

November 2013 Projects and Operations Update 17 December 2013

Highlights:

- Further expansion of Bauer production facilities underway aimed at expanding processing and handling capacity to 50,000bbls/d total fluid production
- Multi-well wet gas exploration drilling program planned for remainder of FY 2014

Drillsearch Energy Limited ABN 73 006 474 844
Telephone +61 2 9249 9600
Facsimile +61 2 9249 9630
admin@drillsearch.com.au
www.drillsearch.com.au
Level 16, 55 Clarence Street
Sydney NSW 2000

Oil Business

Western Flank Oil Fairway PEL 91 (DLS 60% - Non-operated)

Exploration acreage activities

New oil fairway acreage retention terms offered by SA Government – As part of a new oil fairway acreage retention program initiated by the South Australian Government, the PEL 91 JV has been offered coverage of a significant portion of the PEL 91 permit area. Under the indicative retention terms, 30% of the permit area would be covered by these new retention arrangements. The PEL 91 JV is currently evaluating this proposal in light of future seismic acquisition and exploration drilling programs. This retention program also positively affects Drillsearch's other South Australian oil permits, including PELs 182, 101, 103, 103A and PRLs 14, 17 and 18.

Exploration drilling activities

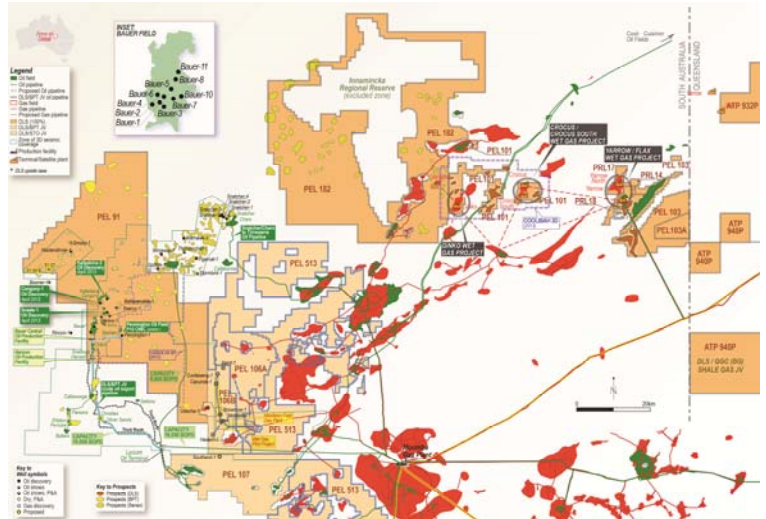
High impact drilling program planned - The drilling program in PEL 91 for CY 2013 is now complete with the rig due back in the permit in early 2014. The remainder of the FY 2014 drilling program comprises 4 exploration wells, 3 appraisal wells and 2 development wells and is expected to recommence in February 2014. The PEL 91 JV is continuing to high-grade exploration and development prospects. Once the drilling program schedule is finalised the Company will provide a further announcement detailing the drilling schedule and pre-drill reserve and resource estimates.

Discovery, appraisal and field development activities

Expansion of Bauer production facilities underway - Work continues on the upgrade and expansion of the Bauer Central Production Facility in PEL 91. These works will expand the Bauer processing and handling capacity to 50,000 barrels per day of total fluid production and are expected to be completed by the end of March 2014.

Seismic acquisition, processing and interpretation activities

3D seismic projects adding to already significant exploration pipeline - Processing of the Irus 280km² 3D seismic survey has been completed with final volume delivery expected in December. The Caseolus 509km² 3D seismic survey is still undergoing processing with the final volume expected to be delivered in December 2013.



Wet Gas Business

Western Wet Gas Project Area (DLS 40-50% - Non-operated)

Exploration acreage activities

Establishing new permit interests – As part of the newly created Wet Gas JV with Santos, Drillsearch is proceeding with establishing a formal split of the PEL 106A and 106B permit areas into two totally separate new permit areas to be issued by the South Australian Government.

Exploration drilling activities

Multi-well exploration drilling program planned for remainder of FY 2014 - The Western Wet Gas team has been actively working with Santos as the Operators of the PEL 106A JV and Beach as the Operator of the PEL 106B JV in preparation of planned exploration drilling programs. Santos is proposing drilling 3-4 exploration wells during 2014. Beach is currently planning to drill 3 near-field exploration and appraisal wells in PEL 106B by the end of June 2014 with a view of increasing the overall Reserves within the JV area to support further expansion of the Middleton Gas Project.

To assist both Operators with developing these programs and preparing these exploration prospects and locations, Drillsearch has presented its stratigraphic and structural interpretation post the drilling of the 3 wells in the 2013 PEL 106A campaign. In addition to recently reprocessed Spinel 3D the Company is also looking to further upgrade its interpretation of prospects in both these permit areas with the integration of the newly acquired high-resolution Munathiri 3D seismic survey. The Company anticipates receiving the intermediate processed Munathiri 3D seismic during December.

