

Monthly Drilling and Operations Report

6 February 2013

Highlights:

- Bauer McKinley pay zone tested confirming oil flow with no associated water produced
- Inland-Cook Oil Fairway exploration campaigns commenced
- Canunda Wet Gas Field tie in to the Middleton Gas Plant to be completed by end of March quarter 2013

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Oil Business

Western Flank Oil Fairway (DLS 60% - Non-operated)

Drilling activity

No drilling took place during January 2013.

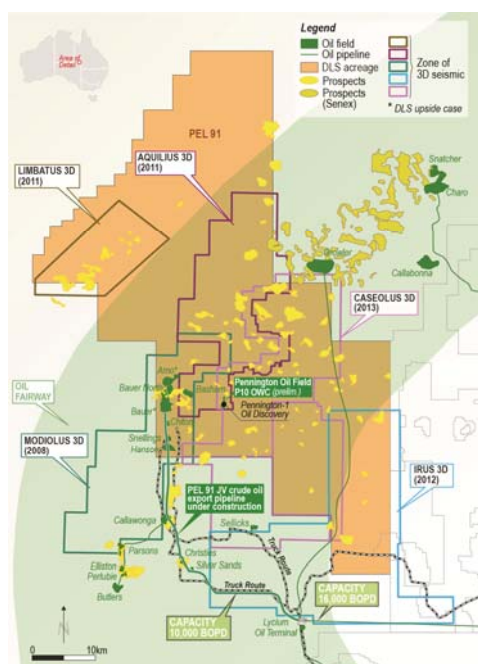
Appraisal and development activity

Field development work in the Bauer Oil Field Complex is ongoing with the installation, hydro-testing and commissioning of the Bauer-5 through 8 flowlines. Progress is continuing with the construction of the Bauer to Lycium pipeline, with a total of 38km of pipe installed since December 2012 and a further 9km remaining to be installed by the end of February 2013. Additional tie-in and pumping facilities are expected to be completed in April 2013.

The McKinley pay zone in both the Bauer-2 and Bauer-4 wells was tested in January 2013 with dedicated production tests, which confirmed oil flow with no associated water production from sands of the McKinley member.

Seismic activity

Seismic line preparation work began for the Caseolus 3D seismic survey which covers 485km² of the PEL 91 permit. It is estimated the seismic survey will be completed in June 2013. With the completion of the Caseolus survey PEL 91 will be covered by five 3D seismic surveys making up an area of 1,154km² or 58% of the permit.



Bauer to Lycium pipeline installations – PEL 91

Inland-Cook Oil Fairway (DLS 100% - Operated)

Drilling activity

Triclops-1, the first exploration well to be drilled in the Inland-Cook Oil Fairway, spudded on 14 January 2013 in ATP 539P. The main objective of the well was to test the hydrocarbon prospectivity of the Inland-Cook Fairway by demonstration of oil migration from the Yamma Yamma Depression into the Western Flank of the southwest Queensland Eromanga Basin. The primary targets of the Triclops-1 well were the Hutton Sandstone and sands of the Birkhead Formation. Although hydrocarbon shows were observed in the Westbourne Formation and the Adori Sandstone, quantities were not commercial. The well was plugged and abandoned after drilling to a total depth of 1,926 metres.

The Ensign Rig 918 was released on 31 January 2013 and will move 14km north east to the final well in the drilling campaign, Tibor-1, which is expected to spud in early February 2013.

Appraisal and development activity

No appraisal and development activity took place during January 2013.

Seismic activity

No seismic acquisition activity took place during January 2013 however ongoing interpretation continues.

Drillsearch

Wet Gas Business

Western Wet Gas and Unconventional Fairway (DLS 50-60% - Non-operated)

