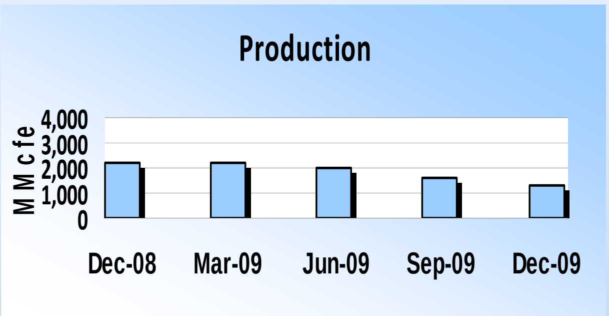
PETSEC ENERGY LTD

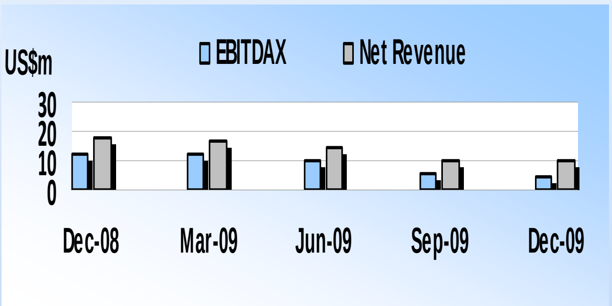
December 2009 Quarter Results

Financials (to be read in conjunction with "Financial Summary & Production Data" table on page 6)

Period:		Current		Previous		Corresponding	
Comparative Performance versus:		Dec 09 Qtr	Dec 09 Ytd	Sep 09 Qtr	% Change Qtr	Dec 08 Ytd	% Change Ytd
Production	**MMcfe**	**1,339**	**7,069**	1,604	(17%)	12,105	(42%)
Average sales price	**US$/Mcfe**	**7.42**	**7.36**	6.45	15%	8.70	(15%)
Net revenue	**US$m**	**9.9**	**52.0**	10.3	(4%)	105.3	(51%)
EBITDAX	**US$m**	**4.1**	**30.6**	5.3	(24%)	79.6	(62%)
Net debt [1]	**US$m**	**4.0**	**4.0**	18.9	(79%)	36.8	(89%)
Capex	**US$m**	**2.2**	**5.2**	0.5	319%	43.3	(88%)

1 Excludes unamortised debt transaction costs.





Corporate

- A$15.4 million (approximately US$13.8 million) raised through 1:2 pro-rata rights issue to shareholders.

Operations

USA

- Outstanding principal loan balance under revolving credit facility fully repaid.
- Daily net production for the quarter averaged 13.0 MMcfe/day from the offshore wells and 1.5 MMcfe/day from the onshore wells.

Development

CHINA

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

- The technical section of the Overall Development Plan (ODP) for the Beibu Gulf Wei 6.12, 6.12 South and 12.8 West oil fields was completed as scheduled by CNOOC on 20 December 2009. The economics and commercial sections of the ODP are expected to be concluded in late January 2010, whereupon the CNOOC approved ODP will be lodged with Chinese authorities for formal approval.
- Commercial negotiations between the joint venture and CNOOC continued into 4th quarter 2009 and are expected to be completed within the next few weeks.
- CNOOC approved ODP expected to be lodged in 1st quarter 2010.

December 2009 Quarter Activity

Production and Cashflow

December 2009 quarter production from Petsec Energy's U.S. operations was 1,339 MMcfe, 17% lower than the previous quarter of 1,604 MMcfe due to a combination of natural decline in production rates from a number of fields and the delayed timing of well recompletions till late in the quarter in order to benefit from a higher spot gas price environment.

The average gas equivalent sales price received (including hedging) for the December 2009 quarter was US$7.42/Mcfe, up 15% on the US$6.45/Mcfe realised in the previous quarter due to higher average wellhead gas prices received for the quarter of approximately US$4.49/Mcf. Wellhead gas prices received over the quarter ranged from approximately US$2.05 to US$6.05/Mcf.

Net revenues of US$9.9 million were 4% lower than the US$10.3 million achieved for the September 2009 quarter, reflecting lower production offset to some extent by the higher average gas equivalent sales price received for the period.

EBITDAX of US$4.1 million was down 24% on the previous quarter largely due to lower net revenues combined with higher lease operating and geological, geophysical & administrative expense.

EBITDAX margin of US$3.05/Mcfe was 8% lower than the September 2009 quarter margin of US$3.33/Mcfe. Lease operating expense was US$2.37/Mcfe (September 2009 quarter: US$1.55/Mcfe); and geological, geophysical & administrative expense amounted to US$2.02/Mcfe (September 2009 quarter: US$1.59/Mcfe).

Acquisition, exploration and development expenditures for the quarter totalled US$2.2 million, including US$0.2 million on exploration and US$2.1 million on development activities.