Discovery appraisal and field development activities

Focus on expanding Middleton Gas Project - The PEL 106B JV is currently focused on executing a number of projects to expand the production capability of the Middleton Gas Project. These activities are focused on three primary initiatives;

1. Completion, stimulation and extended production testing of the Udacha Gas Discovery located 6km north west of the Middleton Gas Plant.
2. Production testing of the Coolawang Wet Gas Discovery which is located adjacent to the Canunda Wet Gas Field; and

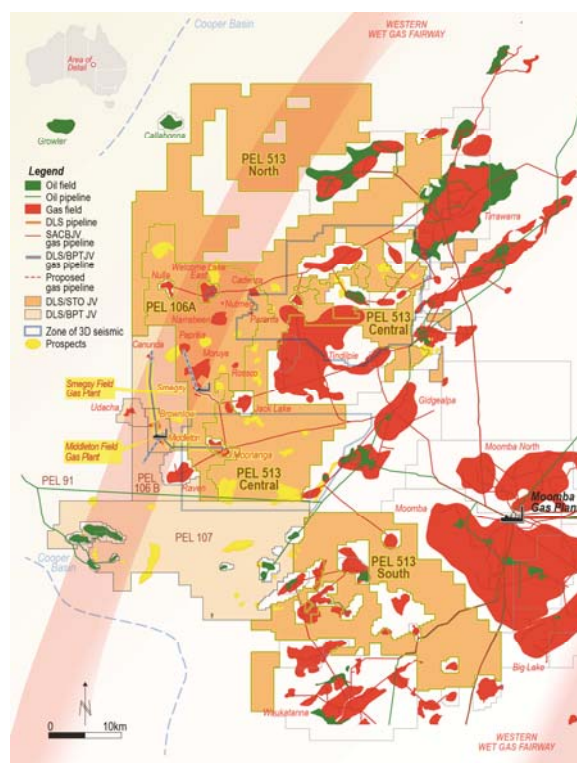
Planning for each of the projects is currently underway with completion expected by the end of FY 2014. If Coolawang is successful it will result in the connection of this wet gas field to the Canunda-to-Middleton Wet Gas Pipeline.

PEL 106A - Reinstating wet gas production and new field developments – Within the PEL 106A JV area, Santos as the new Operator of the permit has already commenced field appraisal and development activities. The first of these activities undertaken in the month has been the re-commissioning of the Smegsy wet gas gathering pipeline.

In connection with this, Santos began workovers of the Smegsy-1 wet gas production well. In addition, the Company expects to receive from Santos in early December the first detailed work program for appraisal and development activities covering the existing wet gas discoveries located in PEL 106A as well as Santos's proposed further exploration program in PEL 106A and PEL 513.

Seismic acquisition, processing and interpretation activities

Seismic processing continues in advance of PEL 513 exploration campaign - Reinterpretation of seismic data from PEL 106A and PEL 106B is underway and incorporates the reprocessed Spinel 3D data and new well data from the three-well exploration campaign completed in July 2013. Processing of the PEL 513 Munathiri 3D seismic survey continues and is expected to be completed by December 2013.

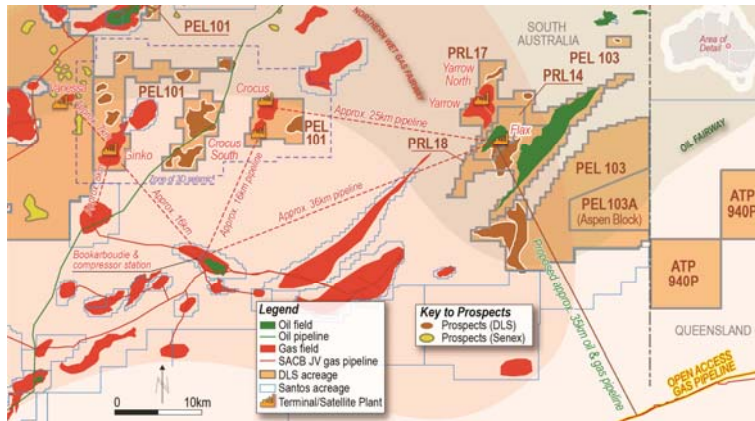


Western Wet Gas Project Areas including PEL's 106A, 106B, 107 and 513

Northern Wet Gas Project Area (DLS 75-100% - Operated)

Exploration drilling activities

Large wet gas exploration leads maturing to drill ready prospects – The Company has made substantial progress in maturing a significant number of prospects on the recently acquired and processed, high resolution Coolibah 3D seismic survey, identifying a number of robust drilling candidates for the next financial year.



