Petsec Energy Ltd

March 2016 Quarter Results

Financials

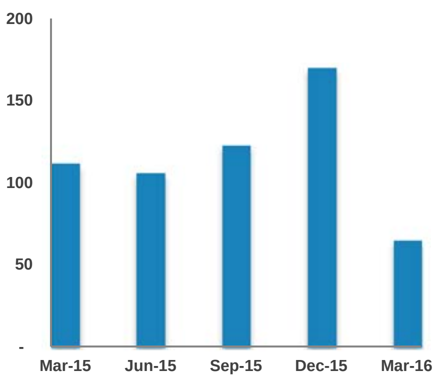
Comparative Performance		Current Quarter Mar 2016	Previous Quarter Dec 2015	% Change	Corresponding Quarter Mar 2015	% Change
Net production	MMcfe	**65**	170	(62%)	112	(42%)
Average sales price	US$/Mcfe	**3.00**	3.14	(4%)	3.01	-
Net revenue	US$000	**195**	534	(63%)	336	(42%)
EBITDAX [1]	US$000	**(2,329)**	(1,492)	n/a	(692)	n/a
Cash [2]	US$000	**10,893**	12,807	(15%)	28,873	(62%)
AE&D expenditure [3]	US$000	**2,460**	5,148	(52%)	649	279%
US$/A$ closing exchange rate		**0.7677**	0.7294	(5%)	0.7625	1%

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.

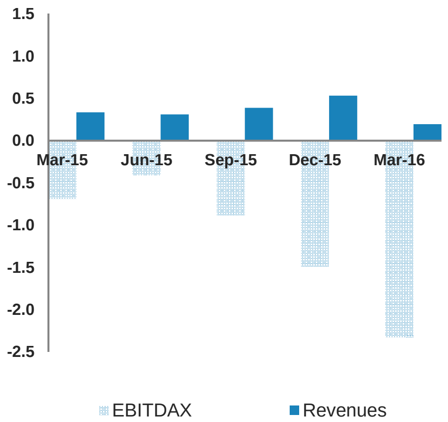
2 March 2016 cash includes restricted cash amounts of US$3.7 million (December 2015: US$3.7 million; March 2015: US$5.3 million) used to guarantee certain future rehabilitation obligations.

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

Production — MMcfe



Revenues/EBITDAX — US$m



Key Points

Corporate

- Acquisition of 100% working interest in Damis (Block S-1) Production Licence in Yemen which holds five oil and gas discoveries including the developed/productive An Nagyah Oilfield.

Operations

- Net production from USA operations for the March 2016 quarter of 65 MMcfe (53 MMcf of gas and 1,998 barrels of oil/condensate).
- Commenced fabrication of a platform jacket for the Main Pass Block 270 #3 BP 1 discovery well drilled on the Hummer exploration prospect.
- Independently assessed net proved and probable (2P) reserves increase by 3000% to 9.3 MMboe as of 1 January 2016.
- Assessed net present value (NPV_{10}) of US$188.1 million or A$1.06/share for the Company's net 2P reserves of 9.3 MMboe.

Financials

- USA net oil and gas revenues of US$0.2 million.
- Cash balance of US$10.9 million (including US$3.7 million of restricted deposits) and no debt.

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.

Registered Business Office

Level 13, 1 Alfred Street
Sydney, NSW 2000
Australia

Telephone: + 61 2 9247 4605
Facsimile: + 61 2 9251 2410
Website: www.petsec.com.au

USA Offices

1201 Louisiana, Suite 520
Houston, Texas 77002 USA

Telephone: + 1 713 457 5800
Facsimile: + 1 713 457 5838

301 E. Kaliste Saloom Road,
Suite 300, Lafayette
Louisiana 70503 USA

Telephone: + 1 337 989 1942
Facsimile: + 1 337 989 7271

Dubai Office

Indigo Icon Tower, Suite 2908
Cluster F, Jumeirah Lakes Towers
Dubai, UAE

Telephone: + 971 4 454 7714
Facsimile: + 971 4 451 8443

Board of Directors

Chairman & Managing Director
Terrence Fern

Non-executive Directors
David Mortimer
Alan Baden
Mark Lober

Management

Australian Executives
Terrence Fern – Managing Director
Paul Gahdmar – Company Secretary & Group Financial Controller
Manny Anton – Head of Investor Relations & Corporate Development