Drilling activity

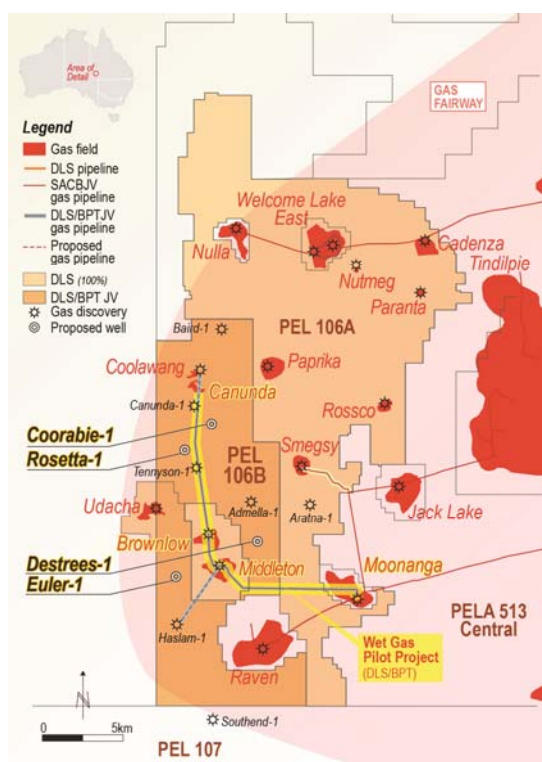
The second and third wells in a four well exploration campaign in PEL 106B (Drillsearch 50%) were spudded in January 2012. The Rosetta-1 and Destress-1 wells are located approximately six kilometres north and three kilometres east, respectively from Brownlow-1. Gas shows were encountered in each well, however reservoir quality associated with the shows was poor. With other good-quality sands water-saturated at these locations, the joint venture elected to plug and abandon both wells. The fourth and final well in the approved PEL-106B program, Euler-1, is scheduled to be drilled in June.

Appraisal and development activity

Construction of a gas gathering pipeline tying the Canunda Wet Gas Field to the Middleton Gas Plant was completed. Remaining tie-in facilities are expected to be completed by the end of March 2013.

Seismic activity

No seismic acquisition activity took place during January 2013 however ongoing interpretation continues.



Western Wet Gas and Unconventional Fairway (DLS 100% - Operated)

Drilling activity

No drilling took place during January 2013.

Appraisal and development activity

Site preparation began for the PEL 106A drilling campaign.

Two well locations have been identified with the first well to be drilled, Wamboral-1 expected to spud in February 2013 and the second well, Moruya-1 in March 2013.

Seismic activity

No seismic acquisition activity took place during January 2013 however ongoing interpretation of the Greater Andree Leleptian 3D seismic survey continues in conjunction with the reinterpretation of the Spinel 3D seismic survey

Northern Wet Gas Fairway (DLS 60-100% - Operated)

Drilling activity

No drilling took place during January 2013.

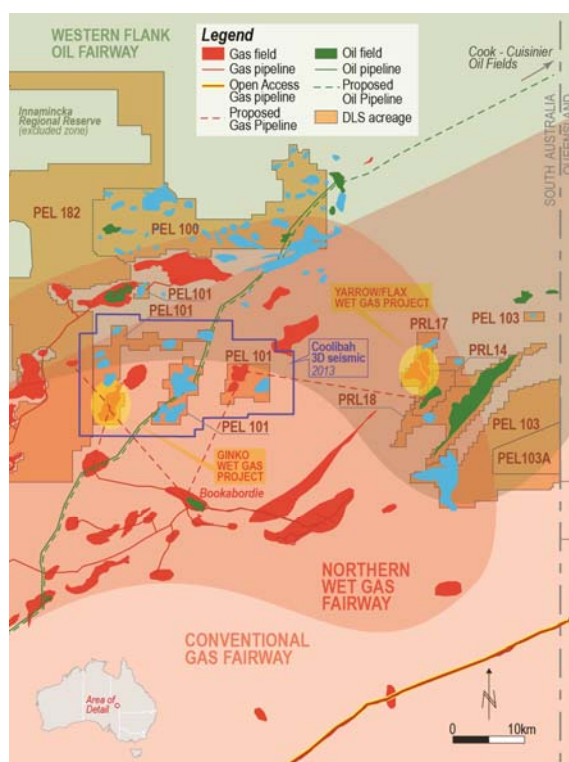
Appraisal and development activity

No appraisal and development activity took place during January 2013.

Seismic activity

Preparation work continued for the 478km² Coolabah 3D seismic survey which will cover PEL 101 (Drillsearch 60%) in its entirety. Scouting commenced in early January 2013 in advance of recording the Coolabah 3D seismic survey. Work area clearance has also commenced with native title claimants, the Yandruwandha and Yawarrarawrka People. The acquisition is expected to be completed early in the March quarter 2013.

An aerial survey was conducted by Fugro Spatial to acquire LiDAR across PEL's 101 and 103 and PRL's 14, 17 and 18. This will be followed by aerial photography and will provide accurate information for planning, and elevations for seismic processing.



Unconventional Business

Central Unconventional Fairway (DLS 100% - Operated)

Drilling activity

No drilling took place during January 2013, however, drilling is expected to begin in mid-2013.

