Petsec Energy Ltd

December 2014 Quarter Results

Financials

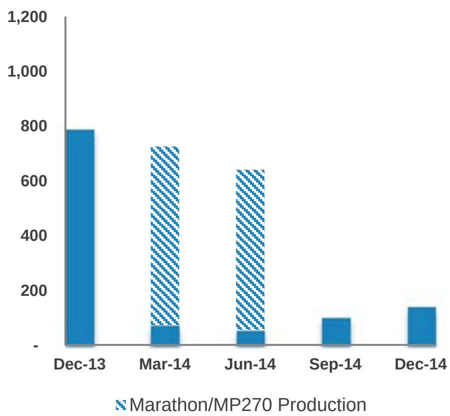
Comparative Performance		Current Quarter Dec 14	Previous Quarter Sep 14	% Change	Twelve Months to Dec 14	Twelve Months to Dec 13	% Change
Net production	MMcfe	**142**	103	38%	**1,612**	3,645	(56%)
Average sales price	US$/Mcfe	**3.59**	5.56	(35%)	**5.08**	4.50	13%
Net revenue	US$m	**0.5**	0.6	(9%)	**8.2**	16.4	(50%)
EBITDAX [1]	US$m	**(1.6)**	1.4	n/a	**3.4**	7.6	(56%)
Cash [2]	US$m	**32.6**	36.2	(10%)	**32.6**	25.4	28%
AE&D expenditure [3]	US$m	**2.1**	0.9	131%	**5.7**	5.7	-
US$/A$ closing exchange rate		**0.8181**	0.8732	(6%)	**0.8181**	0.8928	(8%)

1 Earnings before interest, income tax, depreciation, depletion and amortisation, and exploration (including dry hole, impairment and abandonment expense, seismic and work-over expense). EBITDAX is a non IFRS number and is unaudited.

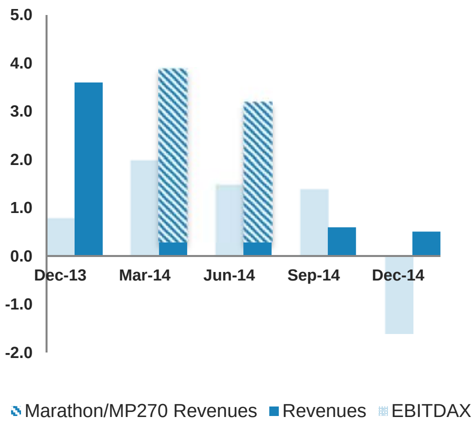
2 December 2014 cash includes restricted cash amounts of US$5.3 million (September 2014: US$5.3 million; December 2013: US$5.3 million) used to guarantee certain future rehabilitation obligations.

3 Acquisition, exploration and development expenditure (accrual-based amounts).

Production — MMcfe



Revenues/EBITDAX — US$m



i. The above graphs highlight the contributions that were made by the Marathon and Main Pass 270 fields to production and revenues during the period from 1 January through 14 July 2014 - these amounts formed part of the Purchase Price Adjustment on the close of the sale of these assets.

Highlights

Operations

- Net production of 142 MMcfe for the December 2014 quarter
- Hebert Abstract Co. No. 1 well was drilled on the SW Holmwood prospect – the well encountered insufficient productive hydrocarbons to warrant completion and was plugged and abandoned
- 2015 Exploration Programme approved – five committed and three optional conventional exploration wells are planned to be drilled on the Gulf Coast and in the Gulf of Mexico, USA

Financials

- Net oil and gas revenues of US$0.5 million
- Cash of US$32.6 million and no debt

Subsequent events

- Ruth R. Bravanec, et al #1 well to test the West Crab Lake prospect was spud on 7 January 2015

Petsec Energy Ltd

ASX: PSA
OTC ADR: PSJEY

Petsec Energy is an independent oil and gas exploration and production company listed on the Australian Stock Exchange with operations in the shallow waters of the Gulf of Mexico and onshore Texas and Louisiana, USA, and the Republic of Yemen.

