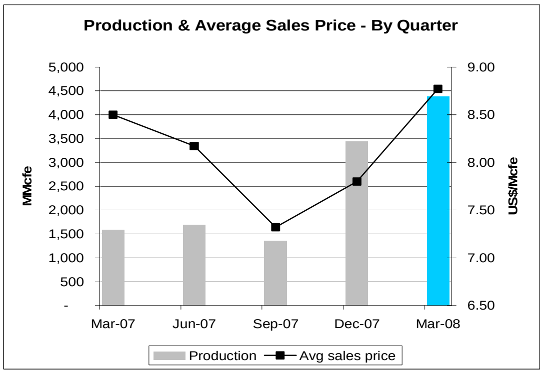
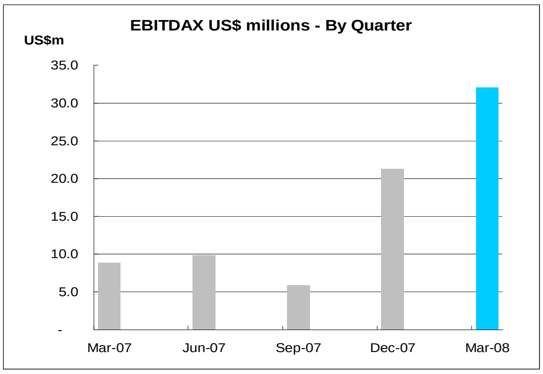
QUARTERLY REPORT

First Quarter Report
for the period ended 31 March 2008

Key Points for Quarter

- Production was 28% higher than the previous quarter reflecting the contribution of the Mobile Bay gas fields and the production assets acquired in November 2007.
- **Production: 4.4 Bcfe up 28%.**
- **Net Revenue: US$38.5 million (A$42.4 million) up 44%.**
- **EBITDAX: US$32.1 million (A$35.4 million) up 51%.**
- **Average sales price received: US$8.77/Mcfe up 13%.**
- **Net Debt: US$54.0 million, down 30% from US$76.8m at 31 December 2007.**





DEVELOPMENT

- **USA Gulf of Mexico: Main Pass 19 oil storage platform**

  Development of additional oil storage facilities has commenced. A used platform has been acquired, refurbishment is advanced, and production is expected to start in July.

- **China Block 22/12, Beibu Gulf: Wei 6-12/6-12 South and 12.8 West oil fields**

  Work continued on the overall development plans (ODP) for the three oil fields. A final investment decision is anticipated by mid 2008 and commencement of development in the second half of 2008.

EXPLORATION

- **USA Onshore Louisiana: Gas discovery at Virginia Geason #1 exploration well, Moonshine Project**

  The well intersected 6.3 metres (21 feet) of net gas pay, and was completed for production in April.

- **USA Gulf of Mexico: West Cameron 379 # 1 exploration well**

  The well encountered 4.3 metres (14 feet) of net gas pay - insufficient to support completion and development. The well was plugged and abandoned. Exploration and related costs of the well of US$3.3 million have been expensed.

- **China Block 22/12: Beibu Gulf. Wei 6.12 W.1 and 6.12 E.1 exploration wells**

  The two wells intersected only residual oil and were plugged and abandoned. Drilling of the proposed well to appraise the 12.2.1 oil discovery was postponed. Exploration and related costs of the wells of US$8.8 million have been expensed.

ACQUISITIONS

- **USA Gulf of Mexico**

  Petsec Energy made the highest bids on three leases at the Central Gulf of Mexico Lease Sale 206 in March 2008, for a bid exposure of US$0.9 million.

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QUARTERLY REPORT

QUARTER ACTIVITY

Production and Cashflow

Production in the March quarter was 4.4 Bcfe, up 28% from the previous period, reflecting a full quarter's contributions from the Mobile Bay gas fields which commenced production in November, and the gas fields acquired in November 2007.

Production results met Petsec Energy's expectations and forecast production for the full year remains unchanged at 15 Bcfe.

The average gas sales price received was US$8.77/Mcfe up 13% on the December quarter, reflecting higher demand due to cold weather in the USA over February and March. (See graph on page 1).