US Executives – Petsec Energy Inc.
Richard Smith - CEO
Ross Keogh – President/Group CFO
Ron Krenzke – EVP Exploration

MENA Executive – Petsec Energy (Middle Eastern) Limited
Maki Petkovski – CEO
Murray Hawkes – COO and Yemen General Manager
John Rees – VP Technical

Investor & Media Enquiries

Manny Anton
Paul Gahdmar

Telephone: + 61 2 9247 4605

Financial

Production

Petsec Energy produced 65 MMcfe (comprising 53 MMcf of gas and 1,998 barrels of oil/condensate) for the March 2016 quarter, predominantly from the Williams No.2 Alt. well in the Mystic Bayou Field onshore Louisiana, USA.

This was 62% lower than the 170 MMcfe (134 MMcf of gas and 6,073 barrels of oil/condensate) achieved in the previous quarter due to the shut-in of both the ASF No. 4 well (shut-in since mid-November 2015) and the Williams No. 2 Alt. well on 10 February 2016.

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

Net production (in MMcfe)	Mar 2016 Quarter	Dec 2015 Quarter	% Increase/ Decrease
Jeanerette Field – ASF No.4	-	16	(100%)
Mystic Bayou Field – Williams No.2 Alt.	65	154	(58%)
Total	**65**	**170**	**(62%)**

Revenues and Cashflow

The Company generated net oil and gas revenues from its USA operations of US$195,000 for the March 2016 quarter (December 2015 quarter: US$534,000), from production of 65 MMcfe (December 2015: 170 MMcfe) at an average realised gas equivalent sales price of US$3.00/Mcfe (December 2015 quarter: US$3.14/Mcfe).

The Company received an average sales price for the current quarter of US$2.40/Mcf and US$34.03/bbl for its natural gas and oil/condensate production, respectively. This compares to US$2.25/Mcf and US$38.28/bbl achieved in the previous quarter.

The Company recorded negative EBITDAX of US$2.3 million for the March 2016 quarter (December 2015 quarter: negative EBITDAX of US$1.5 million), reflecting additional operating costs associated with the acquisition of the An Nagyah Oilfield in Yemen and associated GG&A.

Acquisition, exploration and development expenditure incurred for the March 2016 quarter of US$2.5 million comprised the acquisition cost of the Damis (Block S-1) interest and development costs associated with the Main Pass 270 #3 BP 1 well.

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

Cash Position

At 31 March 2016, the Company's cash balance of US$10.9 million (A$14.2 million) was US$1.9 million or 15% lower than the 31 December 2015 cash balance of US$12.8 million (A$17.5 million). The cash deposits which are predominantly held in US dollars include secured deposits of US$3.7 million primarily held in an escrow account to secure operator bonds that are on issue to the Bureau of Ocean Energy Management ("BOEM").

U.S. Oil and Natural Gas Prices

U.S. WTI crude oil futures prices fell in the March 2016 quarter reaching a low of US$26.21 on 11 February 2016, before rising to close just below US$39/bbl at quarter end. NYMEX WTI futures contracts for delivery in May 2016 were trading at approximately US$42/bbl at the date of this report.

The NYMEX 12 month and 36 month forward strip prices for WTI crude oil settled at US$44.41/bbl and US$46.43/bbl, respectively on 15 April 2016. In comparison, the 12 month and 36 month forward strip prices were trading at US$36.75/bbl and US$40.46/bbl, respectively on 22 January 2016.

U.S. natural gas prices trended lower for much of the March 2016 quarter, trading in a range between US$1.64 and US$2.39/MMBtu. NYMEX futures contracts for delivery in May 2016 were trading at approximately US$1.95/MMBtu at the date of this report.

The NYMEX 12 month and 36 month forward strip prices for U.S. natural gas were trading at approximately US$2.47/MMBtu and US$2.75/MMBtu, respectively on 15 April 2016. This compares to US$2.42/MMBtu and US$2.68/MMBtu, respectively, on 22 January 2016.

U.S. Energy Information Administration estimates for working natural gas in storage for the week ending 8 April 2016 was 2,477 Bcf. This is 956 Bcf or 62.9% higher than the level a year ago and 849 Bcf or 52.1% higher than the 5-year average.

Operations

Production

USA

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 located in St. Mary Parish, Louisiana was drilled and brought into production in June 2014.