Cash and Debt Facilities

At 31 December 2009, the Company's cash position increased to US$25.4 million (A$28.3 million), up from US$13.4 million (A$15.3 million) at 30 September 2009 following the Company's underwritten pro-rata 1-for-2 rights issue to shareholders in December 2009, which raised approximately US$13.8 million (A$15.4 million, before issue costs) to fund a three to five well drilling programme in the Gulf of Mexico, USA during 2010.

During the quarter, the Company repaid the remaining US$2.8 million of principal loan balance due under its revolving credit facility. Total debt outstanding was reduced to US$29.4 million of subordinated fixed term debt that matures in 2011 (September 2009: US$32.3 million). Consequently, net debt fell 79% to US$4.0 million at 31 December 2009, in comparison to US$18.9 million at the end of the previous quarter.

At 31 December 2009, the amount utilised under the revolving credit facility comprised US$8.3 million in letters of credit that support future rehabilitation obligations.

Petsec Energy

December 2009 Quarter Activity (continued)

Gas Price and Hedging

NYMEX natural gas futures prices improved during the December 2009 quarter, particularly in December due to the colder-than-normal weather in the U.S. which resulted in an estimated storage withdrawal of 665 Bcf of gas, 32% above the previous 5-year average December drawdown. Gas in storage on 8 January was 2.85 Tcf, 4% above the previous 5 year average.

At 31 December 2009, the Company had the following natural gas hedges in place:

Production period	Hedge types	Total MMBtu volume	Weighted average US$ Price
2010	Swaps	2,429,500	7.43
2011	Collars	789,000	6.00 – 7.56
Total hedged volume		**3,218,500**	

The NYMEX 12 month forward strip price for gas on 15 January 2010 was approximately US$5.97/MMBtu and the 36 month forward strip price for gas was approximately US$6.33/MMBtu.

USA, Gulf of Mexico

Acquisition

No acquisitions were made during the December 2009 quarter.

Exploration

No drilling was undertaken during the quarter. Exploration was directed to preparation for a 3 to 5 well exploration drilling programme in 2010 on prospects generated by Petsec Energy, on or adjacent to the Company's leases which hold production facilities.

In the main, Petsec Energy holds 100% of the leases. The Company wishes to retain a 33.33% interest in each prospect, which should keep the Company's drilling risk exposure to less than US$2.5 million per well and will expose the Company to potential net reserves of 33 – 48 Bcfe.

The Company is currently showing the prospects to a number of interested participants to farm-out that interest above 33.33%.

The anticipated cost of the drilling programme is US$7 – US$13 million, net to Petsec Energy, which will expose the Company to 33 – 48 Bcfe of potential net reserves which at current gas prices are estimated to generate PV10 values in the order of US$118 – US$171 million.

The first well is expected to spud in late March/early April 2010.

December 2009 Quarter Activity (continued)

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 discoveries

As reported previously, CNOOC granted development areas to the Beibu Block 22/12 joint venture ("JV"), over the Wei 6.12, 6.12 South, 12.8 West, 12.8 East and 12.3.1 oil fields. These five oil fields contain oil in place of 185 to 262 million barrels of oil (P50 to P10) and potentially recoverable reserves of 43 to 124 million barrels of oil. Feasibility studies have been completed on all five fields and the JV has decided to first proceed with the development of the 6.12, 6.12 South and 12.8 West fields which hold P50 recoverable reserves of 27.2 million barrels of oil and P10 recoverable reserves of 52 million barrels of oil.

Feasibility studies undertaken by CNOOC in conjunction with the JV, investigating two development options - a stand alone production platform at 6.12 South and shared facilities with CNOOC adjacent to its 12.1.1 platform, were completed during the June 2009 quarter. The results were presented to the Chinese Expert Review Committee, which made a recommendation to CNOOC and the JV to proceed with an Overall Development Plan (ODP) on the preferred option of development using a shared production facility with CNOOC adjacent to its 12.1.1 platform.

Negotiations between the JV and CNOOC, on tariffs and access terms to CNOOC's sales pipeline and proposed new production facilities, which commenced in early September 2009 and continued into 4th quarter 2009, are expected to be finalised within the next few weeks.

The technical section of the ODP for the development of the 6.12, 6.12 South and 12.8 West oil fields, prepared by CNOOC/CLZ in conjunction with the JV, was completed as scheduled on 20 December 2009 and delivered to the JV on 25 December 2009. Finalisation of the economic section of the ODP is pending completion and finalisation of commercial negotiations which is expected to be concluded within a matter of weeks.

The CNOOC approved ODP is expected to be lodged in the 1st quarter 2010 with formal Chinese government approval to be granted within 90 days of lodgement. A final investment decision (FID) is likely to be made in the 2nd quarter 2010, followed immediately with the commencement of development.

Initial production of the order of 19,000 bopd is likely to commence in first half of 2012 from these three fields.

Exploration prospects adjacent to the 6-12 South field are expected to be tested at the time of development drilling in 2011.

Development of the 12.8 East and 12.3.1 fields, which hold recoverable reserves ranging from 15 to 72 million barrels of oil (P50 to P10), is anticipated after the start of production of the 6.12, 6.12 South and 12.8 West fields. Initial feasibility studies have begun.

