



Presentation to the Macquarie Securities Conference

May 2014

Building Australia's leading independent oil and gas company

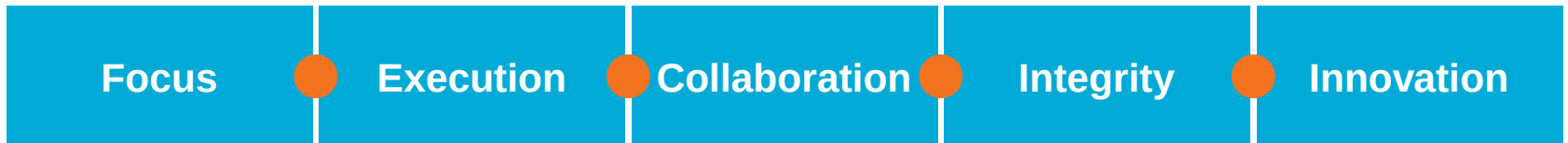
Drillsearch

Vision and Approach

Our goal is to build **Australia's leading independent oil and gas company** through:

- Delivering sustained growth in shareholder value;
- Being a partner and employer of choice, well regarded by our communities and peers; and
- Providing a safe environment where our people are focused on sustainability and continuous improvement.

The **five disciplines** that **define our approach** are:



Key Messages

- Focused on growing reserves, production and cash flow
- Profitable, with self-funded work programs through FY2016
- Balanced portfolio with multiple growth opportunities
- Management team with a track record of delivery
- Disciplined approach – measure twice, cut once



The only ASX-listed company offering pure Cooper Basin exposure

Past, Present and Future

	FY2009	FY2014	FY2019
Descriptor	Oil and gas explorer	Mid-tier oil and gas company	Leading independent oil and gas company
Production	180,167 boe	3.0 to 3.3 mmboe	More than double
Revenue / product mix	85% oil and 15% gas	93% oil and 7% Gas and NGLs	Highly leveraged to oil, gas and NGLs
Capital Spend	\$5 million	\$115-130 million	Capex scaled to rate of success
2P Reserves	1.19 mmboe	29.1 mmboe	Reserve growth and replacement across all three business units
Exploration	Deep exploration pipeline of more than 250 oil and gas leads		
Development	Significant pipeline of discoveries in appraisal and development		
New Ventures	Dedicated team targeting the best rocks in the Basin		
Financial capability	Able to consider opportunities inside and outside the portfolio		
Based on conventional assets			

Three Key Business Streams

OIL – SHORT TERM ENGINE AND CASH FLOW GENERATOR



- Australia's third-largest onshore oil producer with multiple development and exploration opportunities to increase production
- Maintain at least 6,000-7,000 bopd net production from existing discoveries
- Grow reserves and production from continuing exploration success

WET GAS – MEDIUM TERM DRIVER



- Eastern Australian gas demand is expected to almost triple by 2025, driven largely by new LNG export projects.¹
- Commercialise multiple existing discoveries to meet demand
- Focus on development of 4-5 production satellites with combined net raw gas production of 50-70 mmscf/d

