

August 2013 Drilling and Operations Report

6 September 2013

Highlights:

- Development well success at the Chiton Oil Field with Chiton-2 cased and suspended as a Namur producer
- Appraisal success at Flax South-1, well cased and suspended for future production testing
- Site preparations underway for beginning of ATP 940P exploration drilling program in September 2013

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Oil Business

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

Drilling activity

During the month of August, Chiton-2, an appraisal well on the Chiton oil Field (270 metres north west from Chiton-1) was drilled intersecting a 5.5 metre gross oil column and was subsequently cased and suspended as a future Namur oil producer after reaching a total depth of 1,718 metres on 9 August 2013. A three well exploration drilling program is now underway to test Birkhead Formation stratigraphic plays interpreted on the 2012 Aquillus 3D seismic survey. The first well in the program to spud was Guichen-1 which was subsequently plugged and abandoned after intersecting a thick sequence of sandstone interbedded with siltstone within the target Birkhead Formation. No hydrocarbon shows were detected. The rig was then moved to Pondalowie-1 which intersected 18 metres of excellent quality sand within the target Birkhead Formation. Wireline logs indicated the sand was water bearing and the well is currently being plugged and abandoned. The final well of the program, Neaves-1, is due to spud following operations at Pondalowie-1.

Seismic activity

Processing of the Irus 3D seismic survey will be finalised during September. The Caseolus 3D seismic acquisition is now complete and processing is underway.

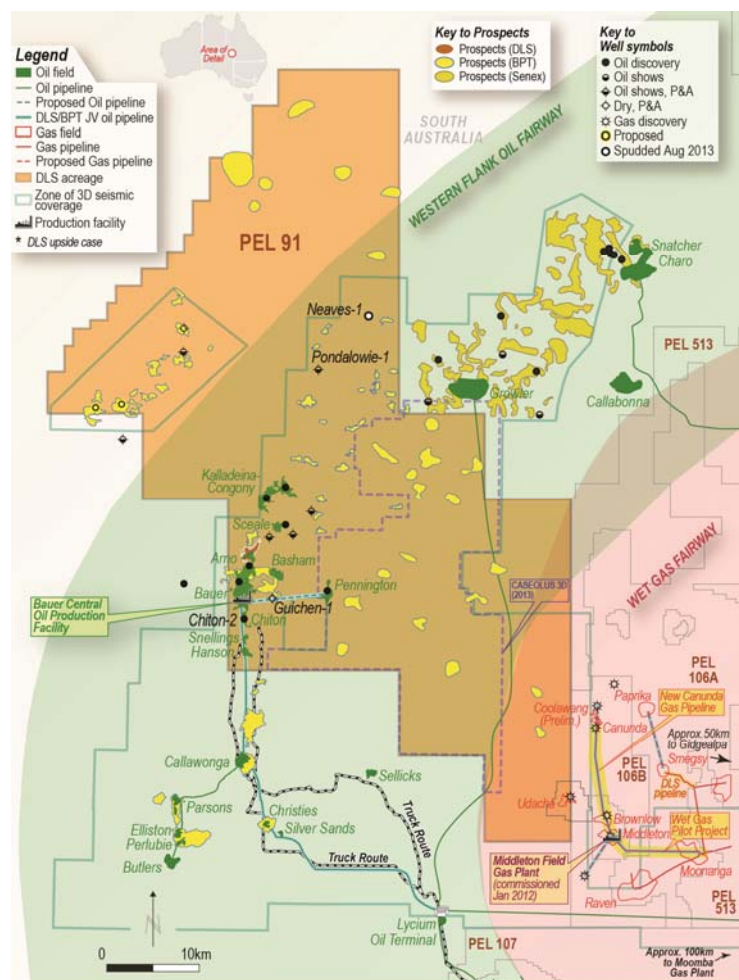
Inland-Cook Oil Fairway (DLS 100% - Operated)

Appraisal and development activity

Regional geological and geophysical studies are ongoing.

Seismic activity

Regional seismic reprocessing has commenced and is expected to take 3-5 months to complete. Pre-scout activity was undertaken on ATP 924P in preparation for seismic tendering.