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Paul Gahdmar – Company Secretary

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Financial

Production

Net production for the December 2014 quarter was 142 MMcfe, up 38% on the September 2014 quarter. The September quarter production included adjustments to production estimates previously reported in the June 2014 quarter pertaining to the Company's working interests in the Marathon and Main Pass 270 fields. December quarter production from the Main Pass 19 and Jeanerette Fields was 140 MMcfe, up 11% on the September quarter.

Refer to table below and "*Operations*" section for further details on production from the various fields.

Net production (in MMcfe)	Dec 2014 Quarter	Sep 2014 Quarter	% Increase/ Decrease
Marathon *	-	(26)	n/a
Main Pass 270 *	2	(3)	n/a
Main Pass 19	52	51	2%
Jeanerette Field – ASF No.4	88	81	9%
Total	**142**	**103**	**38%**

* In July 2014, the Company sold all of its working interests in these fields with an effective date of 1 January 2014. The September quarter movement for these reflects pipeline adjustments to production estimates previously reported in the June quarter.

For the twelve months through 31 December 2014, the Company produced 1,612 MMcfe. This was lower than the 3,645 MMcfe achieved in the prior year mainly due to the aforementioned asset divestiture which closed on 14 July 2014.

Revenues and Cashflow

The Company realised an average gas equivalent sales price of US$3.59/Mcfe for the December 2014 quarter (September 2014 quarter: US$5.56/Mcfe). The lower comparative sales price reflects the impact of weaker oil and natural gas prices (see U.S. Oil and Natural Gas Prices section for further details) in combination with the September 2014 quarter sales price benefiting from first half 2014 pipeline adjustments to Marathon and Main Pass 270 field production/revenue estimates. The Company received average sales prices for its natural gas and oil/condensate production of US$3.37/Mcf and US$78.36/bbl, respectively in the current period (September 2014 quarter: US$3.87/Mcf and US$101.20/bbl).

Net oil and gas revenues of US$0.5 million were slightly below that achieved in the previous quarter with the effect of the higher production volumes for the current period being negated by the lower sales price.

Unit lease operating expense increased significantly to US$5.48/Mcfe (September 2014 quarter: US$2.57/Mcfe), reflecting the impact of revisions to prior period product handling fees.

Geological, geophysical & administrative (GG&A) expense reduced to US$7.15/Mcfe (September 2014 quarter: US$10.52/Mcfe), reflecting the combined effect of reduced G&G costs and higher production.

The Company recorded negative EBITDAX of US$1.6 million for the December 2014 quarter (September 2014: EBITDAX of US$1.4 million). The September quarter EBITDAX included recognition of the gain from the sale of the Marathon and Main Pass 270 properties. Acquisition, exploration and development expenditures of US$2.1 million for the December 2014 quarter comprised US$1.7 million relating to the Company's share of costs associated with the Herbert Abstract Co. #1 well drilled on the Southwest Holmwood Prospect during the current period, and US$0.4 million in upfront costs associated with certain exploration prospects which the Company has committed to drill during the first half of 2015.

A "*Financial Summary and Production Data*" table is provided on page 4 of this report.

Cash Position

At 31 December 2014, the Company's cash balance of US$32.6 million (A$39.8 million) was 10% lower than the 30 September 2014 cash balance of US$36.2 million (A$41.4 million); and 28% higher than the previous corresponding period cash balance of US$25.4 million (A$28.4 million). The cash deposits which are predominantly held in US dollars include US$5.3 million held in an escrow account to secure operator bonds that are on issue to the Bureau of Ocean Energy Management ("BOEM").

Hedging

The Company currently has no oil or natural gas swap hedge contracts in place.

U.S. Oil and Natural Gas Prices

U.S. WTI crude oil and natural gas prices fell significantly in the December 2014 quarter.

The WTI crude oil price is currently trading below US$50/bbl, the lowest price for oil in nearly six years, due to increasing supply from U.S. sources and OPEC maintaining their previous production levels with no intention to cut supply.–.