Revenues were US$38.5 million up 44% on the previous quarter, reflecting higher production and average sales prices.

EBITDAX was US$32.1 million up 51% on the December quarter, reflecting higher production and prices of gas and proportionally lower LOEs and GG&A costs due to the higher gas volumes.

EBITDAX margin increased to US$7.33 per Mcfe up 18% after lease operating expenses of US$0.64/Mcfe and GG&A of US$0.79/Mcfe.

Capital expenditure for the quarter was US$19.1 million including US$16.8 million on exploration and US$2.0 million on development activities.

Total exploration and related costs of US$12.1 million were expensed during the quarter for the West Cameron 379#1, Wei 6.12W.1 and Wei 6.12E.1 wells.

Cash and Debt Facilities

The Company's net debt at 31 March 2008 was US$54.0 million down from US$76.8 million at the end of 2007.

The cash position at 31 March 2008 was US$30.5 million (A$33.3 million), compared to US$27.2 million at the end of 2007.

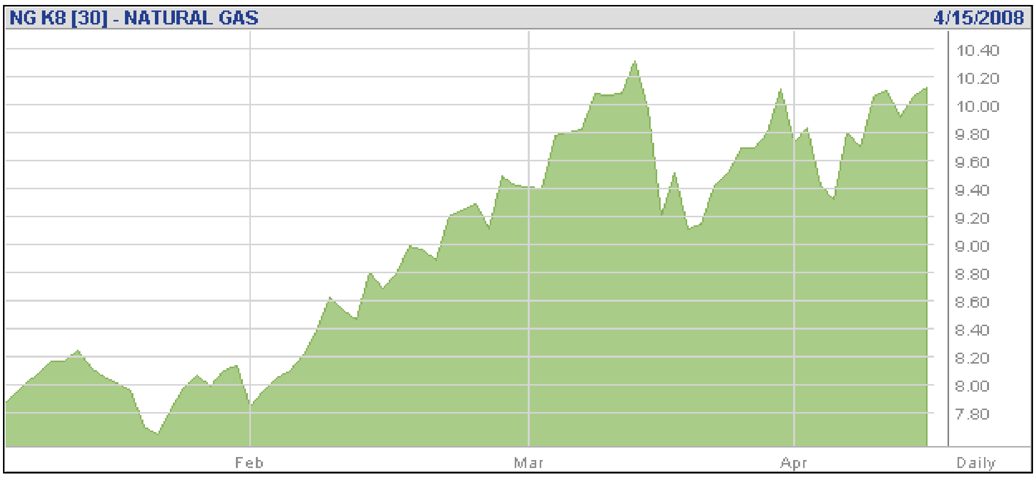
Total Debt of US$84.4 million was drawn at 31 March 2008 (down from US$104 million at the end of 2007), from available debt facilities of US$109 million. These debt facilities comprise a three year US$75 million revolving borrowing base facility maturing in 2010, US$4 million remaining under a term loan (repaid in full on 8 April 2008) and a US$30 million subordinated term facility maturing in 2011.

Similar levels of debt repayments are expected during the second quarter.

Gas Prices and Hedging

Gas prices firmed during the March quarter to the highest level since the 2005 hurricanes in the Gulf of Mexico, reflecting high seasonal gas drawdowns from storage, due to cold weather in the USA in February and March.

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 K8"

The current two year forward strip price is approximately US$ 10.25/MMBtu, reflecting market expectations of continued strong gas prices in 2008 and 2009.

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

At 31 March 2008, Petsec Energy Inc. had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US$ Price
Second quarter 2008	Swaps	2,639,000	7.81
Jul-Dec 2008	Swaps	1,884,600	8.28
	Puts*	2,072,950	6.37
2009	Swaps	4,182,500	8.47
	Puts*	844,000	6.33
Total hedged volume		11,623,050	

***** Put prices shown are net of premium cost.

In early April, Petsec Energy Inc, entered into the following additional natural gas hedge contracts:

Production period	Hedge types	Total MMBtu volume	Weighted average US$ Price
Aug – Nov 2008	Swaps	385,200	10.06
Aug – Dec 2009	Swaps	152,600	9.24
2010	Swaps	1,057,200	9.12
Total hedged volume		1,595,000	

USA, GULF OF MEXICO

Development

Main Pass 18/19 – Development of additional oil storage facilities
Petsec: 100%/55% working interest (83.33%/45.83% net revenue interest)
Operator: Petsec Energy

Existing oil storage facilities on the Main Pass 19 platform have been inadequate to handle higher than expected oil production since mid 2007 and as a result, both oil and gas production has been restricted.