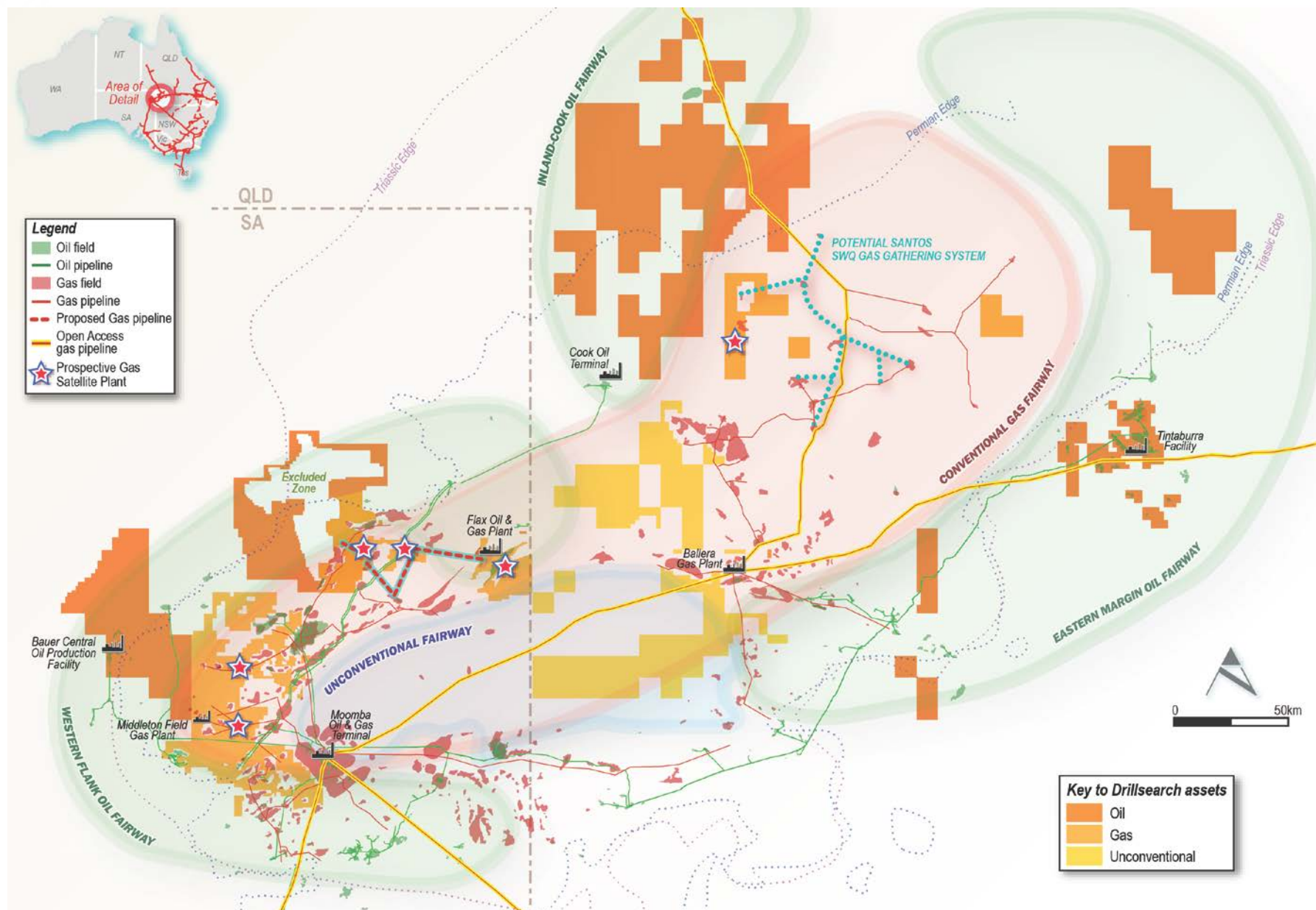
UNCONVENTIONAL – UPSIDE OPPORTUNITY



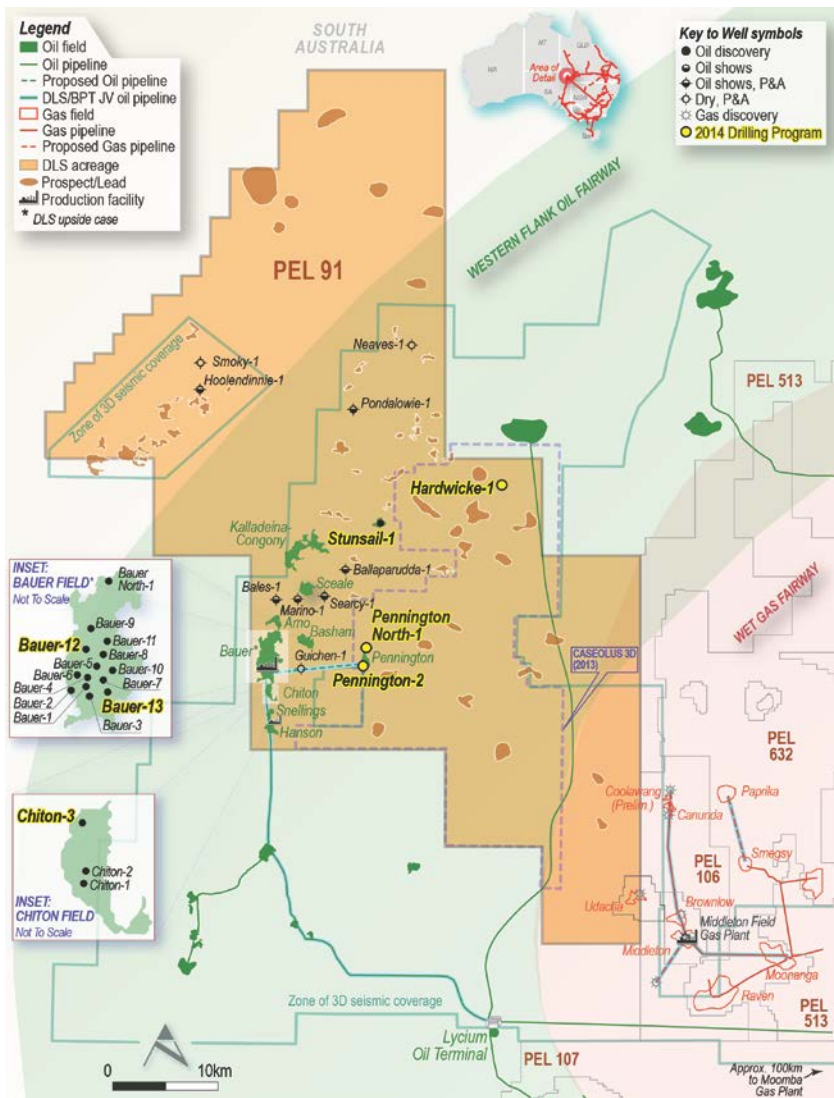
- Proving up commercially viable gas from two recognised plays
- Successfully progress to development of production pilot by late 2017

¹ Source: Core Energy Group, 2013

Drillsearch: A material Cooper Basin player



Oil: Western Flank Continues to Outperform



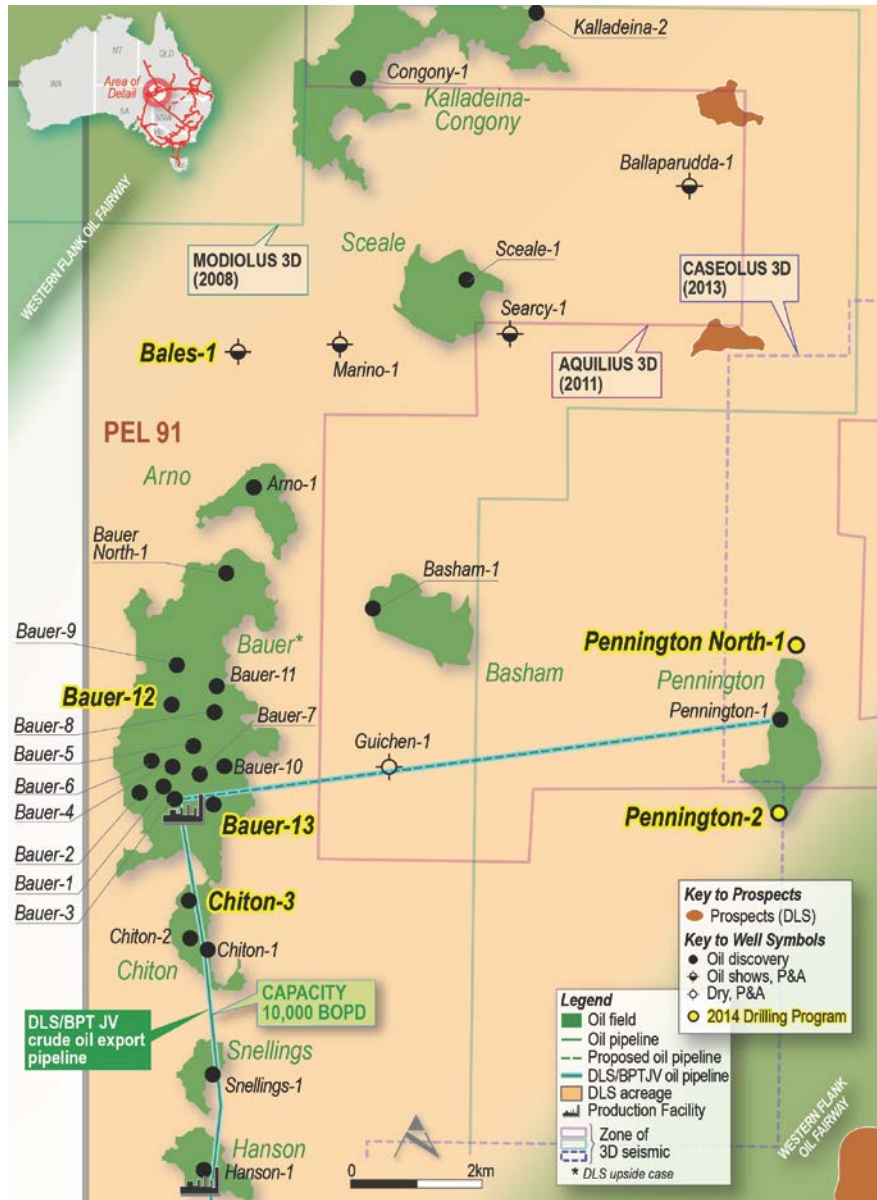
Western Flank Oil Fairway – PEL 91

PEL 91 – Drillsearch 60%, Beach 40%

- 12 discoveries with three fields in production including Bauer, the largest oil field on the Western Flank
- Average production of around 13,000 barrels a day in March after new wells were tied in
- Five-millionth barrel produced in April 2014
- Bauer to Lycium pipeline pumping at capacity (10,000 bopd), with excess oil being trucked to terminal
- Active drilling program continuing through the remainder of FY2014
 - Success with Pennington-2 appraisal well
 - Pennington North-1 to be drilled