The NYMEX 12 month and 36 month forward strip prices for WTI crude oil were US$50.37/bbl and US$56.28/bbl, respectively on 16 January 2015.

The NYMEX U.S. natural gas spot price is currently trading at approximately US$3.00/MMBtu. Unusually warm winter temperatures in the Eastern half of the U.S. coupled with continued strong supply have contributed to the fall in the natural gas price.

The NYMEX 12 month and 36 month forward strip prices for US natural gas were US$3.17/MMBtu and US$3.40/MMBtu, respectively on 16 January 2015. This compares to US$3.90/MMBtu and US$4.01/MMBtu, respectively, recorded on 9 October 2014.

As of 9 January 2015, the U.S. Energy Information Administration estimate of working natural gas in storage was 2,853 Bcf, which was 282 Bcf or 11% higher than the 2,571 Bcf reported last year at the same time and 113 Bcf or 3.8% below the 5-year average.

Operations

Production

Adeline Sugar Factory No. 4 Well – Jeanerette Field

Petsec: 12.5% working interest (9.2% net revenue interest)

The Adeline Sugar Factory ("ASF") No. 4 well is an onshore exploration well located in Jeanerette Field in St. Mary Parish, Louisiana.

Average gross daily production rates from the field for the December 2014 quarter were approximately 10.2 MMcfpd and 63 bopd.

Main Pass 18/19

Petsec: 100% / 55% working interest (83.333% / 45.833% net revenue interest)

The Main Pass 18/19 fields are located in the Gulf of Mexico, USA, and were discovered in 2005 and 2006. The Company drilled a total of seven wells on the fields over that period of which two are currently producing.

Average gross daily production from the Main Pass 19 field over the December 2014 quarter was approximately 1.3 MMcf of gas.

Exploration/Development

USA

The Company's strategy to grow reserves is to focus on high impact conventional exploration, in mainly gas/condensate and oil rich areas onshore Gulf Coast (Louisiana and Texas) and shallow Gulf of Mexico, USA, and to acquire onshore leases with producing reserves, or near term development reserves, with significant exploitation and exploration potential.

For the most part of 2014, the Company had been actively identifying exploration prospects in which to participate.

On 3 December 2014, the Company announced that the Board had approved the 2014/2015 Exploration Programme in which five committed and three optional conventional exploration wells were planned to be drilled on the Gulf Coast and in the Gulf of Mexico, USA.

The Company would expose US$7.3 million in prospect and exploration drilling costs on the five committed exploration wells which target prospects ranging in size from 10 to 66 Bcfe gross (2.4 to 6.7 Bcfe net to Petsec Energy) for a total exposure of 18.3 Bcfe net to the Company.

The five committed exploration wells would test oil and gas/condensate prospects which are all located onshore Louisiana, other than the Company's Hummer Prospect which is located in 215 feet of water on the Main Pass Block 270/273/274 leases in the Gulf of Mexico, offshore Louisiana.

The dramatic fall in oil and gas prices over the past quarter from US$110/Bbl to less than US$50/bbl for oil and from US$4/Mcf to US$3/Mcf for U.S. natural gas has caused the Company to review the economic robustness of the remaining prospects at US$40/bbl oil and US$3/Mcf gas. Depending on the size of the expected reduction in drilling and development costs and deal terms consequent to the commodity price falls, a small number of the prospects may not be drilled as expected. However, it is anticipated in this current environment that any prospect rejected would soon be replaced by other suitable drill targets.

To-date, the Company has drilled one well in this programme – the Herbert Abstract Co. #1 well which reached its Target Depth ("TD") in mid-December 2014. The second well, the Ruth R. Bravanec, et al #1 well, was spud on 7 January 2015 and is currently drilling ahead at 10,908 feet Measured Depth ("MD") to a target MD of 12,911 feet (see below for further details on both wells).

