

May 2013 Drilling and Operations Report

5 June 2013

Highlights:

- New Oil discovery in PEL 91
- Continued Success at Bauer Field
- Moruya-1 New Wet Gas Discovery

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Oil Business

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

Drilling activity

The PEL 91 Joint Venture experienced added success since the last report last drilling and operations report in April 2013, with one new oil discovery and the successful completion of the Bauer-10 developmental well.

Sceale-1 discovered a six metre gross oil column in the Namur Sandstone and McKinlay Member and tested oil at a rate of 830bopd from the McKinlay zone. Sceale-1 has been cased and suspended for completion as a future oil producer. The Company estimates that the gross 2P Reserves for Sceale-1 to be approximately 200,000 bbls.

Bauer-10 was spudded on 27 May, on the eastern side of the Bauer oil field, targeting the south eastern flank of the Bauer field. A total depth of 1,727.5m was reached on 1 June, intersecting an 11m oil column in the McKinlay-Namur interval. Bauer-10 was cased and suspended as a future oil production well.

Congony-1 was spudded on 29 May 2013 and is designed to test a structure approximately 2.6 kilometres west of the recent Kalladeina-2 oil discovery and has an estimated mean recoverable volume of 460,000 bbls. Congony-1 is drilling ahead at a depth of 1,987m with evidence of hydrocarbons shows across the primary target.

Smoky-1 which was spudded at the end of April, targeting a structural high to the northwest of Hoolendinnie-1 in the Limbus 3D survey, was plugged and abandoned after encountering water in the primary and secondary targets. A 12m interval of oil shows was observed in the Murta Formation but the reservoir section was of low quality and deemed non-commercial.

Appraisal and development activity

Commercial oil flows into the recently commissioned Bauer-to-Lycium Oil Pipeline and then onto the Moomba Gas Plant, commenced on 29 April 2013. The new pipeline will enable oil production from new discoveries to increase to 10,000 BOPD (6,000 BOPD net to Drillsearch).

Seismic activity

Processing of the Iruis 3D seismic survey is on-going and is estimated to be completed by the end of June 2013. As of 1 June 2013, the recording of the Caseolus 3D seismic survey, which covers 485km² of the PEL 91 permit, was 86% complete. It is expected that the Caseolus 3D seismic acquisition will be completed by end June 2013 and will be followed by

approximately five months of processing.

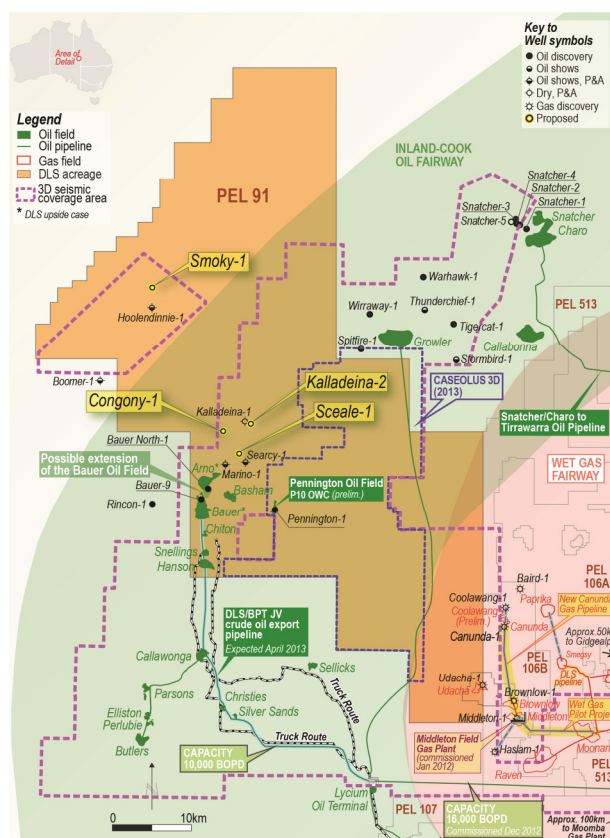
Inland-Cook Oil Fairway (DLS 100% - Operated)

Appraisal and development activity

Regional geological and geophysical studies are ongoing.

