Petsec Energy Ltd

June 2016 Quarter Results

Financials

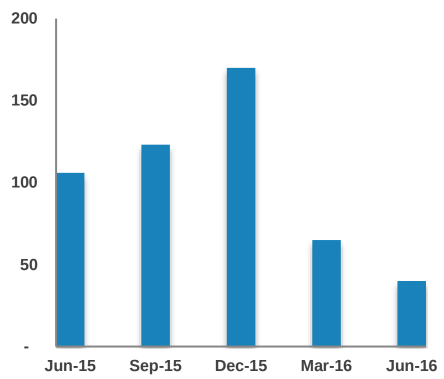
Comparative Performance		Current Quarter Jun 2016	Previous Quarter Mar 2016	% Change	Corresponding Quarter Jun 2015	% Change
Net production	MMcfe	**40**	65	(38%)	106	(62%)
Average sales price	US$/Mcfe	**3.38**	3.00	13%	2.93	15%
Net revenue	US$000	**135**	195	(31%)	311	(57%)
EBITDAX [1]	US$000	**(1,786)**	(2,329)	n/a	(411)	n/a
Cash [2]	US$000	**9,161**	10,893	(16%)	23,956	(62%)
AE&D expenditure [3]	US$000	**(1,225)**	2,460	n/a	3,899	(131%)
US$/A$ closing exchange rate		**0.7444**	0.7677	(3%)	0.7701	(3%)

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.

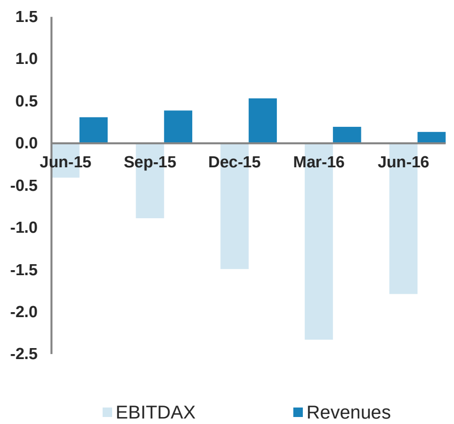
2 June 2016 cash includes restricted cash amounts of US$3.7 million (March 2016: US$3.7 million; June 2015: US$5.3 million) used to guarantee certain future rehabilitation obligations.

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

Production — MMcfe



Revenues/EBITDAX — US$m



Key Points

Operations

- Net production from the Company's USA operations for the June 2016 quarter of 40 MMcfe (32 MMcf of gas and 1,453 barrels of oil/condensate).
- Main Pass Block 270 #3 BP 1 discovery well (Hummer Project) – platform jacket construction complete, load out and installation to commence during mid-August 2016. Tie back, completion and testing of the well will follow in Q3-Q4.
- Award of Main Pass Block 274 lease (Hummer Project) at the Central Gulf of Mexico Lease Sale 241.
- Preparation for the re-start of production at the An Nagyah Oilfield has been initiated through the start of field operations beginning with road maintenance within and around the Central Processing Facility (CPF).

Financials

- Net oil and gas revenues from the USA operations of US$0.1 million.
- Cash balance of US$9.2 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 Louisiana, USA, and the Republic of Yemen.

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Manny Anton – Head of Investor Relations & Corporate Development

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Richard Smith - CEO
Ross Keogh – President/Group CFO
Ron Krenzke – EVP Exploration

MENA Executive – Petsec Energy (Middle Eastern) Limited
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Financial

Production

The Company produced 40 MMcfe (32 MMcf of gas and 1,453 barrels of oil/condensate) from the Williams No.2 Alt. well in the Mystic Bayou Field onshore Louisiana, USA. The well which had been shut-in since 10 February 2016 was returned to production on 26 May 2016.

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

Net production (in MMcfe)	Jun 2016 Quarter	Mar 2016 Quarter	% Increase/ Decrease
Jeanerette Field – ASF No.4	-	-	-
Mystic Bayou Field – Williams No.2 Alt.	40	65	(38%)
Total	**40**	**65**	**(38%)**

Revenues and Cashflow

Petsec Energy generated net oil and gas revenues of US$135,000 for the June 2016 quarter (March 2016 quarter: US$195,000), from production of 40 MMcfe (March 2016: 65 MMcfe) at an average realised gas equivalent sales price of US$3.38/Mcfe (March 2016 quarter: US$3.00/Mcfe).