Northern Wet Gas Project Areas

Discovery appraisal and field development activities

YFJ wet gas and liquids project preliminary field development activities commence – The Company has made substantial progress towards the commencement of preliminary field development work for the combined Yarrow-Flax-Juniper (YFJ) Wet Gas and Liquids Development Project. Planning for workovers on the Flax Field are well advanced and are expected to start in February/March 2014, in addition a workover is also planned on Yarrow-1. The intention is to pull the completion string, stimulate and perform an extended production test on the Tirrawarra Sandstone Formation. RISC will deliver a Field Development Plan for the YFJ Wet Gas and Liquids pilot production project in December.

Over the last month works have been undertaken towards securing fit-for-purpose certification for the Flax production plant. Once workovers on the Flax Field are complete and testing has been performed it is expected that Flax will be brought back online as an oil producing facility.

In addition, the Company is investigating the building of a wet gas export pipeline from the production facility to the Santos-operated Bookabourdie Gas Gathering and Compression Facility. To this end Drillsearch has applied to the South Australian Government for a survey license to identify and ultimately environmentally and culturally clear a preferred pipeline route from the YFJ area to this interconnection point into the Santos-operated gas gathering pipeline system.

Ginko-Crocus Wet Gas Project – During the month of November Drillsearch completed preparations for conducting a well integrity inspection and maintenance program for the cased and suspended Ginko-1, Crocus South-1 and Crocus-1 exploration wells. This program is expected to commence in December.

Unconventional Business

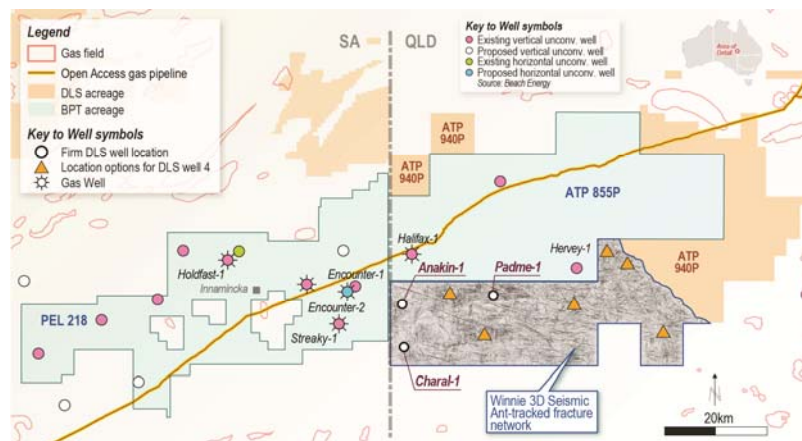
Central Unconventional Fairway (DLS 40% - Operated) – ATP 940P

Exploration drilling activities

Unconventional drilling program advances - The Weatherford drilling rig 826 has cased and suspended the 12¼" top-hole sections of the first two wells - Anakin-1 and Padme-1. The rig has spud the top-hole section of the third well, Charal-1 on 4 December 2013. Upon upgrading the rig with specialist high-temperature high-pressure equipment during December and January the top-hole sections will be deepened through the reservoir formations in 2014. These wells are part of an initial four well unconventional gas exploration campaign.

Seismic acquisition, processing and interpretation activities

Winnie 3D seismic optimizing drilling locations, identifies fracture systems - Interpretation of the Winnie 3D seismic survey continued throughout the month. Through the high-spec Winnie 3D seismic, Drillsearch has identified features on the Winnie 3D that are interpreted to indicate faulting and fracture network systems throughout the unconventional target pay zones. Once calibrated with well data, the Company believes that using the high specification 3D to identify these faulting and fracture systems will ultimately help its understanding of how to optimally place, drill, complete and stimulate wells. The final processing of the 3D is ongoing with an expected completion date in December 2013.



Central Unconventional Fairway

Monthly Drilling Summary

Well	Participants	Progress & Summary		Primary Target
Padme - 1	DLS* 40%	Spud Date	Friday, 25 October 2013	Roseneath / Murteree Shale
ATP 940P	QGC 60%	Intermediate Release:	Friday, 22 November 2013	
Unconventional Business		Intermediate Depth:	2, 402 m	
Central Unconventional		Operation:	Suspended Operations	
C/E Basin, QLD		Progress:	2, 402 m	
Charal - 1	DLS* 40%	Spud Date	Wednesday, 4 December 2013	Roseneath / Murteree Shale
ATP 940P	QGC 60%	Intermediate Release:	Monday, 23 December 2013 (Projected)	
Unconventional Business		Intermediate Depth:	2, 400 m (Projected)	
Central Unconventional		Operation:	Suspended Operations	
C/E Basin, QLD		Progress:	21 m	

For further information please contact:

Brad Lingo
 Managing Director
 P: +61 2 9249 9600
 E: admin@drillsearch.com.au

Or visit the website www.drillsearch.com.au
 Media enquiries to: Rebecca Lawson (02 8256 3350) at Mercury Consulting

*** Cautionary Statement** - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

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 in this report 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.