Bauer and PEL 91 continue to provide a valuable platform for growth

Oil: Opportunities to Sustain Western Flank Production

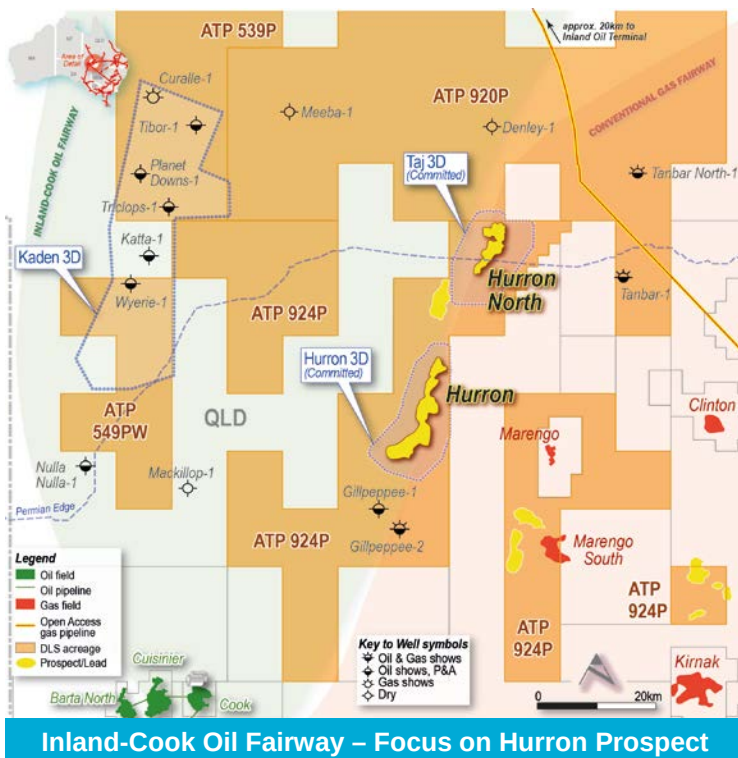


Western Flank Oil Fairway – PEL 91

- Bauer central facility expansion planned for completion in the June quarter
- Additional wells to be brought online imminently:
 - Bauer-12 and -13 and Bauer North-1
 - Kalladeina, Congony and Sceale (KCS)
 - Chiton-3
- Recent drilling success to be reflected in 30 June 2014 Reserves Update
- Options to increase export capacity under initial consideration
- Stunsail-1 discovery opens up new area of the licence for exploration

Active drilling program and tie-in of existing discoveries expected to drive continued production performance

Oil: Eastern Margin and Inland Cook



Eastern Margin – Drillsearch 40%, Santos 60%

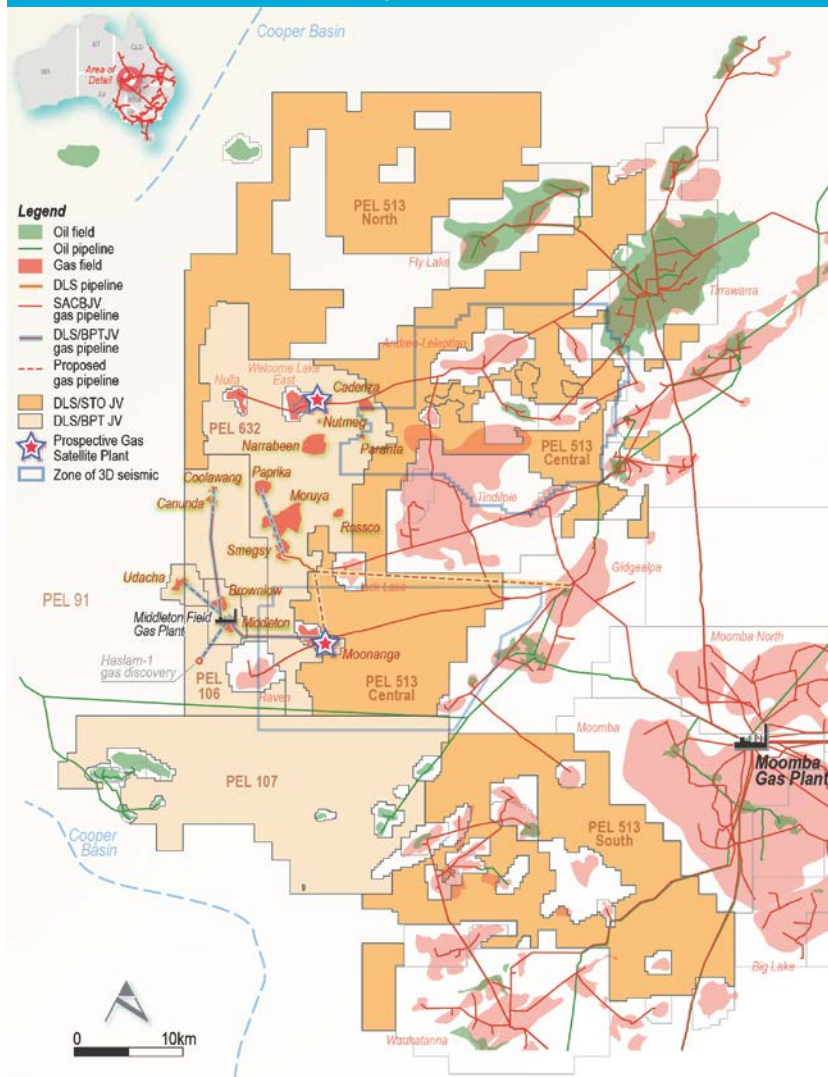
- Mature oil production (1,200 bopd gross) with exploitation upside (2.5 million barrels of 2C Contingent Resource)
- 10-well appraisal and development program completed with additions to reserves anticipated as of 30 June 2014
- Work program aimed at increasing oil production and improving recovery

Inland-Cook/ATP 924P – Drillsearch 100%

- Potential for a significant new fairway
- Prospect cluster includes Hurrion, the largest undrilled oil prospect in the portfolio
- Overall target size of 19 mmbbls and 28 bcf of gas (Best Case Unrisked)
- 3D and 2D seismic programs to de-risk and high grade multiple prospects
- Discussions with parties continuing on farm-out options

Wet Gas: Western Wet Gas

Western Wet Gas Fairway – PELs 106, 107, 513 and 632



PELs 632 and 513 – Drillsearch 40%, Santos 60%

- 2P reserves 73 bcf (gross) over eight discoveries
- Santos funding ~\$120 million across both permits – multiple drilling targets, workovers on existing discoveries and seismic proposed
- Gas sales agreement in place with fixed and oil-linked gas pricing

PELs 106 and 107 – Drillsearch (50-75%), Beach (15-50%)

- Current production satellite at Middleton-Brownlow
- Production capacity of up to 35 mmscf/day with installation of compression
- Model plant for 4-5 potential production satellites
- Three exploration wells due in late 2014, early 2015

Gas sales agreements in place for Beach and Santos joint ventures; 14 discoveries ready to be commercialised