Appraisal and development activity

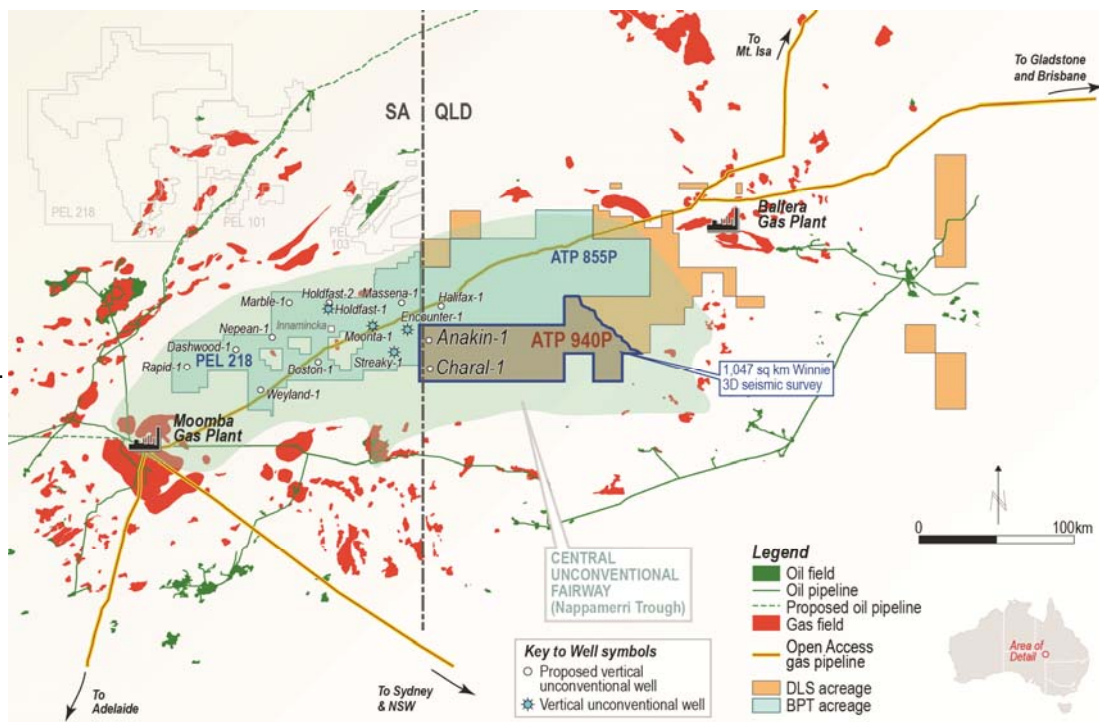
Drillsearch and Joint Venture partner QGC have agreed well locations for the first two wells in ATP 940P. The wells, Anakin-1 and Charal-1, have been based on 3D seismic to target multi-layered tight gas Patchawarra Sandstone and REM shale gas. The resulting surface locations have also

been optimised, following a field visit, to minimise surface operational risk and costs. Anakin-1 is due to spud in early June and Charal-1 in late August 2013.

Field activities will begin soon, including cultural heritage clearance, environmental approvals, well lease building, construction of a camp site, building of an access road and construction of a well pad lease.

