

24<sup>th</sup> February 2017

## Petsec Energy Announces Group Oil and Gas Reserves as of 1 January 2017

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

Petsec Energy (the "Company") is pleased to release its independently assessed reserve estimates at the 1 January 2017.

The remaining net proved and probable (2P) reserves held by the Company in the USA were estimated by reserve auditors Cawley, Gillespie & Associates, to be approximately 3.9 million barrels of oil equivalent at the 1<sup>st</sup> of January 2017 with a net present value of US\$25 million at an annual discount rate of 10% (NPV<sub>10</sub>). The NPV<sub>10</sub> was calculated using the forward swap prices that were in effect on 31 December 2016.

The estimated 2P reserves held by the Company in the An Nayah Oilfield in Yemen, the only developed field out of the six oil and gas fields held in Yemen, were estimated by reserve auditors DeGolyer McNaughton, at 1 January 2016 to be 5.6 MMbbl of oil with an approximate NPV<sub>10</sub> of US\$155 million as reported to the ASX on 15 March 2016.

On a combined basis, the Company's independently estimated proved (1P) oil and gas reserves net to its economic interest as of 1 January 2017 were 12.7 Bcf of gas and 5,185.8 Mbbl of oil/condensate (equivalent to 7,294.1 Mboe). The estimated 2P reserves net to the Company's economic interest were 18.6 Bcf of gas and 6,414.4 Mbbl of oil/condensate (equivalent to 9,519.8 Mboe).

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

<i>Oil Equivalent (Mboe <sup>1</sup>)</i>	<b>Net Proved Reserves <sup>4</sup></b>	<b>Net Probable Reserves <sup>4</sup></b>	<b>Net Proved and Probable Reserves <sup>4</sup></b>
<b>USA Reserves <sup>2</sup></b>			
Reserves as of 1 January 2016	2,096.2	1,578.2	3,674.4
Additions	-	-	-
Revisions <sup>3</sup>	710.0	(460.5)	249.5
Production	(52.1)	-	(52.1)
USA reserves as of 1 January 2017	2,754.1	1,117.7	3,871.8
<i>Developed</i>	<i>1,185.9</i>	<i>-</i>	<i>1,185.9</i>
<i>Undeveloped</i>	<i>1,568.2</i>	<i>1,117.7</i>	<i>2,685.9</i>
<b>Yemen Reserves <sup>5</sup></b>			
Reserves as of 1 January 2016	4,540.0	1,108.0	5,648.0
Additions/(revisions)	-	-	-
Yemen reserves as of 1 January 2017	4,540.0	1,108.0	5,648.0
<i>Developed</i>	<i>4,540.0</i>	<i>1,108.0</i>	<i>5,648.0</i>
<i>Undeveloped</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Total Petsec Group Reserves</b>			
<b>Total Petsec Group Reserves as of 1 January 2017</b>	<b>7,294.1.2</b>	<b>2,225.7</b>	<b>9,519.8</b>
<i>Developed</i>	<i>5,725.9</i>	<i>1,108.0</i>	<i>6,833.9</i>
<i>Undeveloped</i>	<i>1,568.2</i>	<i>1,117.7</i>	<i>2,685.9</i>

### 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).
2. The USA independent reserve assessments were estimated by independent petroleum engineers 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.
5. The Yemen Reserves are stated for the An Nayah Oilfield and were assessed by DeGolyer and MacNaughton Canada Limited, independent reserve engineers.

## Key Changes in USA Oil and Gas Reserves

The key change in the USA oil and gas proven reserves estimates as of 1 January 2017 was a 710 Mboe or 34% increase. After production for the year of approximately 52 Mboe (equivalent to 313 MMcfe) remaining proven reserves are 2,754 Mboe.

The estimated remaining proven and probable reserves are 3,872 Mboe after the production of 52 Mboe and a net reserve addition of 250 Mboe. The net reserve increase reflects the addition of reserves in the Main Pass 270 No. 3, Hummer discovery well offset by the downward revision of reserves in the Mystic Bayou Field based on well performance.

## USA Reserves: Estimated “Recoverable Amount”

The estimated “Recoverable Amount” of the remaining USA 1P and 2P reserves (i.e. net present value at an annual discount rate of 10%) were independently assessed to be US\$21.9 million and US\$25 million, respectively, using the forward swap prices that were in effect on 31 December 2016 as shown below:

	Henry Hub Gas (US\$/MMBtu)	WTI Oil (US\$/bbl)
2017	\$3.63	\$55.86
2018	\$3.14	\$56.59
2019	\$2.87	\$56.10
2020	\$2.88	\$56.05
2021 and thereafter	\$2.90	\$56.21

## USA Reserves: 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. The President of Cawley, Gillespie & Associates, Mr W. Todd Brooker, 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 2015 Annual Report released to the market on 18<sup>th</sup> April 2016. 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 2015 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.*