December 2009 Quarter Activity (continued)

Financial Summary and Production Data

A “Financial Summary and Production Data” table is provided on the following page.

Proposed Activities – March 2010 Quarter

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

USA, Gulf of Mexico

Acquisition

The Company will continue its pursuit of acquisition opportunities, primarily in the shallow waters of the Gulf of Mexico, to complement the growth of the company through exploration.

Exploration

The Company expects to commence drilling the first of three to five high impact exploration wells in the Gulf of Mexico, USA in late March/ early April 2010.

Development

China
Beibu Gulf, Block 22/12

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

Conclude commercial negotiations for the development of the Wei 6.12, 6.12 South and 12.8 West oil fields, complete economics and commercial sections of the Overall Development Plan (ODP), and lodge the CNOOC approved ODP for formal Chinese government approval.

Production Forecast 2010

The Company expects production for the 2010 year from existing producing fields to be of the order of 4.4 Bcfe which is anticipated to generate revenues of the order of US$30 million, at current gas prices.

PETSEC ENERGY
DECEMBER 2009 QUARTER
FINANCIAL SUMMARY AND PRODUCTION DATA

UNAUDITED PRELIMINARY FINANCIAL DATA				**Dec 2009 Quarter**	Sep 2009 Quarter	% Increase/ (decrease)	Dec 2008 Quarter	% Increase/ (decrease)	**Twelve Months to 31 Dec 2009**	Twelve Months to 31 Dec 2008	% Increase/ (decrease)
Amounts in US$000											
Net Revenue				**9,933**	10,339	-4%	17,429	-43%	**52,036**	105,281	-51%
Other Revenue/(Expense)				**24**	26		(71)		**-**	(716)	
Lease Operating Expenses				**(3,178)**	(2,489)		(3,297)		**(10,862)**	(12,658)	
Geological, Geophysical & Administrative Expenses (G,G&A)				**(2,705)**	(2,546)		(1,839)		**(10,582)**	(12,277)	
EBITDAX			*US$000*	**4,074**	5,330	-24%	12,222	-67%	**30,592**	79,630	-62%
Total Outstanding Debt (excl. unamortised debt transaction costs)			*US$000*	**29,400**	32,275	-9%	50,500	-42%	**29,400**	50,500	-42%
Cash			*US$000*	**25,356**	13,392		13,735		**25,356**	13,735	
Net Debt/(Cash)			*US$000*	**4,044**	18,883	-79%	36,765	-89%	**4,044**	36,765	-89%
Acquisition, exploration & development expenditure											
Acquisition				**-**	-		(324)		**181**	1,060	
Exploration				**185**	102		1,452		**1,541**	30,816	
Development				**2,051**	432		5,038		**3,472**	11,399	
Total			*US$000*	**2,236**	534	319%	6,166	-64%	**5,194**	43,275	-88%
Production (MMcfe)		**W.I.**	**N.R.I**								
Offshore Gulf of Mexico											
Vermilion 258	*1*	100%	83.33%	**-**	-		60		**140**	856	
Main Pass 18/19	*1*	100%/ 55%	83.33%/ 45.88%	**348**	366		717		**1,671**	2,128	
Mobile Bay Area	*2*	40%-50%	30.5% - 41.7%	**181**	143		213		**563**	1,792	
Chandeleur 31/32	*1*	100%	81.8%	**305**	615		968		**2,608**	4,342	
Main Pass 20	*1*	100%	81.8%	**-**	17		80		**92**	1,048	
Main Pass 270	-	25%	20.8%	**310**	328		-		**1,137**	536	
Other Offshore	-	-	3.2% - 4% ORRI	**55**	6		3		**93**	44	
Onshore Louisiana	*3*	46% - 78%	32% - 58%	**140**	129		178		**765**	1,359	
Total			*MMcfe*	**1,339**	1,604	-17%	2,219	-40%	**7,069**	12,105	-42%
Unit revenue/cost analysis per Mcfe (USD)											
Oil/Condensate per barrel				***71.31***	*60.91*		*53.33*		***54.76***	*94.69*	
Gas per Mcf				***7.22***	*6.27*		*7.82*		***7.28***	*8.54*	
Average sales price per Mcfe				**7.42**	6.45	15%	7.85	-6%	**7.36**	8.70	-15%
Other revenue/(expense)				**0.02**	0.02		(0.03)		**0.01**	(0.06)	
Lease operating expense				**(2.37)**	(1.55)		(1.49)		**(1.54)**	(1.05)	
G,G&A expenses				**(2.02)**	(1.59)		(0.83)		**(1.50)**	(1.01)	
EBITDAX per Mcfe			*US$*	**3.05**	3.33	-8%	5.50	-45%	**4.33**	6.58	-34%

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 - Vermilion 258 ceased production in March 2009 and Main Pass 20 ceased production in August 2009.
2 Petsec Energy operates Mobile Bay 953 #1 and #3.
3 Petsec Energy operates E. Laurent #1 and Miles Timber #1 wells.

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