continued)

Petsec Energy's share of the likely development cost is estimated in the order of US$35 million, a large portion of which is anticipated to be debt financed. The Company has commenced discussions with potential financiers.

Exploration prospects with 20 million barrels potential, which can be accessed from the 6.12 South platform, are expected to be tested at the time of development drilling in 2011.

Preliminary feasibility studies for the development of the 12.8 East and 12.3.1 oil fields, which have been estimated to contain recoverable reserves ranging from 15 to 72 million barrels of oil (P50 to P10), commenced in December 2009 and development of these two oil fields is anticipated to commence 2011/2012.

Block 22/12 is a substantial asset of the Company, represented not only by its existing oil reserves but the remaining high exploration potential.

Financial Summary and Production Data

A "Financial Summary and Production Data" table is provided on page 7.

Proposed Activities – September 2010 Quarter

The principal activities proposed for the September 2010 quarter are as follows:

USA, Gulf of Mexico

Exploration

The Company expects that its proposed 2010 programme of three to five wells on the Gulf of Mexico shelf to target 20-50 Bcfe (net) will recommence in 4th quarter 2010/1st quarter 2011 due to anticipated delays in obtaining new drilling permits caused by the BP oil spill and the onset of the hurricane season. Drilling prior to year end would only be possible should the Company locate attractive farm-ins for already permitted wells.

China
Beibu Gulf, Block 22/12

Development
Wei 6-12, 6-12 South and 12-8 West oil discoveries

The Company anticipates the finalisation of the Supplemental Development Agreement (SDA), CNOOC approval of the Overall Development Plan (ODP), FID and lodgement of the ODP for formal Chinese government approval, late in the September quarter. Development is anticipated to commence in the 4th quarter 2010.

Production and Revenue Forecast 2010

The Company's has reduced its 2010 production and revenue forecast to approximately 4.0 Bcfe and US$28 million, respectively predominantly due to the deferral of production from the Main Pass 270 field due to third party pipeline interruptions to production.

June 2010 Quarter Activity (continued)

PETSEC ENERGY
JUNE 2010 QUARTER
FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED PRELIMINARY FINANCIAL DATA		W.I.	N.R.I		**Jun 2010 Quarter**	Mar 2010 Quarter	% Increase/ (decrease)	Jun 2009 Quarter	% Increase/ (decrease)	**Six Months to 30 Jun 2010**	Six Months to 30 Jun 2009	% Increase/ (decrease)
Amounts in US$000												
Net Revenue					**6,171**	9,513	-35%	14,633	-58%	**15,684**	31,764	-51%
Other Revenue/(Expense)					**281**	504		40		**785**	(50)	
Lease Operating Expenses					**(1,547)**	(2,321)	-33%	(2,453)	-37%	**(3,868)**	(5,195)	-26%
Geological, Geophysical & Administrative Expenses (G,G&A)					**(2,238)**	(2,323)	-4%	(2,718)	-18%	**(4,561)**	(5,293)	-14%
EBITDAX				*US$000*	**2,667**	5,373	-50%	9,502	-72%	**8,040**	21,226	-62%
Total Outstanding Debt (excl. unamortised debt transaction costs)				*US$000*	**29,250**	29,325	0%	38,350	-24%	**29,250**	38,350	-24%
Cash *				*US$000*	**27,963**	29,377		16,255		**27,963**	16,255	
Net Debt/(Cash)				*US$000*	**1,287**	(52)	n/a	22,095	-94%	**1,287**	22,095	-94%
** Includes restricted cash deposits of US$5.2 million used to support letters of credit.*												
Acquisition, exploration & development expenditure												
Acquisition					**1,282**	321		103		**1,603**	181	
Exploration					**3,632**	1,751		659		**5,383**	1,254	
Development					**232**	151		266		**383**	989	
Total				*US$000*	**5,146**	2,223	131%	1,028	401%	**7,369**	2,424	204%
Production (MMcfe)		**W.I.**	**N.R.I**									
Offshore Gulf of Mexico												
Main Pass 18/19	*1*	100%/ 55%	83.33%/ 45.88%		**371**	462		433		**833**	957	
Main Pass 270		25%	20.8%		**16**	284		346		**300**	499	
Chandeleur 31/32	*1*	100%	81.8%		**300**	284		765		**584**	1,688	
Mobile Bay Area		40%-50%	30.5% - 41.7%		**61**	151		121		**212**	239	
Other Offshore	*1*	100%	81.8% - 83.33% 3.2% - 4% ORRI		**12**	14		73		**26**	247	
Onshore Louisiana		46% - 78%	32% - 58%		**70**	78		236		**148**	496	
Total				*MMcfe*	**830**	1,273	-35%	1,974	-58%	**2,103**	4,126	-49%
Unit revenue/cost analysis per Mcfe (USD)												
Oil/Condensate per barrel					***73.21***	*75.60*		*54.00*		***74.66***	*46.42*	
Gas per Mcf					***7.20***	*7.21*		*7.34*		***7.21***	*7.70*	
Average sales price per Mcfe					**7.43**	7.47	-1%	7.41	0%	**7.46**	7.70	-3%
Other revenue/(expense)					**0.34**	0.40		0.02		**0.37**	(0.01)	
Lease operating expense					**(1.86)**	(1.82)		(1.24)		**(1.84)**	(1.26)	
G,G&A expenses					**(2.70)**	(1.82)		(1.38)		**(2.17)**	(1.28)	
EBITDAX per Mcfe				*US$*	**3.21**	4.23	-24%	4.81	-34%	**3.82**	5.15	-26%

Glossary
Bcfe = billion cubic feet of gas equivalent
Mcfe = thousand cubic feet of gas equivalent
MMbls = million barrels
Mmcfe = million cubic feet of gas equivalent
EBITDAX = Earnings Before Interest, Income Taxes, Depreciation, Depletion, Amortization, and Exploration Expenses

1 Operated by Petsec Energy

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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.