Seismic activity

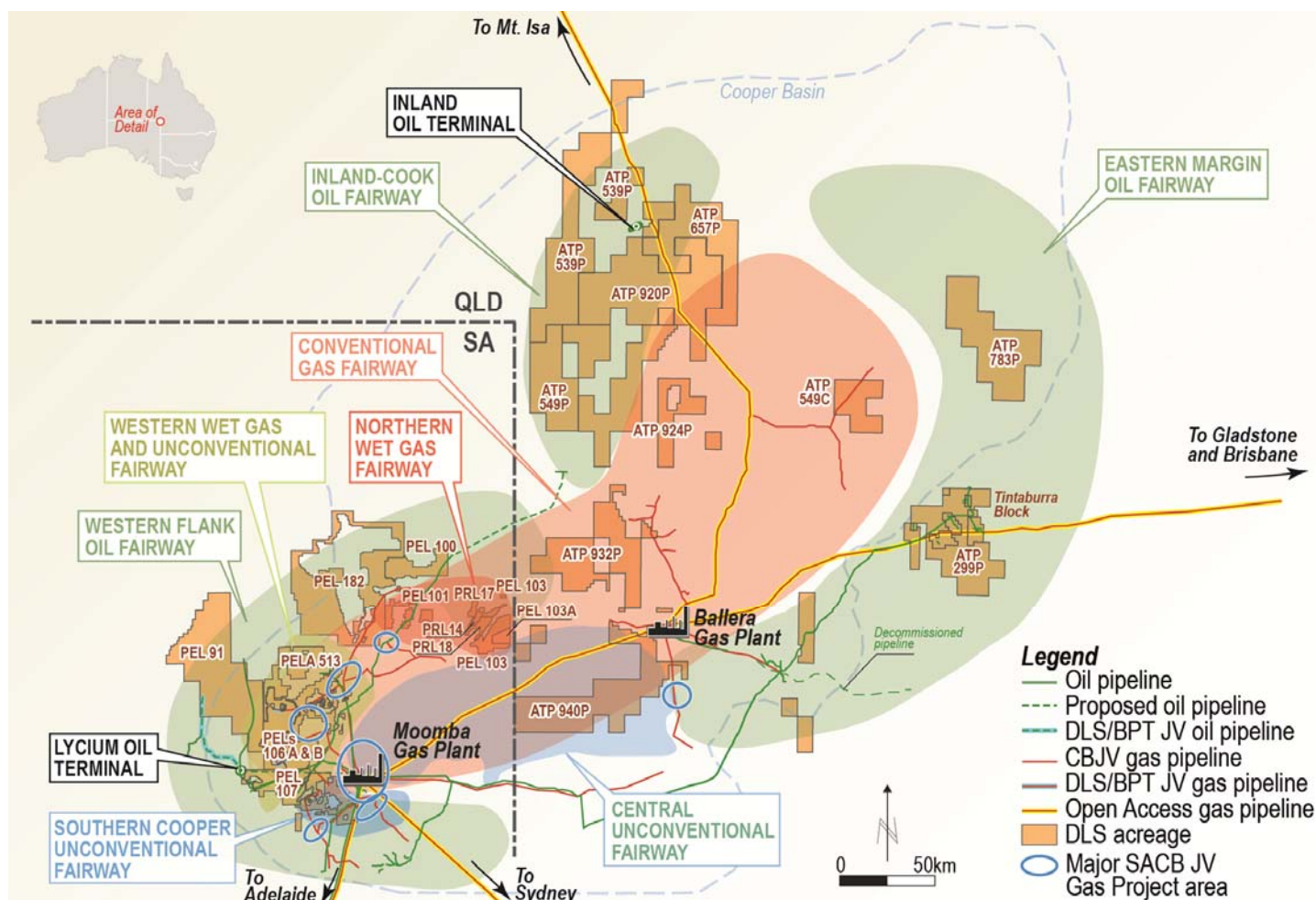
No seismic acquisition activity took place during January 2013 however ongoing interpretation of the Winnie 3D seismic survey continues.



Monthly drilling summary

Well	Participants	Progress & Summary		Primary Targets
Rosetta - 1	DLS 50%	Spud Date	Friday, 4 January 2013	Patchawarra Formation
PEL 106 B	BPT* 50%	Rig Release:	Thursday, 17 January 2013	
Wet Gas Business		Depth:	2,835 m (TD)	
Western Cooper Wet Gas C/E Basin, SA		Operation:	Well is plugged and abandoned	
		Progress:	2,835 m	
Triclops - 1	DLS* 100%	Spud Date	Monday, 14 January 2013	Hutton Sandstone
ATP 539P		Rig Release:	Friday, 01 February 2013	
Oil Business		Depth:	1,926 m (TD)	
Inland-Cook Oil Fairway C/E Basin, QLD		Operation:	Well is plugged and abandoned	
		Progress:	1,926 m	
Destrees - 1	DLS 50%	Spud Date	Monday, 21 January 2013	Patchawarra Formation
PEL 106 B	BPT* 50%	Rig Release:	Wednesday, 06 February 2013 (Forecast)	
Wet Gas Business		Depth:	3,006 m (TD)	
Western Cooper Wet Gas C/E Basin, SA		Operation:	Continuing plug and abandon operations	
		Progress:	3,006 m	

* indicates Operator of permit



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About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional and unconventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's most prolific onshore oil and gas province, the Cooper-Eromanga Basins in South Australia and Queensland. The company's focus is on 'brownfields' exploration where geological risk is reduced and there is access to existing infrastructure, ensuring that any discoveries can be brought into production.

Competent Person Statement

Any reference to Reserves and Resources in this release follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE - PRMS). The Reserves estimates used during this release were compiled by Mr David Evans, Chief Technical Officer of Drillsearch Energy Ltd, who is a qualified person as defined under ASX Listing Rule 5.11 and has consented to the use of the Reserves figures in the form and context in which they appear in this presentation.