Seismic activity

Processing and interpretation of the 2012 Kaden 3D seismic is in progress. Regional seismic reprocessing commenced and is expected to take 4-6 months to complete.



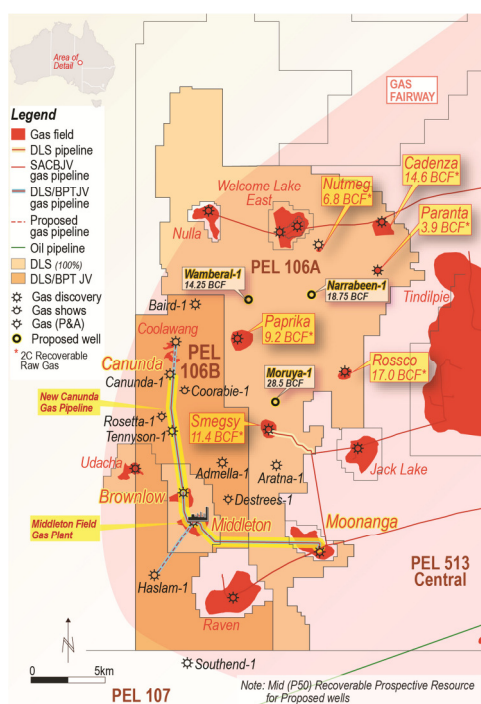
Western Flank Oil Fairway – PEL 91

Wet Gas Business

Western Wet Gas Project Area (DLS 50-60% - Non-operated)

Seismic activity

Processing of the Irus 3D seismic survey and reprocessing of the Spinel 3D seismic survey are ongoing.



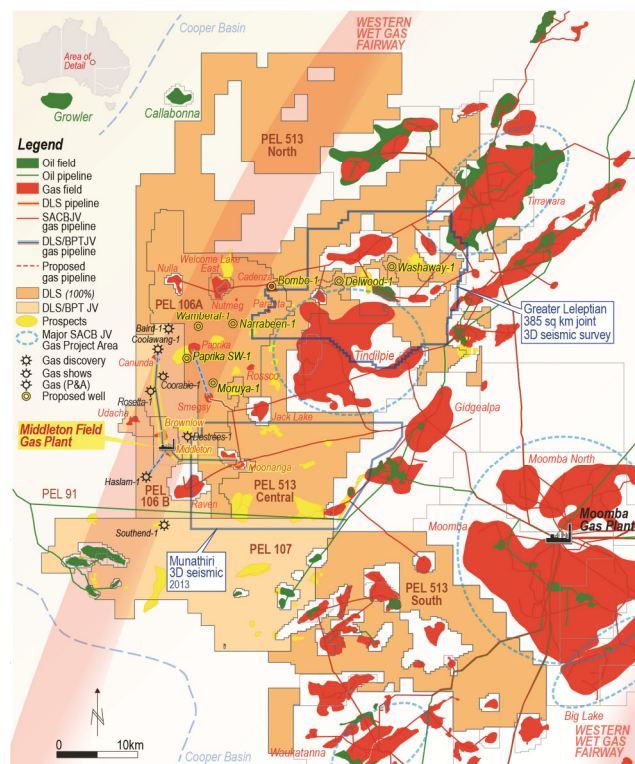
Western Wet Gas Project Area (DLS 100% - Operated)

Drilling activity

Moruya-1 spudded on 5 May 2013. The primary objective of this well is the Patchawarra Formation sandstones with secondary shale/sand objectives in the Tirrawarra, Roseneath, Epsilon and Murteree Formations. The well has reached total depth of 2,952m and formation evaluation is underway. Wire line logging confirmed wet gas saturation in both good quality and tight sands. Two intervals are currently being planned for open-hole drill stem testing to determine the overall sand productivity and extent of the identified pay zones. The well will then be cased and suspended as a potential future wet gas production well.