The Company received an average sales price for the June 2016 quarter of US$2.19/Mcf and US$44.74/bbl for its natural gas and oil/condensate production, respectively. This compares to US$2.40/Mcf and US$34.03/bbl achieved in the March 2016 quarter.

The Company reported negative EBITDAX of US$1.8 million for the current quarter (previous quarter: negative EBITDAX of US$2.3 million), largely attributable to the Company's lower revenue base and operating costs associated with the An Nagyah Oilfield in Yemen and associated GG&A.

The negative acquisition, exploration and development expenditure incurred for the June 2016 quarter of US$1.2 million reflects an adjustment to the acquisition cost of the Damis (Block S-1) interest. The impact of this was offset by 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 30 June 2016, the Company's cash balance of US$9.2 million (A$12.3 million) was US$1.7 million or 16% lower than the 31 March 2016 cash balance of US$10.9 million (A$14.2 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").

Corporate

Mr. Mark Lober resigned as a Director of the Company, effective 19 May 2016.

U.S. Oil and Natural Gas Prices

U.S. WTI crude oil futures prices rose in the June 2016 quarter as the global supply and demand surplus fell in response to the significant drop in drilling activity. WTI crude oil prices reached a high of US$51.23/bbl on 8 June 2016 and closed just above US$48/bbl at quarter end.

The NYMEX 12 month and 36 month forward strip prices for WTI crude oil settled at approximately US$48.16/bbl and US$51.00/bbl, respectively on 13 July 2016. In comparison, the 12 month and 36 month forward strip prices were trading at US$44.41/bbl and US$46.43/bbl, respectively on 15 April 2016.

U.S. natural gas prices increased in the current quarter in response to declines in production following the significant fall in drilling activity, coupled with increased demand. The NYMEX Henry Hub futures price for natural gas rose from a low of US$1.96/MMBtu at the end of the first quarter to a 10-month high of US$2.92/MMBtu as at 30 June 2016. .

The NYMEX 12 month and 36 month forward strip prices for U.S. natural gas were both trading at approximately US$3.05/MMBtu, respectively on 13 July 2016. This compares to US$2.47/MMBtu and US$2.75/MMBtu, respectively on 15 April 2016.

The U.S. Energy Information Administration estimates for working natural gas in storage for the week ending 1 July 2016 was 3,179 Bcf, 538 Bcf or 20.4% higher than the level a year ago and 599 Bcf or 23.2% 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 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 was shut-in on 10 February 2016 due to a leak in the tubing at a depth below the producing reservoir. During the quarter, the operator completed a work-over of the well and returned it to production on 26 May 2016 at a gross rate of approximately 5.2 MMcfpd and 240 bcpd. The well had averaged gross daily production rates of approximately 7.5 MMcfpd and 300 bcpd prior to being shut-in.

Acquisitions

USA

Main Pass Block 274 – Hummer Project

On 5 May 2016, the Bureau of Ocean Energy Management ("BOEM") awarded the Main Pass Block 274 lease to Castex Offshore, Inc. ("Castex"), the operator of the Hummer Project. Castex was the high bidder with a gross bid of US$675,576 (US$84,447 net to Petsec).

The block falls within an Area of Mutual Interest (AMI) for the Hummer Project participants, and as a result the Company had the right, which it has exercised, to participate for its 12.5% working interest ("W.I.") in the lease.

Main Pass Block 274 was previously leased by Petsec in March 2010 as part of the Hummer Exploration Prospect, which was identified on 3D seismic as extending across portions of Main Pass Blocks 270, 273 and 274. The Main Pass Block 270 #3 Hummer discovery well (Petsec 12.5% W.I.) was drilled in late 2015 and is currently under development with the fabrication and installation of a platform jacket.

Development

USA

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

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, well completion, and testing are anticipated to be completed in the third and fourth quarters of 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.

Following completion and testing of the well the deck, facilities and pipelines will be fabricated and installed. Initial production on the project is anticipated during second quarter 2017.