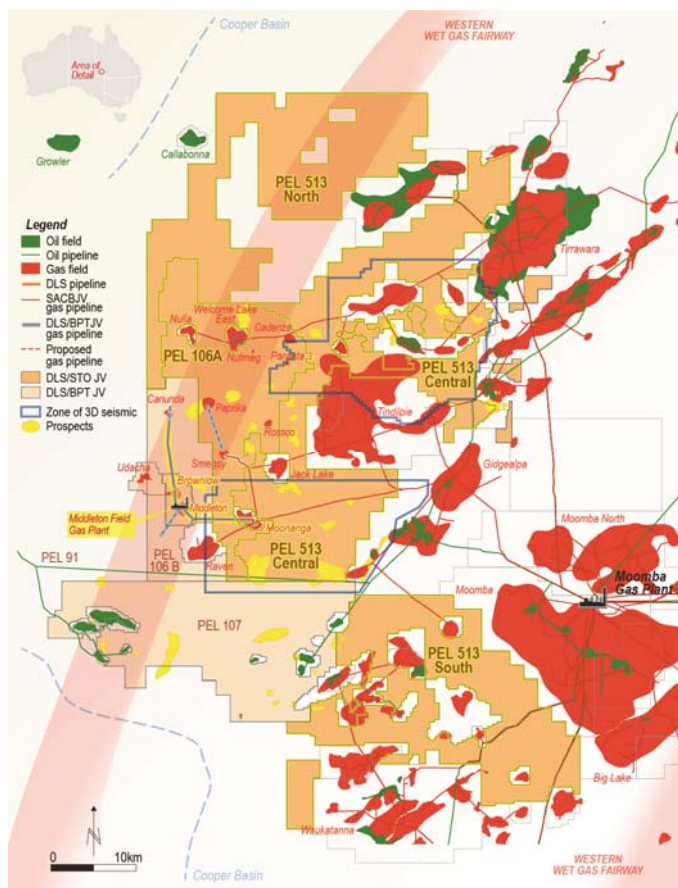
Western Flank Oil Fairway – PEL 91

Wet Gas Business

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

Seismic activity

Processing of the Iru 3D seismic survey which overlaps PEL 91 and PEL 106B will be completed in September. The Spinel 3D reprocessing is now complete and remapping is underway incorporating new well data.



Western Wet Gas Project Area – PEL's 106A and 106B

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

Seismic activity

PEL 513 Munathiri 3D seismic survey processing is in progress. Early stage processed intermediate 3D data cube received and is being interpreted.

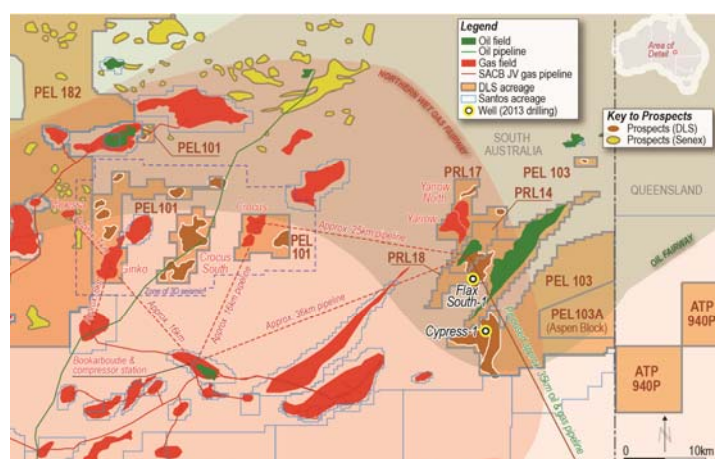
Northern Wet Gas Project Area (DLS 60-100% - Operated)

Drilling activity

During August the appraisal well, Flax South-1 in PRL 18 was drilled. Wireline logs confirmed 9.7 metres of net pay distributed throughout the Tirrawarra and Patchawarra Sandstone Formations. The well has been cased and suspended with production testing to be undertaken in the near future.

Seismic activity

Processing of the Coolabah 3D seismic survey, which covers PEL 101 (Drillsearch 80%), continues. Due to the high quality of the results seen so far Drillsearch has decided to apply advanced processing techniques for extraction of high end attributes and this is expected to be completed at the end of December 2013.



Northern Wet Gas Project Area – PEL's 101 and 103

Unconventional Business

Central Unconventional Fairway (DLS 40% - Operated) – ATP 940P

Appraisal and development activity

Site preparations are being completed for an initial four well exploration drilling program that is expected to commence in September. Site work to date includes; completion of the drill pads, roadworks and the drilling and testing of water bores. The Weatherford drill rig 826 is mobilising into ATP 940P after completing drilling operations at the Flax South-1 well.

Seismic activity

Interpretation of the Winnie 3D seismic survey continued with the aim of optimising future well locations. The final processing of the 3D is ongoing with an expected completion date in Mid December 2013.

Monthly Drilling Summary

Well	Participants	Progress & Summary	Primary Target
Chiton - 2	DLS 60%	Spud Date Wednesday, 31 July 2013	Namur Sandstone
PEL 91 Oil Business Western Flank Oil C/E Basin, SA	BPT* 40%	Rig Release: Friday, 9 August 2013 Depth: 1, 718 m (TD) Operation: C & S as future oil production well Progress: 1, 718 m (TD)	
Flax South - 1	DLS* 100%	Spud Date Monday, 5 August 2013	Patchawarra Formation
PRL 18 Wet Gas Business Northern Cooper Wet Gas C/E Basin, SA		Rig Release: Tuesday, 27 August 2013 Depth: 2, 858 m (TD) Operation: C & S for further evaluation Progress: 2, 858 m (TD)	Tirrawarra Formation
Guichen - 1	DLS 60%	Spud Date Tuesday, 13 August 2013	Middle Birkhead Formation
PEL 91 Oil Business Western Flank Oil C/E Basin, SA	BPT* 40%	Rig Release: Thursday, 22 August 2013 Depth: 1, 998 m (TD) Operation: Plugged and abandoned Progress: 1, 998 m (TD)	
Pondalowie - 1	DLS 60%	Spud Date Monday, 26 August 2013	Lower Birkhead Formation
PEL 91 Oil Business Western Flank Oil C/E Basin, SA	BPT* 40%	Rig Release: Tuesday, 3 September 2013 Depth: 2, 007 m (TD) Operation: Plugged and abandoned Progress: 2, 007 m (TD)	

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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.