

15 August 2013

2P Reserves increase 157% to 28.5 mmboe

- 2P Reserves increased by 157% to 28.5 mmboe in FY 2013
- 2C Contingent Resources increased by 41% to 14.8 mmboe in FY 2013
- Independent review by RISC and DeGolyer and MacNaughton
- Increased Reserves provide Drillsearch a stronger platform for significant Cooper Basin growth

Drillsearch Energy Limited (ASX: DLS) is pleased to announce a significant increase of 157% in the Company's 2P Reserves to 28.5 mmboe and a 41% increase in its 2C Contingent Resources to 14.8 mmboe as at the end of the 2013 Financial Year. The uplift in Reserves and Contingent Resources follows the completion of the Company's latest annual independent Reserves and Contingent Resources review by RISC and DeGolyer and MacNaughton.

The table below sets out the Company's Reserves and Contingent Resources position as at 30 June 2013.

Net Reserves & Contingent Resources as at 30 June 2013			
Business Segment Reserves	1P mmboe	2P mmboe	3P mmboe
Western Flank Oil	5.05	7.58	11.30
Western Cooper Wet Gas – Middleton Gas Project	6.10	15.87	27.69
Western Cooper Wet Gas – PEL 106A Gas Project	1.48	4.46	12.43
Northern Cooper Wet Gas	0.03	0.05	0.05
Eastern Cooper Oil	0.09	0.50	1.26
Total Reserves	12.76	28.46	57.72
Business Segment Contingent Resources	1C mmboe	2C mmboe	3C mmboe
Western Flank Oil	0.17	0.39	0.64
Western Cooper Wet Gas – Middleton Gas Project	0.44	3.29	9.95
Western Cooper Wet Gas – PEL 106A Gas Project	0.00	0.00	0.00
Northern Cooper Wet Gas	4.68	10.41	25.24
Eastern Cooper Oil	0.01	0.69	1.86
Total Contingent Resources	5.30	14.78	37.69

Reserves and Contingent Resources in the above table for the Western Cooper Wet Gas Project – PEL 106A Gas Project Area have been adjusted by Drillsearch to show Reserves and Contingent Resources with a 40% interest to reflect the impending Joint Venture farmin by Santos Limited. As announced on 4 July 2013 Drillsearch ownership in PEL 106A and PEL 513 will reduce to 40% and operatorship pass to Santos Limited upon completion. This transaction is expected to complete in September 2013. For Drillsearch's Reserves and Contingent Resources as at 30 June 2013 unadjusted for the Santos Limited

transaction regarding the Western Cooper Wet Gas Project – PEL 106A Gas Project Area please see Appendix A.

Drillsearch previously provided a mid-year Reserves and Contingent Resources update as of 31 December 2012. Both tables for 30 June 2012 and 31 December 2012 are also provided in Appendix A to this release.

The increases in Reserves and Contingent Resources since 1 July 2012 were driven by four factors:

- The continuing success in exploration, appraisal and development in the Western Flank Oil Fairway delivering four new oil discoveries out of five exploration wells and the ongoing successful appraisal and development of the Bauer Oil Field which not only replaced Reserves from all oil production during FY 2013 but delivered additional Reserve replacement.
- An increase Estimated Ultimate Recovery (EUR) of producing wells in the Western Cooper Wet Gas – Middleton Gas Project.
- The conversion of the Western Cooper Wet Gas PEL 106A Project Area Contingent Resources for the existing discoveries to Reserves through Drillsearch securing additional development and commercialisation arrangements with Santos Limited, as announced on 4 July 2013.
- The booking of Contingent Resources in the recently acquired Acer Energy permits PRLs 14, 17 and 18 along with the wet gas discoveries in PEL 101, both in Drillsearch's Northern Wet Gas project area.

Drillsearch Managing Director Brad Lingo said, "We are very pleased with the ongoing growth in the Company's Reserves and Resources, which demonstrates Drillsearch's ability to deliver on our focused strategy. The success of exploration, development and production across our Cooper Basin acreage has established a strong platform of Reserves and Resources upon which we can continue to grow the Company into a significant Cooper Basin-focused oil and gas producer."

The Annual Reserves and Resources Review Process

The independent review conducted by RISC and DeGolyer and MacNaughton is part of Drillsearch's Annual and Half Year Reserve and Resources review process and its policy of supporting the Company's Reserve and Resources estimates with third party audit review and verification.

For further information please visit the website www.drillsearch.com.au or contact:

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About Drillsearch Energy Limited

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 Contingent Resources in this release follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE - PRMS). Information on the Reserves and Resources in this ASX Announcement have been 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 given his consent as of the date of this ASX Announcement to the inclusion of these statements and the information in the form and the context in which it appears in this ASX Announcement.

The Reserves and Contingent Resources used in this ASX Announcement were taken by Mr Evans from Independent Audited Reserve and Contingent Resource reports dated 30 June 2013 and prepared by DeGolyer and MacNaughton under the supervision of R. Michael Shuck, Senior Vice President and RISC under the supervision of Mr Geoffrey J Barker, Partner, both being qualified persons as defined in the ASX Listing Rule 5.11.

RISC

RISC is an independent advisory firm who works in partnership with companies to support their interests in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Drillsearch in accordance with the Valmin Code, ASX listing rules and ASIC requirements."