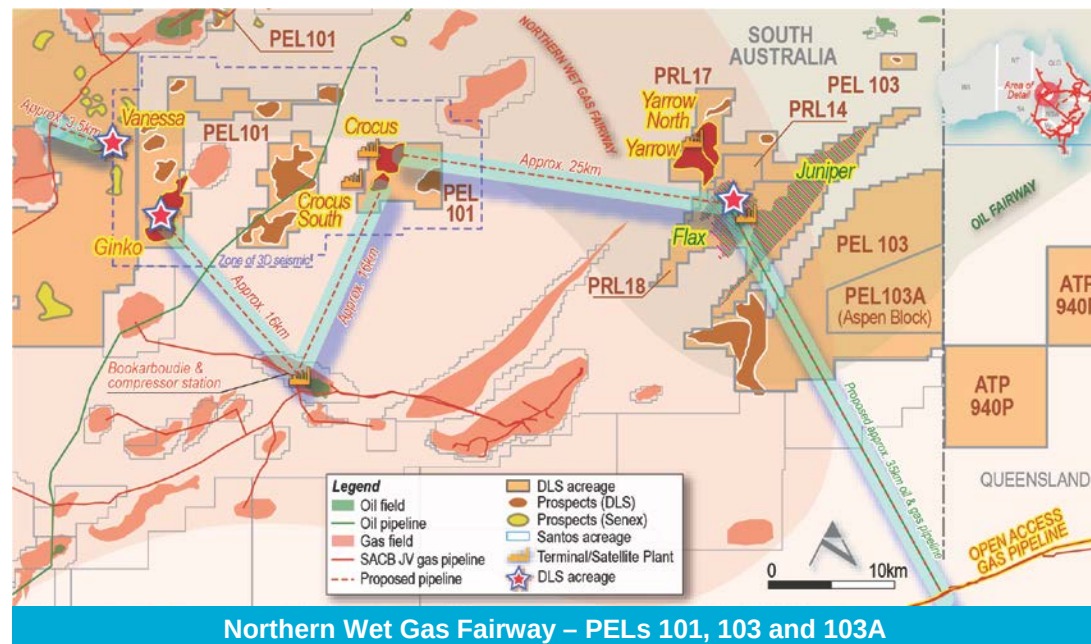
Wet Gas: Northern and South West Queensland Wet Gas

Northern Wet Gas – Five Permits - Drillsearch Interests 75-100%

- Kickstarting development of the Northern Wet Gas assets (formerly Acer Energy assets)
- Workover program at Flax targets restarting oil production around mid-year
- PEL 101 – significant investment in 3D seismic
- Five drill prospects identified for FY2015 including Kapok Central by the end of calendar year
- Appraisal wells to be drilled in Juniper and Flax discoveries in September quarter
- PEL 182 JV considering options for the commercialisation of the Vanessa wet gas discovery

South West Queensland – ATP 924P – Drillsearch 100%

- Marengo South discovery – potential to expedite development through tie-in to pipeline network being considered
- Conventional 2C resource of ~17.5 bcf



Unconventional: Potential Lures the Majors

Key Australian Unconventional Farm-Ins

	
Amount	\$156m
Acres	7.7m
EV / Acre	20.3
Date	Dec-2011

	
Amount	\$111m
Acres	7.7m
EV / Acre	14.4
Date	Sep-2011

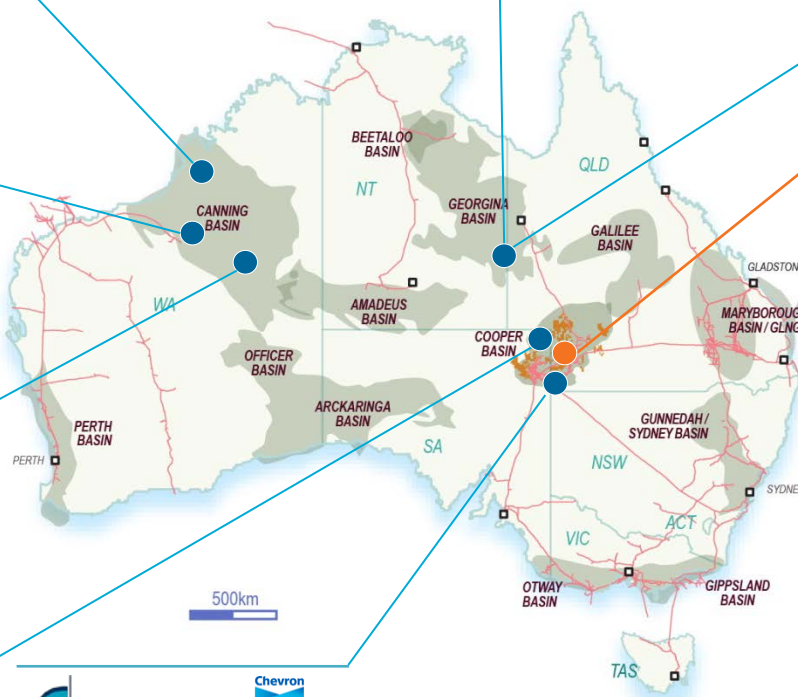
	
Amount	\$32.2m
Acres	9.8m
EV / Acre	3.3
Date	Nov-2013

	
Amount	\$211m
Acres	0.2m
EV / Acre	779
Date	Feb-2014

	
Amount	\$356m
Acres	0.4m
EV / Acre	904.1
Date	Feb-2013

	
Amount	\$152m
Acres	4.1m
EV / Acre	37.3
Date	Nov-2012

	
Amount	\$210m
Acres	8.0m
EV / Acre	26.3
Date	Jun-2012



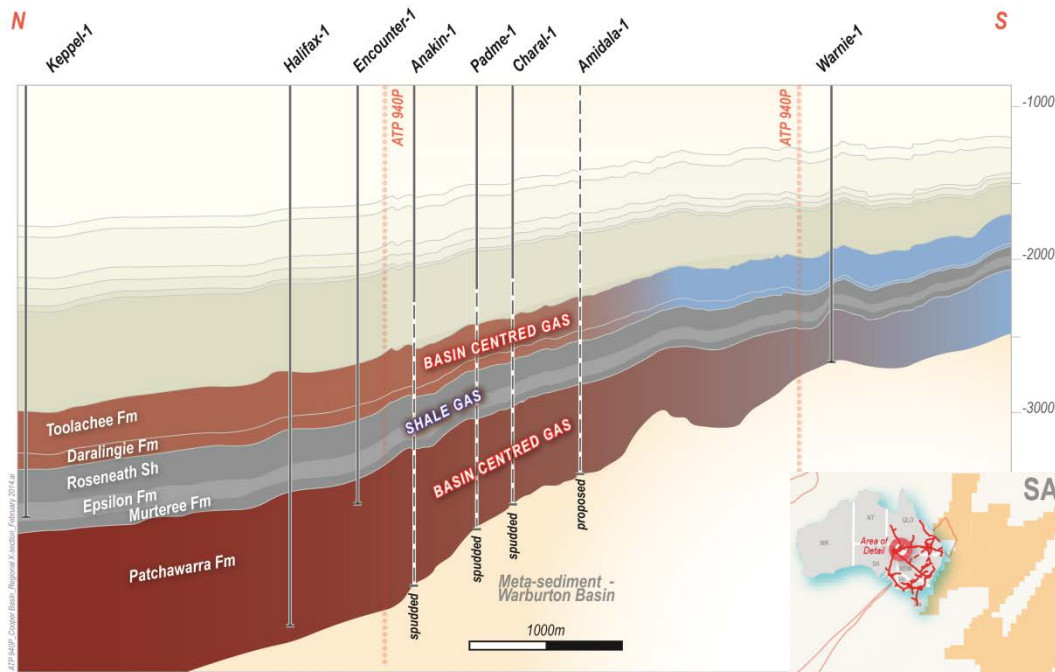
	
Amount	\$130m
Acres	0.6m
EV / Acre	344.5
Date	Jul-2011



Australia is the world's seventh-largest technically recoverable shale gas resource
– US Energy Information Administration