MENA

The Company continues to increase its activity in the MENA region in 2016, pursing its objective of acquiring onshore leases with oil reserves, both developed/producing and undeveloped, that hold significant development, exploitation and exploration potential. The primary focus over the quarter has been the transfer of the operatorship of the Damis (Block S-1) Production Licence, holding a 100% participating interest (82.5% equity interest), from Occidental to Petsec.

The priority activities for the Company in MENA are focussed on preparations for the re-start of production at the An Nagyah Oilfield with the aim of ensuring the company is ready for production once the political situation allows.

The political situation in Yemen continues to evolve and is progressing towards a resolution of the conflict. The internationally recognised Government continues to prepare for the re-start of crude exports from Yemen facilities. 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 now expects to conclude the acquisition of the Oil Search interest in Block 7 towards the end of 2016 following the announcement of a peace agreement. 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.

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.

1 *Source: Oil Search Limited*

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

Petsec: 100% working interest (82.5% participating interest)

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% working interest (82.5% participating 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.

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 the political issues in Yemen and the resulting inability to ship oil for the An Nagyah oilfield 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 being 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 re-start of production with the initiation of maintenance on access roads within the facility, with a view to the delivery of crude either by pipeline or trucking or a combination of both.

1 *Source: Wood Mackenzie Asia Pacific Pty Ltd*

Proposed Activities – September 2016 Quarter

USA

During the September 2016 quarter, the Company will participate in the setting of a platform jacket over the Main Pass Block 270 #3 BP 1 well. After the jacket installation a drilling rig will be brought in to complete and test the well to determine reservoir characteristics, including gas and oil flow rates and pressures, in order to appropriately size the production facilities.

MENA – Yemen

Yemen operations will continue to focus on preparing the An Nagyah Oilfield to recommence production at the earliest possible opportunity, subject to the Yemen political situation. The Company is hopeful of recommencing production in the fourth quarter of 2016.

Financial Summary and Production Data

Unaudited preliminary financial data			Jun 2016 Quarter	Mar 2016 Quarter	% Increase/ (decrease)	Six months to Jun 2016	Six months to Jun 2015	% Increase/ (decrease)
Financials								
Net revenue		US$000	**135**	195	(31%)	**330**	647	(49%)
Other revenue/(expense)		US$000	**22**	148		**170**	541	
Lease operating expenses		US$000	**(389)**	(999)		**(1,388)**	(296)	
Geological, geophysical & administrative expenses (GG&A)		US$000	**(1,554)**	(1,673)		**(3,227)**	(1,995)	
EBITDAX		US$000	**(1,786)**	(2,329)	n/a	**(4,115)**	(1,103)	n/a
Cash [1]			**9,161**	10,893	(16%)	**9,161**	23,956	(62%)
Acquisition, exploration & development expenditure								
Acquisition		US$000	**(1,711)**	2,000		**289**	713	
Exploration		US$000	**4**	81		**85**	3,831	
Development		US$000	**482**	379		**861**	4	
Total		US$000	**(1,225)**	2,460	n/a	**1,235**	4,548	(73%)
Production (MMcfe)	**W.I.**	**N.R.I**						
USA								
Offshore Gulf of Mexico								
Main Pass 18/19 [2]	100%/55%	83.33%/45.83%		-		**-**	57	
Onshore Louisiana								
Mystic Bayou Field	25%	18.5%	**40**	65		**105**	-	
Jeanerette Field	12.5%	9.0%	**-**	-		**-**	161	
Total		MMcfe	**40**	65	(38%)	**105**	218	(52%)
Unit revenue/cost analysis per Mcfe (US$)								
Oil/Condensate per barrel		US$	**44.74**	34.03	31%	**34.03**	53.83	(37%)
Gas per Mcf		US$	**2.19**	2.40	(9%)	**2.40**	2.79	(14%)
Average sales price per Mcfe		US$	**3.38**	3.00	13%	**3.14**	2.97	6%
Other revenue/(expense) per Mcfe		US$	**0.55**	2.28		**1.62**	2.48	
Lease operating expense per Mcfe		US$	**(9.73)**	(15.37)		**(13.22)**	(1.36)	
GG&A expense per Mcfe		US$	**(38.85)**	(25.74)		**(30.73)**	(9.15)	
EBITDAX per Mcfe		US$	**(44.65)**	(35.83)	n/a	**(39.19)**	(5.06)	n/a

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

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