The ASF No. 4 well was shut-in mid-November 2015 due to high water production and a restriction in the tubing due to salt build-up. The well has produced on an intermittent basis since that time, and it's the operator's intention to continue as is for the near-term.

16,700 RA SUA; Williams No.2 Well – Mystic Bayou Field

Petsec: 25% working interest (18.75% net revenue interest)

The 16,700 RA SUA; Williams No.2 gas/condensate discovery well on the Mystic Bayou Field in St. Martin Parish, Louisiana was drilled and brought into production on 31 August 2015.

The well averaged gross daily production rates of approximately 7.5 MMcfpd and 300 bcpd prior to being shut-in on 10 February 2016. The well was shut-in due to a leak in the tubing at a depth below the producing reservoir. Repairs are currently underway to bring the well back into full production.

Development

USA

Main Pass Block 270 #3 BP 1 well – Hummer Prospect

Petsec: 12.5% working interest (10.24% net revenue interest)

The Main Pass Block 270 #3 BP 1 well on the Hummer exploration prospect in 215 feet of water, offshore Louisiana (federal waters) was drilled during the second half of 2015.

The well encountered the Miocene age sand objectives as anticipated and was mud-line suspended at 14,300 feet TVD/ 14,342 feet MD for future completion and production testing after the fabrication and installation of a platform jacket.

The fabrication and installation of the jacket, tie-back and well completion, and testing are anticipated to be complete in the third quarter 2016. The estimated net cost for the fabrication and installation of the platform jacket is approximately US$1.1 million. Net cost for completion and testing of the well are anticipated to be approximately US$0.9 million.

MENA

The Company has been very active during 2014 and 2015 in the MENA region, pursing its objective of acquiring onshore leases with oil reserves, both developed/producing and undeveloped, that hold significant development, exploitation and exploration potential. To-date, the Company has acquired in Yemen, a 75% working interest (63.75% participating interest) in Block 7 Exploration Licence and a 100% working interest (82.5% participating interest) in the Damis (Block S-1) Production Licence.

The political situation in Yemen is progressing towards a resolution of the conflict to the benefit of the Company. It is anticipated that Yemen oil production is likely to recommence in the next few months.

Block 7, Al Barqa Permit, 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.

Petsec currently holds a non-operating 35% working interest (29.75% participating interest) in the Block 7 Joint Venture and has an agreement with Oil Search Limited (ASX: OSH) to acquire its 40% working interest (34% participating interest) in Block 7.

The Company expects to conclude the acquisition of the Oil Search interest in Block 7 in mid-2016. The acquisition which involves acquiring all the shares of its subsidiary, Oil Search (ROY) Limited, will increase Petsec Energy's overall working interest in the block to 75% (63.75% participating interest). On completion of the transaction Petsec Energy will assume operatorship of the block.

As soon as the political situation allows, the Company's first objective in this block is to bring the two suspended discovery wells of the Al Meashar Oilfield (target resource of 11 MMbbl [1]) into production. In 2011, short-term testing of the wells delivered flow rates ranging from 200 to 1,000 bopd. Analysis of this data suggests cleanup of the reservoir is likely to result in stabilised production rates over a longer production period.

Well engineering and cost estimates of the re-entry programme for both wells on the Al Meashar Oilfield are complete and will be followed by a tendering process for equipment and services as the political situation allows.

1 *Source: Oil Search Limited*

Damis (Block S-1), Production Licence, Yemen

Damis (Block S-1) Production Licence – An Nagyah Oilfield production and storage facilities

The Company announced on 5 February 2016 a further significant expansion of its oil and gas interests in Yemen with the acquisition of entities holding a 100% participating interest (82.5% equity interest) and operational control of the Damis (Block S-1) Production Licence.

Damis (Block S-1) is located approximately 80 kilometres to the southwest of Block 7 and holds five sizeable oil and gas discoveries – the developed and productive (until suspended in 2014), An Nagyah Oilfield, and a further four undeveloped oil and gas fields – Osaylan, An Naeem, Wadi Bayhan, and Harmel.

Petsec Energy's net interest in the reserves of the An Nagyah Oilfield is independently assessed to be 5.6 million barrels of remaining 2P reserves of oil, net of all royalties and costs, with a NPV_{10} value of US$155.4 million at Brent oil forward prices current as of 1January 2016.