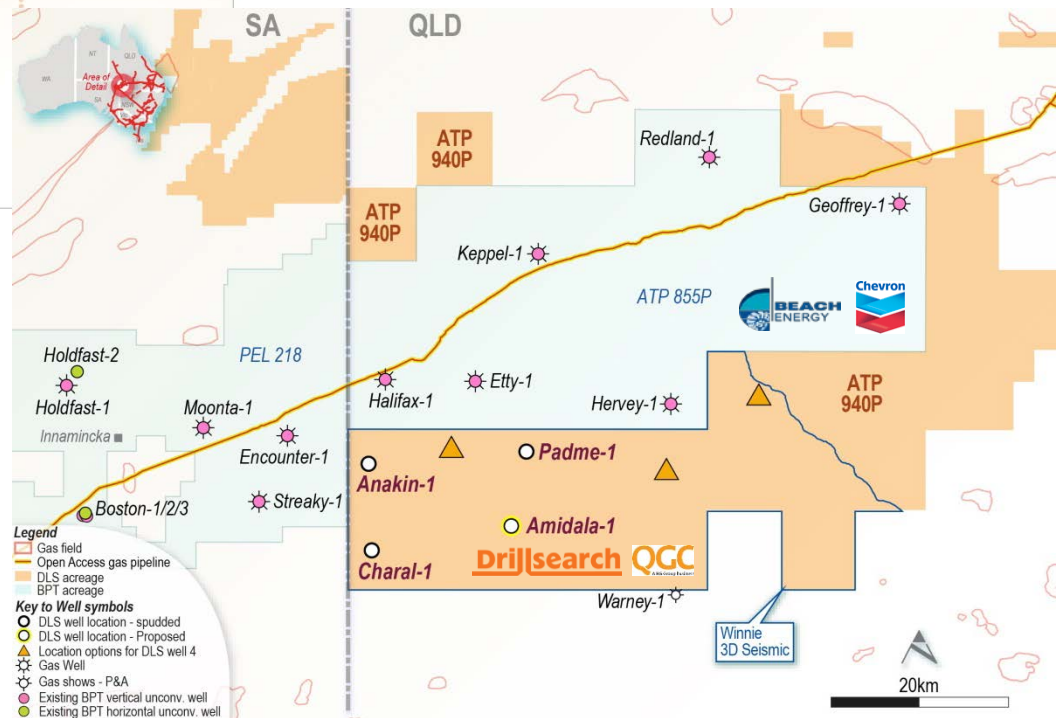
Source: Relevant company announcements

Unconventional: Program Accelerated



Note: Well locations are approximate only and may have been shifted to show their correct position on the cross section

- Farm-in renegotiated and program extended and expanded
- Charal-1 well drilled to target depth
- Hydraulic stimulation and testing of the wells to begin in the September quarter
- Program designed to deliver 1-2 TCF 2C Contingent Resources (gross) by CYE 2014



Central Unconventional Fairway – ATP 940P

Summary

Focused on growing reserves, production and cash flow

- Record production of 3.0 to 3.3 mmboe expected in FY2014; recent PEL 91 drilling successes to be factored in at the 30 June 2014 Reserves Update

Profitable, with self-funded work programs through FY2016

- Gross profit of \$126 million in 1H FY2014; cash of \$106 million as of 31 March 2014

Balanced portfolio with multiple growth opportunities

- Existing production and brownfields exploration combined with high impact Unconventional program

Management team with a track record of delivery

- On track to achieve FY2014 guidance with current expectations towards the higher end of the range

Disciplined approach – measure twice, cut once

- Committed to significant ongoing investment in seismic to support our drilling programs

Clear strategy to build Australia's leading independent oil and gas company



Appendices

Reserves and Resources as at 31 December 2013

As a result of the arithmetic aggregation of the field totals, the aggregate 1P estimate may be conservative and the aggregate 3P estimate optimistic, as the arithmetic method does not account for 'portfolio effects'

Net Reserves and Contingent Resources as at 31 December 2013*

Reserves by Business Segment	1P mmboe	2P mmboe	3P mmboe
Western Flank Oil	4.4	6.9	10.6
Western Cooper Wet Gas – Middleton Project	6.0	15.7	27.6
Western Cooper Wet Gas – PEL 106A	1.5	4.7	13.0
Northern Cooper Wet Gas	0.0	0.0	0.1
Eastern Cooper Oil	0.2	1.8	4.5
South West Queensland Wet Gas	0.0	0.0	0.0
Total Reserves	12.2	29.1	55.7
Contingent Resources by Business Segment	1C mmboe	2C mmboe	3C mmboe
Western Flank Oil	0.2	0.5	1.0
Western Cooper Wet Gas – Middleton Gas Project	0.4	3.3	10.0
Western Cooper Wet Gas – PEL 106A Gas Project	0.0	0.0	0.0
Northern Cooper Wet Gas	4.8	10.6	25.6
Eastern Cooper Oil	0.0	2.5	6.8
South West Queensland Wet Gas	0.9	3.1	7.5
Total Contingent Resources	6.4	20.0	50.8

* All reserves are independently audited twice a year – year-end and mid-year the results of which are released with the Annual and Half-Year Financial Reports

Corporate Profile

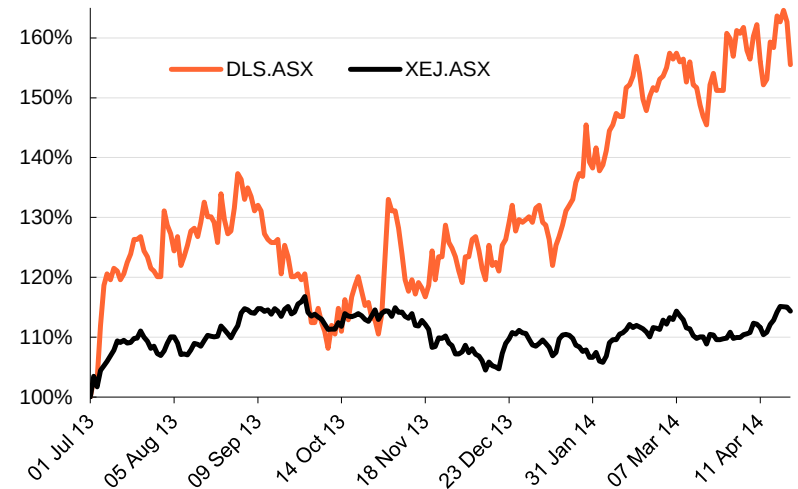
Financial

ASX Ticker	ASX: DLS
S&P/ASX Index	ASX 200
Market Cap (A\$m)	683
Shares on Issue (m)	432
Share Price (6 May 2014) (A\$/sh)	1.58
Cash (31 March 2014) (A\$m)	106.2
Total Debt (31 March 2014) (A\$m)	153.2
FY 2013 Earnings (A\$m)	45.1
FY 2013 EPS (A\$/sh)	0.135