Herbert Abstract Co. #1 Well – SW Holmwood Prospect

Petsec: 37.5% BPO/ 28.88% APO working interest (30.0% BPO/ 23.1% APO net revenue interest)

The Herbert Abstract Co. #1 well (Herbert #1 well) on the Southwest Holmwood Prospect in Calcasieu Parish, Louisiana was spud on 27 November 2014 and reached its planned TD of 12,000 feet (3,658 metres) in mid-December 2014.

The vertical well was drilled to test a fault closure immediately south of the Southwest Holmwood gas/condensate Field and on the east flank of the Lake Charles Filed. The well intersected the objective Marg Tex sand, however the reservoir sand package was thicker than expected and was not adequately fault sealed from the adjacent Southwest Holmwood Field. The well encountered insufficient productive hydrocarbons to warrant the completion of the well. The well has been plugged and abandoned and no further exploration planned for the prospect. The Company's net share of the drilling and upfront exploration costs of approximately US$1.7 million has been expensed.

Block 7, Al Barqa Permit, Republic of Yemen

Block 7 is an onshore exploration permit covering an area of 5,000 square kilometres (1,235,527 acres) located approximately 340 kilometres east of Sana'a, the capital of Yemen. The block is operated by Australia's Oil Search Limited and contains the Al Meashar oil discovery as well as an inventory of leads and prospects defined by 2D and 3D seismic surveys, which hold significant oil potential.

The Company announced in March 2014 that it had executed an agreement with a wholly owned subsidiary of AWE Limited to acquire its 21.25% Participating Interest in the Block 7, Al Barqa Permit, in the Republic of Yemen. The terms of the transaction include a cash consideration of US$1.0 million, the replacement of AWE's existing Letter of Credit with the Arab Bank, and working capital adjustments on completion.

The Company further announced in May 2014, following the agreement executed with AWE, that it had executed an agreement with Mitsui E&P Middle East B.V. to acquire its 8.5% Participating Interest in the Block 7, Al Barqa Permit, in the Republic of Yemen, thereby increasing Petsec Energy's total interest in Block 7 to 29.75%. The terms of the transaction include a cash consideration of US$0.4 million, the replacement of Mitsui E&P Middle East B.V.'s existing Letter of Credit with the Arab Bank, and working capital adjustments on completion.

Completion of both the AWE and Mitsui transactions is subject to customary approvals from the Joint Venture Partners, the Yemen government and the state owned Yemen Oil and Gas Company.

Reservoir analysis, design and costing of production, storage and transportation facilities for the long term production testing of the Al Meashar Oil Field, was completed in the quarter and presented to the Yemen authorities. Approval to proceed with the testing is anticipated in the first quarter of 2015.

Subsequent Events

Ruth R. Bravanec, et al #1 well – West Crab Lake Prospect

Petsec: 20.0% BPO/ 15.5% APO working interest (15.5% BPO/ 11.16% APO net revenue interest)

Drilling operations on the Ruth R. Bravanec, et al #1 well commenced on 7 January 2015. The well is being drilled on the West Crab Lake exploration gas/condensate prospect, located in Cameron Parish, onshore Louisiana, approximately 45 miles south of the city of Lake Charles. LLOX is the designated operator of the well.

The well is being drilled directionally to a True Vertical Depth ("TVD") of 12,500 feet (12,911 feet MD) to test multiple Lower Miocene age Marg (A) and Discorbis (B) sand reservoirs in a fault closure syncline separated from production in the Marg (A) and Discorbis (B) interval at Crab Lake Field. The well is currently drilling ahead at 10,908 feet and is expected to reach the proposed TVD within the next 10 days.

Petsec Energy has a 20% non-operating working interest (15.5% net revenue interest) in the well before payout ("BPO"). After payout ("APO") the Company's working interest will be reduced to 15.5% (11.16% net revenue interest). The Company's share of upfront and drilling costs is estimated to be US$920,000. Completion and hook-up of the well is estimated to cost an additional US$272,000, net to the Company.

Proposed Activities – March 2015 Quarter

USA

The principal activities to be undertaken by the Company during the March 2015 quarter will be to drill the Ruth R. Bravanec et al #1 well to its target objective, and on success, complete the well for production, review the viability of certain undrilled prospects earmarked for drilling in 2015, in light of recent declines in crude oil and natural gas prices, and drill one to two additional wells.