The four undeveloped fields hold substantial oil and gas resources, in excess of 34 million barrels of oil and 550 Bcf of gas [1] which will be a source of future growth of reserves and production for the Company.

The block contains significant existing infrastructure, including surface facilities with a capacity to process up to 20,000 barrels of oil per day (bopd) and an 80,000 bopd pipeline, which joins the 200,000 BOPD Marib export pipeline to the Ras Isa terminal on the Red Sea Coast.

The An Nagyah Oilfield was shut-in at the end of February 2014, following the declaration of Force Majeure by the previous operator due to political issues in Yemen and a consequent inability to ship oil for the Al Nagyah oil field from the export pipeline terminus on the west coast of Yemen. The field was producing at a rate of over 5,600 bopd prior to its shut-in.

It is Petsec's intention to restart production as early as the political situation allows. The production facility has been maintained during the shut-in period and preparations are underway for the restart of production, delivering crude either by pipeline or trucking or a combination of both.

1 *Source: Wood Mackenzie Asia Pacific Pty Ltd*

Appointment of COO & VP Technical MENA

In February 2016, the Company announced the appointments of Mr. Murray Hawkes and Mr. John Rees as Chief Operating Officer and VP Technical, respectively, of the Company's wholly owned subsidiary, Petsec Energy (Middle Eastern) Limited. Mr. Hawkes will also take on the role of Yemen General Manager, focussing on reactivating field activities in Yemen, including the re-start of production at the An Nagyah Oilfield in Damis (Block S-1).

Mr. Hawkes and Mr. Rees both have significant managerial experience overseeing the delivery of major oil and gas projects, and extensive contacts in the MENA region which will enhance the Company's capabilities and expansion of activities in the region.

Further information on Mr. Rees and Mr. Hawkes is contained within the media releases to the ASX on 11 and 16 February 2016, respectively, and is also available on the Company website at www.petsec.com.au.

Oil and Gas Reserves and Valuation

Independently estimated proved and probable (2P) oil and gas reserves net to the Company as of 1 January 2016 were 9.3 MMboe with a NPV_{10} of US$188.1 million or A$1.06/share. This represents a 3000% increase on the prior year reserves of 0.3 MMboe.

USA

In the 2015 year, the Company returned to conventional exploration and drilled eight conventional exploration wells on eight separate prospects in the USA, onshore and offshore Louisiana. The programme delivered major discoveries to the Company on each of the Mystic Bayou and Hummer exploration prospects and a consequent increase in 2P reserves of 3.6 MMboe. The year end NPV_{10} value of the USA closing reserves of 3.7 MMboe was US$32.7 million.

MENA - Yemen

The acquisition of the developed/productive An Nagyah Oilfield added net 2P reserves to the Company of 5.6 MMbbl with an NPV_{10} value of US$155.4 million. The gross target resources of the four undeveloped oil and gas fields contained in the Damis (Block S-1) Production Licence and the Al Meashar Oilfield in Block 7, amount to 45 MMbbl of oil and 550 Bcf of gas.

Oil Equivalent (Mboe [1])	Net Proved Reserves [2]	Net Probable Reserves [2]	Net Proved + Probable Reserves [2]
USA Reserves			
Reserves as of 1 Jan 2015	274.7	41.5	316.2
Additions	2,015.7	1,578.2	3,593.9
Revisions	(109.0)	(41.5)	(150.5)
Production	(85.2)	-	(85.2)
USA reserves as of 1 Jan 2016	**2,096.2**	**1,578.2**	**3,674.4**
Yemen Reserves			
Reserves as of 1 Jan 2015	-	-	-
Acquisitions – An Nagyah Oilfield	4,540.0	1,108.0	5,648.0
Yemen reserves as of 1 Jan 2016	**4,540.0**	**1,108.0**	**5,648.0**
Total group reserves as of 1 Jan 2016	**6,636.2**	**2,686.2**	**9,322.4**

1. *Million barrels of oil equivalent (using a ratio of approximately six thousand cubic feet of natural gas to one barrel of oil).*
2. *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 in the USA, and in Yemen net of all costs including all Yemen government costs including taxes.*

The reserves assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The USA and Yemen reserve assessments presented above and throughout this report are consistent with the announcements released to the ASX on 8 March 2016 and 15 March 2016, respectively.