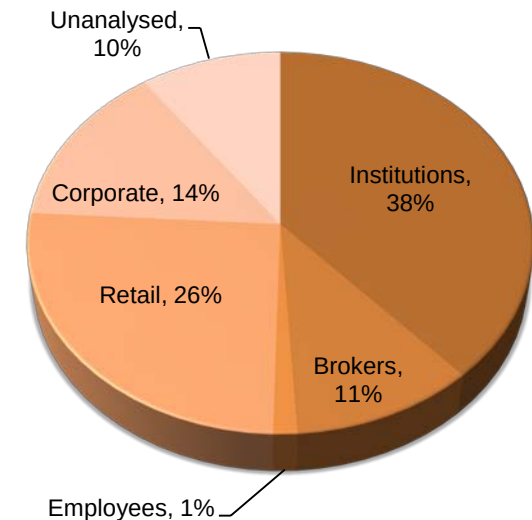
Operational

Reserves-2P (mmboe)	29.1
Resources-2C (mmboe)	20.0
Production (March Quarter 2014) (boepd)	~8,800
FY 2014 Forecast Production (mmboe)	3.0-3.3

Share Price Performance (Since 1 July 2013)

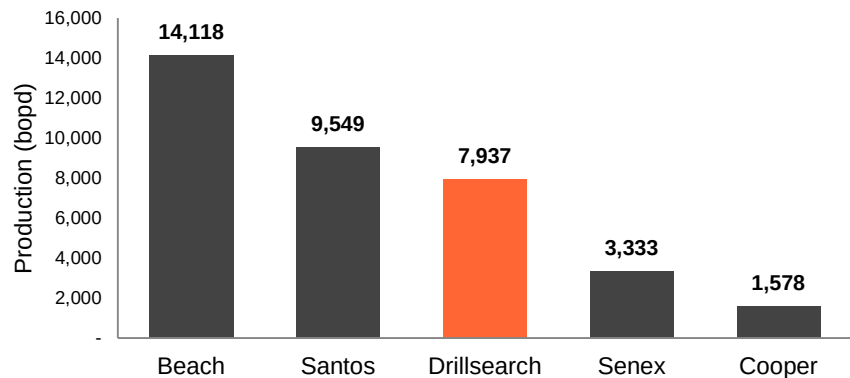


Shareholder Structure

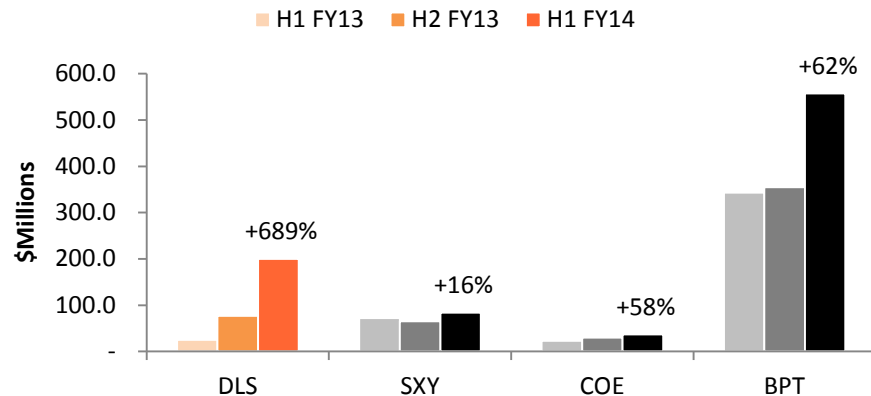


Peer Comparison

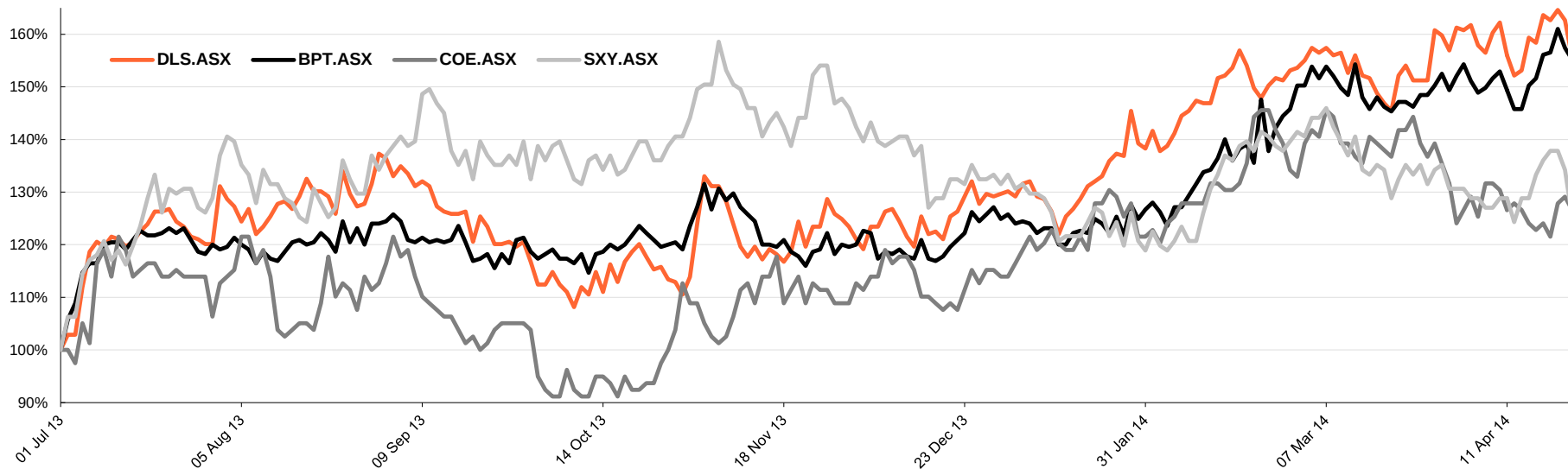
Australia's Top Five Onshore Oil Producers (Mar14 Quarter)