A decision was taken in February to develop additional oil storage facilities adjacent to the Main Pass 19 platform. A used platform is currently being refurbished, and is expected to be set in June and in production in July.

Acquisitions

March 2008 MMS Lease Sale. High bid – three leases

Petsec Energy made the highest bid on three leases at the Central Gulf of Mexico Lease Sale 206 in March 2008. The leases are expected to be awarded before June 20 subject to the approval of the US Minerals Management Service (MMS). The net amount bid by Petsec Energy for the three leases was US$934,550.The leases and working interests are:

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

Exploration

Drilling:

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

Well Name	Basin/Area	Spud Date	Target	Working Interest %	Total Depth (metres)	Comments
USA						
Virginia Geason #1	Moonshine Project, Louisiana	04 Feb	Gas	80%	3,508	Discovery of 6.3 metres (21 feet) of net gas pay.
West Cameron 379 #1	Gulf of Mexico	04 Mar	Gas	50%	2,740	4.3 metres (14 feet) of gas pay. Insufficient to support development. Plugged and abandoned
CHINA						
Wei 6.12W.1	Beibu Gulf	02 Jan	Oil	25%	2,333	Residual oil only. Plugged and abandoned.
Wei 6.12E.1A	Beibu Gulf	12 Feb	Oil	25%	2,510	Residual oil only. Plugged and abandoned.

USA
Virginia Geason #1 Well – 'Dickel Prospect', Moonshine Project
Operator: Petsec Energy

The Virginia Geason #1 well was spud on 4 February and reached total measured depth of 3,508 metres, (11,508 feet). The well encountered 6.3 metres (21 feet) of net gas pay in the target sand and was completed for gas production.

West Cameron 379 #1 Well
Operator: Petsec Energy

The West Cameron 379 #1 well was spud on 4 March and reached total measured depth of 2,724 metres (8,989 feet). The well encountered 4.3 metres (14 feet) of net gas pay which was insufficient to support completion and development. The well was plugged and abandoned, and costs of approximately US$3.3 million have been expensed.

Prospect Review:

Triple Play Prospect, Terrebonne Parish
Operator: Red Willow Offshore LLC

The CL&F#28-1 well was drilled into the Triple Play Prospect during the third quarter of 2007, but due to deteriorating hole conditions the well did not reach target depth of 13, 606 feet and was temporarily abandoned by the operator at 3,988 metres (13,163 ft). A review of the well results in the context of the surrounding successful Hollywood AVOs indicates that the target AVO was not tested. Work continues on the feasibility of testing the target by re-entering the well.

Moonshine: Review of seismic data

In the second quarter of 2007, the first well drilled by the joint venture in the Moonshine Project the Bowie Lumber #1 well, testing the Skywagon prospect, intersected 8.2 metres (27 feet) of tight gas, at the target depth, but inconsistent with the seismic response. Consequently the 3D seismic survey data was reprocessed to better understand the seismic amplitude response. The well was temporarily plugged and abandoned to allow future access to nearby prospects pending a review of the reprocessed seismic.

This review has been completed without increasing our level of certainty and indicating that only two prospects nearby to the Skywagon prospect warrant testing. It is anticipated one of these prospects will be tested in the June quarter.

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

Drilling - Wei 6.12 W.1 and Wei 6.12 E.1A

Two wells were drilled in Block 22/12, Beibu Gulf during the quarter, testing prospects within three kilometers of the Wei 6.12 South oil discovery. Both wells failed to intersect commercial hydrocarbons and were plugged and abandoned. Costs of the wells were approximately US$8.8 million and have been expensed within the current period. Due to a variety of operational reasons the proposed well to appraise the 12.2.1 oil discovery was postponed.