The Company confirms that it is not aware of any new information or data that materially affects the information included within the Financial Statements and the Annual Report, and that all the material assumptions and technical parameters underpinning the estimates therein continue to apply and have not materially changed.

Proposed Activities – June 2016 Quarter

USA

During the June 2016 quarter, the Company will participate in the fabrication and setting of a platform jacket for the Main Pass Block 270 #3 BP 1 well, and the subsequent testing of the well to determine gas flow rates and quanta of associated oil in order to size the production facilities.

MENA – Yemen

Yemen operations will focus on making ready the An Nagyah Oilfield to recommence production at the earliest, subject to the Yemen political situation. The Company is hopeful of recommencing production in the third quarter of 2016.

Financial Summary and Production Data

Unaudited preliminary financial data			Mar 2016 Quarter	Dec 2015 Quarter	% Increase/ (decrease)	Three months to Mar 2016	Three months to Mar 2015	% Increase/ (decrease)
Financials								
Net revenue		US$000	**195**	534	(63%)	**195**	336	(42%)
Other revenue/(expense)		US$000	**148**	191		**148**	155	
Lease operating expenses		US$000	**(999)**	(216)		**(999)**	(147)	
Geological, geophysical & administrative expenses (GG&A)		US$000	**(1,673)**	(1,983)		**(1,673)**	(1,036)	
EBITDAX		US$000	**(2,329)**	(1,492)	n/a	**(2,329)**	(692)	n/a
Cash [1]			**10,893**	12,807	(15%)	**10,893**	28,873	(62%)
Acquisition, exploration & development expenditure								
Acquisition		US$000	**2,000**	2,078		**2,000**	579	
Exploration		US$000	**81**	3,070		**81**	63	
Development		US$000	**379**	-		**379**	7	
Total		US$000	**2,460**	5,148	(52%)	**2,460**	649	279%
Production (MMcfe)	**W.I.**	**N.R.I**						
USA								
Offshore Gulf of Mexico								
Main Pass 18/19 [2]	100%/55%	83.33%/45.83%	**-**	-		**-**	34	
Onshore Louisiana								
Mystic Bayou Field	25%	18.5%	**65**	154		**65**	-	
Jeanerette Field	12.5%	9.0%	**-**	16		**-**	78	
Total		MMcfe	**65**	170	(62%)	**65**	112	(42%)
Unit revenue/cost analysis per Mcfe (US$)								
Oil/Condensate per barrel		US$	**34.03**	38.28	(11%)	**34.03**	51.09	(33%)
Gas per Mcf		US$	**2.40**	2.25	6%	**2.40**	2.87	(17%)
Average sales price per Mcfe		US$	**3.00**	3.14	(4%)	**3.00**	3.01	-
Other revenue/(expense) per Mcfe		US$	**2.28**	1.02		**2.28**	1.38	
Lease operating expense per Mcfe		US$	**(15.37)**	(1.27)		**(15.37)**	(1.31)	
GG&A expense per Mcfe		US$	**(25.74)**	(11.66)		**(25.74)**	(9.25)	
EBITDAX per Mcfe		US$	**(35.83)**	(8.77)	n/a	**(35.83)**	(6.18)	n/a

1 *March 2016 cash includes restricted cash deposits of US$3.7 million used to guarantee certain future rehabilitation obligations (December 2015: US$3.7 million; March 2015: US$5.3 million)*

2 *Operated by Petsec Energy*

Glossary

Bcfe = billion cubic feet of gas equivalent
bopd = barrels of oil per day
Mcfe = thousand cubic feet of gas equivalent
MMcfe = million cubic feet of gas equivalent
TVD = True Vertical Depth
bcpd = barrels of condensate per day
bwpd = barrels of water per day
MD = Measured Depth
MMcpd = million cubic feet of gas per day
boe = barrels of oil equivalent
Mcf = thousand cubic feet of gas
MMbbl = million barrels
TD = Total Depth

For further information, please contact:

Paul Gahdmar
Company Secretary & Group Financial Controller
Petsec Energy Ltd
Level 13, 1 Alfred Street
Sydney, NSW 2000
Telephone: + 61 2 9247 4605
Facsimile: + 61 2 9251 2410

Manny Anton
Head of Investor Relations & Corporate Development
Petsec Energy Ltd
Level 13, 1 Alfred Street
Sydney, NSW 2000
Telephone: + 61 2 9247 4605
Facsimile: + 61 2 9251 2410