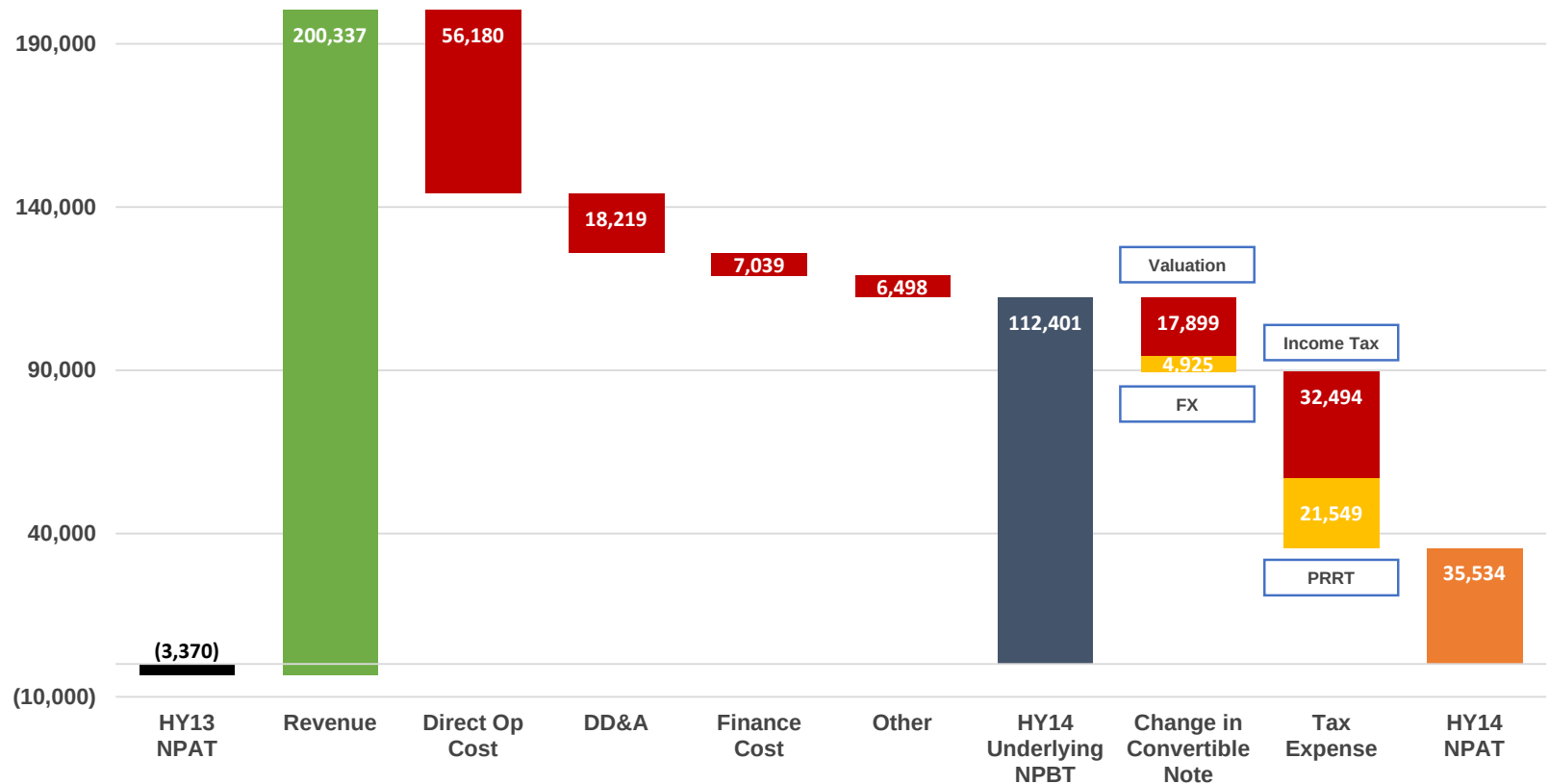
Sales Revenue



Peer Share Performance (Based 1 July 2013)



Net Profit Reconciliation

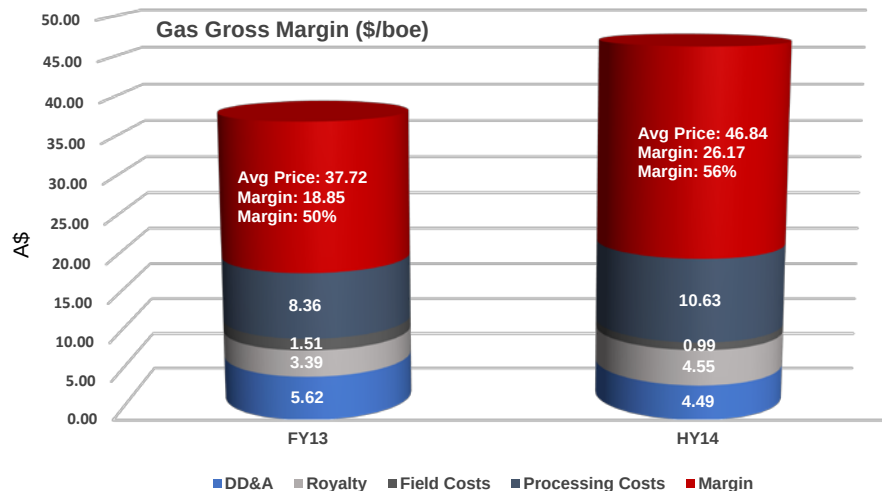
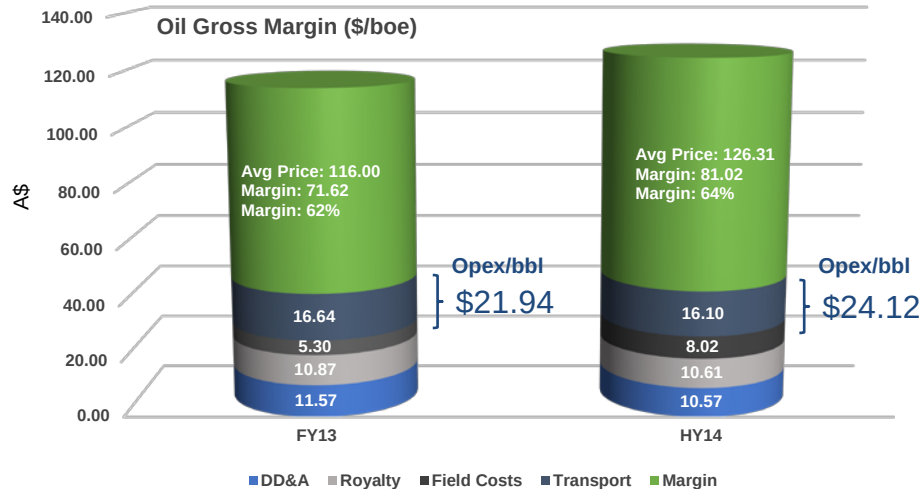


Underlying Net Profit Before Tax of \$112.4m

- Included in HY2014 NPAT result is material non-cash expenditures totalling \$96.7m; these relate to DD&A (\$18.2m), interest accruals (\$1.7m), change in convertible note (\$22.8m) and non-cash income tax adjustment (\$54.0m)

“DD&A” refers to Depletion, Depletion and Amortisation

Gross Margin: BOE Analysis



Gross Margin per boe for both oil and gas has increased

- Gross margin increased by \$9/bbl as a result of higher realised oil price
- Gross margin increased by \$7/boe as a result of higher realised gas and liquids prices
- Western Flank field operating costs plus transport per barrel have decreased due to the start-up of the Western Flank oil pipeline and reduced trucking
- Overall average oil field operating costs plus transportation per barrel in Oil have increased due to increased Eastern Margin Oil production