Yemen

Airborne gravity and magnetics data acquisition covering the entire permit for structural geology and basement studies.

Yemen Government approvals and preparation for long term testing of the Al Meashar oil discovery.

Preparation to shoot a 250 line km 2D seismic survey to the East of the Al Meashar oil discovery.

Financial Summary and Production Data

Unaudited preliminary financial data				Dec 14 Quarter	Sep 14 Quarter	% Increase/ (decrease)	Twelve months to Dec 14	Twelve months to Dec 13	% Increase/ (decrease)
Financials									
Net revenue			US$000	**510**	563	(9%)	**8,191**	16,418	(50%)
Other revenue/(expense)			US$000	**(310)**	2,233		**1,672**	(21)	
Lease operating expenses			US$000	**(778)**	(265)		**(2,323)**	(3,676)	
Geological, geophysical & administrative expenses (GG&A)			US$000	**(1,015)**	(1,084)		**(4,165)**	(5,075)	
EBITDAX			US$000	**(1,593)**	1,447	n/a	**3,375**	7,646	(56%)
Cash [1]				**32,591**	36,177	(10%)	**32,591**	25,423	28%
Acquisition, exploration & development expenditure									
Acquisition			US$000	**401**	811		**1,219**	-	
Exploration			US$000	**1,657**	54		**1,743**	2,792	
Development			US$000	**54**	51		**2,768**	2,873	
Total			US$000	**2,112**	916	131%	**5,730**	5,665	1%
Production (MMcfe)	**W.I.**	**N.R.I**							
Offshore Gulf of Mexico									
Main Pass 18/19 [2]	100%/55%	83.33%/45.83%		**52**	51		**232**	600	
Main Pass 270 [3]	22.5%	18.75%		**-**	(3)		**191**	584	
Chandeleur 31/32 [4]	100%	81.83%		**-**	-		**-**	111	
Onshore/Coastal Louisiana									
Atchafalaya Bay [3]	8%	5.84%		**2**	(26)		**1,020**	2,350	
Jeanerette Field	12.5%	9%		**88**	81		**169**	-	
Total			MMcfe	**142**	103	38%	**1,612**	3,645	(56%)
Unit revenue/cost analysis per Mcfe (US$)									
Oil/Condensate per barrel			US$	**78.36**	101.20		**101.12**	106.79	
Gas per Mcf			US$	**3.37**	3.87		**4.68**	3.99	
Average sales price per Mcfe			US$	**3.59**	5.56	(35%)	**5.08**	4.50	13%
Other revenue/(expense) per Mcfe			US$	**(2.18)**	21.68		**1.04**	(0.01)	
Lease operating expense per Mcfe			US$	**(5.48)**	(2.57)		**(1.44)**	(1.01)	
GG&A expense per Mcfe			US$	**(7.15)**	(10.52)		**(2.58)**	(1.39)	
EBITDAX per Mcfe			US$	**(11.22)**	14.15	n/a	**2.10**	2.09	1%

1 *December 2014 cash includes restricted cash deposits of US$5.3 million used to guarantee certain future rehabilitation obligations (September 2014: US$5.3 million; December 2013: US$5.3 million)*
2 *Operated by Petsec Energy*
3 *Marathon and Main Pass 270 interests were sold effective 1 January 2014 – production amounts through to the close of the transaction formed part of the purchase price adjustment*
4 *Chandeleur 31/32 field reached the end of its productive life in August 2013 – permanent plug and abandonment operations were completed in early August 2014.*

Glossary

Bcfe = billion cubic feet of gas equivalent
Mcf = thousand cubic feet of gas
MMcfe = million cubic feet of gas equivalent
Bcpd = barrels of condensate per day
Mcfe = thousand cubic feet of gas equivalent
MMcpd = million cubic feet of gas per day
Bopd = barrels of oil per day
MMbbl = million barrels

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