Seismic activity

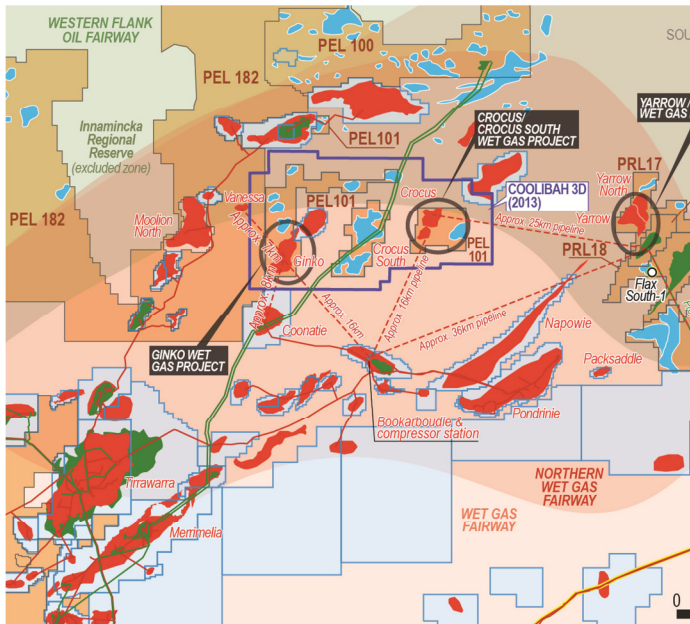
Processing of the recently completed PEL 513 Munathiri 3D seismic survey is in progress.



Northern Wet Gas Project Area (DLS 60-100% - Operated)

Seismic activity

Processing of the Coolabah 3D seismic survey, which covers PEL 101 (Drillsearch 60%), continues is expected to be completed at the end of August 2013.



Northern Wet Gas Project Area

Unconventional Business

Central Unconventional Fairway (DLS 40% - Operated)

Appraisal and development activity

Preparations for the move of Weatherford rig 826 to APT 940P is in progress with site preparations such as lease pad, road preparation and drilling and testing of test water bores currently underway.

Seismic activity

Ongoing interpretation of the Winnie 3D seismic survey continued with the aim of optimising future well locations.

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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 Limited, 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.

Monthly Drilling Summary

Well	Participants	Progress & Summary	Primary Targets
Smoky - 1	DLS 60%	Spud Date: Sunday, 28 April 2013	Namur Sandstone
PEL 91	BPT* 40%	Rig Release: Wednesday, 8 May 2013	
Oil Business		Depth: 1,865 m (TD)	
Western Flank Oil		Operation: Plugged and abandoned	
C/E Basin, SA		Progress: 1,865 m	
Moruya - 1	DLS* 100%	Spud Date: Sunday, 5 May 2013	Patchawarra Formation
PEL 106 A		Rig Release: Wednesday, 5 June 2013 (Predicted)	
Wet Gas Business		Depth: 2,952 m (TD)	
Western Cooper Wet Gas		Operation: Preparing to DST prior to C & S	
C/E Basin, SA		Progress: 2,952 m (TD)	
Sceale - 1	DLS 60%	Spud Date: Sunday, 12 May 2013	Namur Sandstone
PEL 91	BPT* 40%	Rig Release: Wednesday, 22 May 2013	
Oil Business		Depth: 1,980 m (TD)	
Western Flank Oil		Operation: C & S as future oil production well	
C/E Basin, SA		Progress: 1,980 m (TD)	
Bauer - 10	DLS 60%	Spud Date: Monday, 27 May 2013	Namur Sandstone
PEL 91	BPT* 40%	Rig Release: Friday, 8 June 2013 (Predicted)	
Oil Business		Depth: 1,727 m (TD)	
Western Flank Oil		Operation: Running production casing	
C/E Basin, SA		Progress: 1, 727 m (TD)	
Congony - 1	DLS 60%	Spud Date: Wednesday, 29 May 2013	Namur Sandstone
PEL 91	BPT* 40%	Rig Release: Tuesday, 11 June 2013 (Predicted)	
Oil Business		Depth: 2,010 m (Preliminary)	
Western Flank Oil		Operation: Drilling Operations	
C/E Basin, SA		Progress: 1, 235 m	

*C & S – Cased and suspended