Capital Expenditure

FY2014	Original Capex Guidance \$M	Capex Guidance (March 2014) \$M
Exploration		
Oil	22 – 27	25 – 29
Wet Gas	8 – 10	4 – 5
Unconventional	11 – 14	30 – 34
Total Exploration	42 – 51	60 – 68
Development		
Oil	33 – 41	38 – 43
Wet Gas	15 – 18	17 – 19
Unconventional	-	-
Total Development	48 – 59	55 – 62
Total	90 - 110	115 - 130

Capex guidance Reforecast

- Conventional Oil and Wet Gas capex remain largely in line with previous guidance with a higher proportion being spent on exploration activity
- Unconventional capex increased as a result of renegotiation of the ATP 940P farm-in agreement with QGC
- Capex allocated 50:50 between exploration and development and 75:25 between conventional and unconventional
- Exploration costs are deductible helping to reduce notional taxable profits for both Income tax and PRRT
- All work programs remain fully funded by organic cash flow through FY2016

Active drilling in all businesses

Permit	DLS %	Operator	2013		2014				2015		Total
			Sept Q	Dec Q	Mar Q	Jun Q	Sept Q	Dec Q	Mar Q	Jun Q	
OIL											
Western Flank	60-43	BPT/SXY	   		   	  	Wells for this period to be finalised with JV				14
Eastern Margin	40	STO		   	   	 	Wells for this period to be finalised with JV				10
WET GAS											
Western	50	BPT				  	Wells for this period to be finalised with JV				4
Western	40	STO					  			3	
Northern	80-100	DLS					  	 	 	7	
UNCONVENTIONAL											
Central Cooper	40	DLS	 	 						  	10



Project Areas: Oil Business

Western Flank Oil Fairway	PEL 91	PEL 182
DLS Interest	60%	43%
Operator	Beach (40%)	Senex (57%)
Discoveries	12	-
Fields in Production	3	-
3D Seismic coverage	59% of 1,156km ²	14% of 240km ²
Average daily Production (gross)	~12,000 bopd	-

Eastern Margin Oil Fairway	ATP 299P	ATP 783P
DLS Interest	40%	100%
Operator	Santos (60%)	Drillsearch
Discoveries	19	-
Fields in Production	13	-
3D Seismic coverage	76% of 674km ²	-
Average daily Production (gross)	1,200 bopd	-

Inland-Cook Oil Fairway	ATP 539P	ATP 549P W	ATP 920P	ATP 924P
DLS Interest	100%	33.3%	100%	100%
Operator	Drillsearch	Santos (33.3%)	Drillsearch	Drillsearch
Discoveries	-	-	-	-
Fields in Production	-	-	-	-
3D Seismic coverage	22% of 275km ²	46% of 248km ²	-	283km ² seismic planned June quarter
Average daily Production (gross)	-	-	-	-

Project Areas: Wet Gas Business

Western Wet Gas	PEL 106 (B)	PEL 632 (106A)	PEL 107	PEL 513
DLS Interest	50%	40%	60%	40%
Operator	Beach (50%)	Santos (60%)	Beach (40%)	Santos (40%)
Discoveries	8	8	-1	-
Fields in Production	3	1 shut in	-	-
3D Seismic coverage	99.6% of 177km ²	97% of 317km ²	57% of 233km ²	64% of 951km ²
Average daily Production (gross)	15.8 mmscf/d raw gas and 290 bbl/d condensate	-	-	-

Northern Wet Gas	PEL 101	PEL 103 inc PRLs	PEL 103A	PEL 182
DLS Interest	80%	100%	75%	43%
Operator	Drillsearch	Drillsearch	Drillsearch	Senex (57%)
Discoveries	3	4	-	1
Fields in Production	-	-	-	-
3D Seismic coverage	96% of 146km ²	30% of 97km ² (94km ² PRL)	-	14% of 240km ²
Average daily Production (gross)	-	-	-	-

South West Queensland Wet Gas	ATP 924P
DLS Interest	100%
Operator	Drillsearch
Discoveries	1
Fields in Production	-
3D Seismic coverage	283km ² seismic planned June quarter
Average daily Production (gross)	-

Project Areas: Unconventional Business

Central Unconventional	ATP 940P	ATP 932P
DLS Interest	40% operator	100% operator
QGC (BG Group)	60%	N/A
Discoveries	-	-
Fields in Production	-	-
3D Seismic coverage	45% of 1,1347km ²	-
Average daily Production (gross)	-	-



Aerial photo of Cooper Creek, The Cooper Basin

Strong Management Team and Board



Brad Lingo
Managing Director

Brad has more than 25 years of oil and gas experience.



Ian Bucknell
Chief Financial Officer

Ian has over 15 years upstream oil and gas finance experience.



David Evans
Acting Chief Operating Officer

David has over 25 years of upstream oil and gas exploration experience including over 15 years in Australia.



Peter Fox
Chief Commercial Officer

Peter has over 20 years of experience in the oil and gas industry with a focus on the upstream and infrastructure sectors.



Duncan Lockhart
Acting Chief Technical Officer

Duncan is a Geologist by training with 24 years experience in the Upstream oil and gas industry.



Dudley White
GM – Corporate Communications

Dudley has more than 17 years experience in communications and the media in Australia and the UK with a focus on natural resources.



Jim McKerlie
Chairman

Jim has extensive experience as a Director and Chairman of private and public companies.



Philip Bainbridge
Non-Executive Director

Philip has more than 25 years experience in the oil and gas industry.



Teik Seng (TS) Cheah
Non-Executive Director

TS is a finance and banking executive based in Singapore with over 25 years experience working for leading financial institutions.



Fiona Robertson
Non-Executive Director

Fiona has more than 30 years experience in the corporate finance and resources sectors.



Ross Wecker
Non-Executive Director

Ross has more than 35 years experience in the oil and gas industry.



Jean Moore
Company Secretary

Jean has extensive experience in corporate law and corporate governance.

DRILLSMART DRILLSAFE DRILLSEARCH

- HSE – no lost time injuries
- Prioritize importance of corporate social responsibility
- Corporate governance upheld to highest standards



Thargomindah Primary School P&C fund raiser

Disclaimer and important notice

- This presentation contains forward looking statements that are subject to risk factors associated with the Oil and gas business. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delay and advancement, approvals and cost estimates.
- All references to dollars, cents or \$ in this presentation are to AUD, unless otherwise stated.
- References to “Drillsearch” may be references to Drillsearch Energy Limited or its applicable subsidiaries.
- The information in this report that relates to Reserves and Resources is based on information compiled by Mr Neil Thompson, General Manager Exploration and Development at Drillsearch. Mr Thompson is a Qualified Petroleum Reserves and Resources Evaluator and a Member of the American Association of Petroleum Geologists. Mr Thompson is a full-time employee of the company. This information has been reviewed by independent and certified reserves auditors DeGolyer and MacNaughton and RISC for ASX compliance. Mr Thompson has sufficient experience that is relevant to the Company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Thompson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



HEAD OFFICE

LEVEL 16

55 CLARENCE STREET

SYDNEY NSW 2000

PH: +61 2 9249 9600

FX: + 61 2 9249 9630

E: ADMIN@DRILLSEARCH.COM.AU

W: WWW.DRILLSEARCH.COM.AU

Please contact for further information

DUDLEY WHITE

GM – CORPORATE COMMUNICATIONS

Drill|search