Development - Wei-6-12 South Oil Discovery

Work is continuing on the front-end engineering and design studies (FEED) and overall development plans (ODP) for the 6-12/ 6-12 South and 12.8 West oil fields for submission to Chinese authorities. 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 around the middle of 2008 and to commence development in the second half of 2008.

PROPOSED ACTIVITIES - JUNE QUARTER 2008

Development

China
Beibu Gulf, Block 22/12
FID for the development of the Wei 6.12/6.12 South and 12.8 West oil fields is expected by mid year.

USA

Main Pass 19/18 Oil Storage Facilities

Facilities are expected to be in operation in July.

Virginia Geason # 1 gas well, Moonshine Project

The well has been completed for gas production. Facilities will be developed in the second quarter with expected production in the third quarter.

Exploration

USA
Onshore Louisiana

Moonshine Project

A well is anticipated in the June quarter to test a prospect near the Skywagon prospect that was drilled in the June quarter of 2007.

Triple Play Prospect, Terrebonne Parish

The CL&F#28-1 well may be re-entered and deepened to test the Hollywood AVO, in the second or third quarters.

Gulf of Mexico

Work continues on the evaluation and ranking of the company's prospect inventory with mapping now complete on a number of high priority prospects. Discussions with joint venture partners are now proceeding in preparation for drilling which is expected to commence in the second half of 2008.

FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED FINANCIAL DATA						Mar 2008 QTR	Dec 2007 QTR	% Increase/ (decrease)	Mar 2007 QTR
Amounts in US$000									
Net Revenue						**38,451**	26,789	44%	13,426
Other Revenue/(Expense)						**(44)**	126		41
Lease Operating Expenses						**(2,825)**	(2,665)		(1,505)
Geological, Geophysical & Administrative Expenses (G,G&A)						**(3,466)**	(2,927)		(3,059)
EBITDAX					*US$000*	**32,116**	21,323	51%	8,903
Outstanding bank debt					*US$000*	**84,425**	104,000		-
Cash					*US$000*	**30,467**	27,214		30,877
Net Debt/(Cash)					*US$000*	**53,958**	76,786	-30%	(30,877)
Acquisition, exploration & development expenditure									
Acquisitions						**260**	103,614		5,552
Exploration						**16,800**	2,389		8,235
Development						**2,027**	333		1,376
Total					*US$000*	**19,087**	106,336		15,163
Production (MMcfe)			**W.I.**	**N.R.I**					
Offshore Gulf of Mexico									
Vermilion 258		*P*	100%	83.33%		**460**	671		1,055
Main Pass 18/19		*P*	100%/ 55%	83.33%/ 45.88%		**429**	459		504
Mobile Area		-	50%	39.9% - 41.7%		**809**	582		-
Chandeleur 31/32	*	*P*	100%	81.8%		**1,235**	829		-
Main Pass 20	*	*P*	100%	81.8%		**386**	257		-
Main Pass 270	*	-	25%	20.8%		**456**	289		-
Other Offshore		*P*	56.25% - 100%	46.12% - 82.33%		**12**	-		20
		-	-	4% - 7% ORRI					
Onshore Louisiana	*	*P*	46% - 78%	32% - 58%		**596**	349		-
Total					*MMcfe*	**4,383**	3,436	28%	1,579
Unit revenue/cost analysis per Mcfe (USD)									
Oil/Condensate per barrel						***98.06***	*89.87*		*54.97*
Gas per Mcf						***8.60***	*7.60*		*8.50*
Average sales price per Mcfe						**8.77**	7.80	13%	8.50
Other revenue/(expense)						**(0.01)**	0.04		0.03
Lease operating expense						**(0.64)**	(0.78)		(0.95)
G,G&A expenses						**(0.79)**	(0.85)		(1.94)
EBITDAX per Mcfe					*US$*	**7.33**	6.21	18%	5.64

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

* Acquired Nov 2007

P Operated by Petsec Energy

Dated: 17 April 2008

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