

8th March 2016

Petsec Energy Announces a Substantial Increase in USA Oil and Gas Reserves as of 1 January 2016.

Exploration Success Adds 3.6 Million Barrels of Oil Equivalent.

Petsec Energy Ltd (ASX: PSA / OTC ADR: PSJEY)

Petsec Energy (the “Company”) is pleased to announce a substantial increase in its USA oil and gas reserve base resulting from exploration success in the 2015 USA exploration programme.

The exploration drilling programme delivered two significant discoveries – the Williams No. 2 Alt. well on the Mystic Bayou Prospect, onshore Gulf Coast Louisiana, and the Main Pass Block 270 #3 BP 1 well on the Hummer Prospect, in the shallow waters of the Gulf of Mexico. These two discoveries added net proved and probable reserves of 3.6 million barrels of oil equivalent.

Remaining proven and probable reserves held by the Company in the USA were estimated to be 3.7 million barrels of oil equivalent at the 1st of January 2016 which held a net present value of US\$32.7 million at an annual discount rate of 10% (PV₁₀) using the forward swap prices that were in effect on 31 December 2015.

As of 1 January 2016, the Company’s independently estimated proved (1P) oil and gas reserves net to its economic interest were 9.5 Bcf of gas and 514.1 Mbbbl of oil/condensate (equivalent to 2,096.2 Mboe). The estimated proved and probable (2P) reserves net to the Company’s economic interest were 16.5 Bcf of gas and 916.2 Mbbbl of oil/condensate (equivalent to 3,674.4 Mboe).

The table below is a summary of the independently assessed reserve estimates and movements:

<i>Oil Equivalent (Mboe ¹)</i>	Net Proved Reserves ⁴	Net Probable Reserves ⁴	Net Proved and Probable Reserves ⁴
USA Reserves ²			
Reserves as of 1 January 2015	274.7	41.5	316.2
Additions	2,015.7	1,578.2	3,593.9
Revisions ³	(109.0)	(41.5)	(150.5)
Production	(85.2)	-	(85.2)
Reserves as of 1 January 2016	2,096.2	1,578.2	3,674.4
Developed	680.4	284.2	964.6
Undeveloped	1,415.8	1,294.0	2,709.8

Footnotes

1. Mboe = One thousand barrels of oil equivalent (using a ratio of six thousand cubic feet of natural gas to one barrel of oil). The Company previously reported its reserves on a gas equivalent basis as it had predominantly produced natural gas.
2. The independent reserve assessments as of 1 January 2015 were estimated by independent petroleum engineers Ryder Scott Company and the independent reserve assessments as of 1 January 2016 were estimated by Cawley, Gillespie & Associates.
3. Revisions comprise reserves reclassified and reduced during the period.
4. Net reserves means those reserves representing the Company’s net revenue interest (or net economic interest) which is the Company’s working interest less royalties payable.

Key Changes in Oil and Gas Reserves

The net reserve additions of 3.6 million barrels of oil equivalent came from two exploration well discoveries at Mystic Bayou, onshore Louisiana, and at Main Pass 270, offshore Gulf of Mexico:

- At the Mystic Bayou Prospect, the Williams No.2 Alt. discovery well and three proved undeveloped (“PUD”) locations proximal to the discovery well, accounted for the majority of the 3.6 million barrels of oil equivalent proved and probable reserve additions recorded at the 1st January 2016.
- Preliminary reserves were estimated for the Main Pass 270 #3 BP 1 discovery well on the Hummer Prospect. Those estimates will be updated following the completion and testing of the well, which is currently scheduled for mid-2016.

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The reserve revisions for the year refer to:

- The Adeline Sugar Factory #4 well on the Jeanerette Field which was shut-in mid-November 2015 due to high water production and a restriction in the tubing due to salt build-up. The well was returned to production in late January 2016.
- The Main Pass Block 19 Field which reached the end of its commercial life in June 2015, and was shut-in.

Estimated “Recoverable Amount”

The estimated “Recoverable Amount” of the remaining of 2P reserves (i.e. net present value at an annual discount rate of 10%) were independently assessed to be US\$32.7 million using the forward swap prices that were in effect on 31 December 2015 as shown below:

	Henry Hub Gas (US\$/MMBtu)	WTI Oil (US\$/bbl)
2016	\$2.49	\$40.72
2017	\$2.79	\$46.06
2018	\$2.91	\$49.36
2019	\$3.03	\$51.96
2020 and thereafter	\$3.18	\$53.64

Qualified Petroleum Reserves and Resources Evaluator

In accordance with ASX Listing Rule 5.42, the USA reserve estimates in this report are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluator Ms. Kellie Jordan, an employee of Cawley, Gillespie & Associates and a member of the Society of Petroleum Engineers. Ms. Jordan has consented in writing to the form and context in which the reserve estimates are presented in this report.

The net reserves have been estimated using a deterministic method. Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an “as sold” basis expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. The net proved and probable (2P) reserves are the summation of the net proved (1P) reserves and net probable reserves.

The methodology for the determination of “Recoverable Amount” for the estimated reserves is consistent with that disclosed in the section on “Recoverable Amount” in the Company’s 2014 Annual Report released to the market on 10 April 2015. This section covers reserves estimates, material assumptions and technical parameters underpinning the estimates. The Company confirms that it is not aware of any new information or data that materially affects the information included in the “Recoverable Amount” of the 2014 Annual Report, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

To ensure accuracy and compliance of reserves estimations, the Company has put in place a robust process which incorporates the following governance arrangements and internal controls:

- At least once a year, as part of the year-end reporting procedures, the Company’s oil and gas reserves are to be reviewed by an external, independent expert. The externally verified reserves are to be used as the basis for depreciation, depletion and amortisation calculations.
- All releases or reports containing statements of reserves are to be in accordance with ASX listing rules, requiring sign-off for content and context by an appropriately qualified person and in accordance with the Company’s Reserves Policy.

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Petsec Energy Ltd is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. It has operations in the shallow waters of the Gulf of Mexico and state waters of the Louisiana Gulf Coast region of the USA, and exploration activities in the Gulf Coast onshore and bay areas of Texas and Louisiana, USA and Yemen.

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