Information on the Reserves and Resources in this release relating to the PEL91, PRL14, 17, 18 and PEL101 assets is based on an independent review and audit conducted by RISC Operations Pty Ltd (RISC) and fairly represents the information and supporting documentation reviewed. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Geoffrey J Barker, a Partner of RISC, a leading independent petroleum advisory firm. Mr. Barker is a member of the SPE and his qualifications include a Master of Engineering Science (Petroleum Engineering) from Sydney University and more than 30 years of relevant experience. Mr. Barker meets the requirements of qualified petroleum reserve and resource evaluator and consents to the inclusion of this information in this report.

DeGolyer and MacNaughton

The information contained in our report entitled "Report as of December 31, 2012 on Reserves and Contingent Resources of Certain Fields in the PEL 106A, 106B, and 107 Permits of the Cooper Basin with interests owned by Drillsearch Energy Limited" has been prepared under the supervision of R. Michael Shuck, Senior Vice President of DeGolyer and MacNaughton. Mr. Shuck holds a Bachelor of Science degree in Chemical Engineering from the University of Houston, has in excess of 35 years of relevant experience in the estimation of reserves and contingent resources, is a member of the Society of Petroleum Engineers, and is a Registered Professional Engineer in the State of Texas. Mr. Shuck is a qualified person as defined in the ASX Listing Rule 5.11.

Glossary

"**2P**" means the Sum of Proved Reserves plus Probable Reserves

"**Aggregation method**" Reserves in this ASX Announcement have been estimated probabilistically at field level but combined arithmetically to provide the portfolio number. The aggregate +1P may be a very conservative estimate and the aggregate +3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation.

"**Commercial**" is defined as a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances but, in general, should be limited to around 5 years.

"**Contingent Resources**" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

"**Conversion factors**" 5.816 MMBOE/PJ, 6 Mscf/BOE, and 11.5 Mboe/Mmt of LPG

"**EUR**" Estimated ultimate recovery. Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.

"**Proved Reserves**" means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved Reserves can be categorized as development or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as P1, sometimes referred to as "proven".

"**Probable Reserves**" means unproved Reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable Reserves.

"**Possible Reserves**" means unproved Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable Reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved, plus probable, plus possible Reserves. In general, possible Reserves may include (1) Reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) Reserves in formations that appear to be petroleum bearing, based on log and core analysis but may not be productive at commercial rates, (3) incremental Reserves attributed to infill drilling that are subject to technical uncertainty, (4) Reserves attributed to improved recovery methods when (a) a project or pilot is planned, but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) Reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area. Often referred to as P3.

"**Reserves**" means those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward.

Appendix A

The table below sets out the Company's Reserves and Contingent Resources position as at 30 June 2013 unadjusted for the Santos Limited transaction regarding the Western Cooper Wet Gas Project – PEL 106A Gas Project Area.

Net Reserves & Contingent Resources as at 30 June 2013			
Business Segment Reserves	1P mmboe	2P mmboe	3P mmboe
Western Flank Oil	5.05	7.58	11.30
Western Cooper Wet Gas – Middleton Gas Project	6.10	15.87	27.69
Western Cooper Wet Gas – PEL 106A Gas Project	3.71	11.16	31.07
Northern Cooper Wet Gas	0.03	0.05	0.05
Eastern Cooper Oil	0.09	0.50	1.26
Total Reserves	14.98	35.15	71.37
Business Segment Contingent Resources	1C mmboe	2C mmboe	3C mmboe
Western Flank Oil	0.17	0.39	0.64
Western Cooper Wet Gas – Middleton Gas Project	0.44	3.29	9.95
Western Cooper Wet Gas – PEL 106A Gas Project	0.00	0.00	0.00
Northern Cooper Wet Gas	4.68	10.41	25.24
Eastern Cooper Oil	0.01	0.69	1.86
Total Contingent Resources	5.30	14.78	37.69

The table below sets out the Company's Reserves and Contingent Resources position as at 30 June 2012.

Net Reserves & Contingent Resources as at 30 June 2012			
Business Segment Reserves	1P mmboe	2P mmboe	3P mmboe
Western Flank Oil	1.07	3.09	7.85
Western Cooper Wet Gas	2.40	7.45	21.07
Eastern Cooper Oil*	0.13	0.55	1.30
Total Reserves	3.60	11.09	30.22
Business Segment Contingent Resources	1C mmboe	2C mmboe	3C mmboe
Western Flank Oil	0.14	0.49	1.14
Western Cooper Wet Gas	2.22	9.31	35.39
Eastern Cooper Oil*	0.01	0.69	1.86
Total Contingent Resources	2.37	10.49	38.39
* Reserves reviewed by GCA as at 30 June 2011 adjusted for production to 30 June 2012 by Drillsearch Columns may not add exactly due to rounding			

The table below sets out the Company's Reserves and Contingent Resources position as at 31 December 2012.

Net Reserves & Contingent Resources as at 31 December 2012			
Business Segment Reserves	1P mmboe	2P mmboe	3P mmboe
Western Flank Oil	4.56	7.24	11.48
Western Cooper Wet Gas	4.19	10.96	18.22
Eastern Cooper Oil*	0.11	0.52	1.27
Total Reserves	8.86	18.72	30.97
Business Segment Contingent Resources	1C mmboe	2C mmboe	3C mmboe
Western Flank Oil	0.40	1.20	3.30
Western Cooper Wet Gas – including Acer assets	7.70	21.97	59.58
Eastern Cooper Oil*	0.01	0.69	1.86
Total Contingent Resources	8.11	23.86	64.74