



FY2015 Corporate Briefing

Friday, 1 August 2014

Qualified Petroleum Reserves and Resources Evaluator Requirements

Qualified Petroleum Reserves and Resource Evaluator Requirements - The information in this report that relates to Reserves and Contingent and Prospective Resources is based on information compiled by Mr Neil Thompson, General Manager Exploration and Development at Drillsearch. Reserves and Contingent Resources are taken from the independent reserve auditor reports by RISC Operations and DeGolyer and MacNaughton. 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. 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.



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Welcome and Agenda

Dudley White, GM – Corporate Communications

Housekeeping



Please switch off or turn to silent



In the unlikely event of an emergency:

- Act on the instructions of the fire wardens
- Exits to the left and right of the theatre
- Assembly area in front of Governor Phillip Tower in Farrer Place



Presentation is available on the ASX

Recording of today's briefing will be uploaded to www.drillsearch.com.au

Agenda

Corporate Briefing

Introduction	Dudley White, GM – Corporate Communications
Corporate Strategy Overview	Brad Lingo, Managing Director and CEO
Performance & Guidance	Ian Bucknell, Chief Financial Officer
Drillsearch as an Operator	David Evans, Chief Operating Officer
Cooper Basin Overview	Duncan Lockhart, Chief Technical Officer
Q&A	
Coffee Break	

Business Overviews

Oil Business	David Evans, Chief Operating Officer
Gas Business	Duncan Lockhart, Chief Technical Officer
Unconventional Business	Peter Fox, Chief Commercial Officer
Q&A	

Summary and Conclusions

Brad Lingo, Managing Director

Lunch



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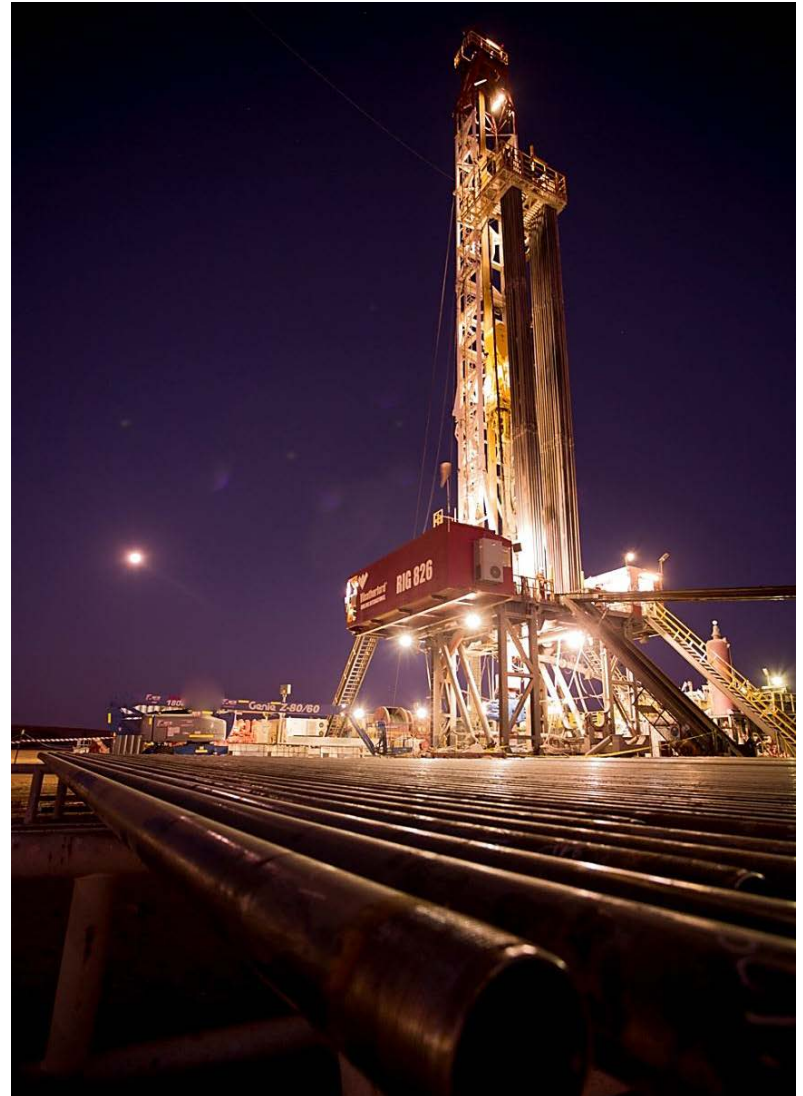
Corporate Overview

Brad Lingo, Managing Director

Drillsearch

Investment Highlights

- Focused on growing reserves, production and cash flow
- Profitable with a strong balance sheet including \$152.4 million of cash
- Experienced management team with track record of delivery
- Active work programs across all business units; fully funded through FY2016



Investing for Growth in FY2015 from a Solid Production and Cash Flow Base

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, focused on sustainability and continuous improvement.

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

Focus	Execution	Innovation	Collaboration	Integrity
Pure Cooper Basin focus	Measure twice, cut once	Science-led approach – 3D seismic commitment	Building and leveraging strong joint venture relationships	Reserves independently audited twice a year

People, Projects, Plan



People



Projects



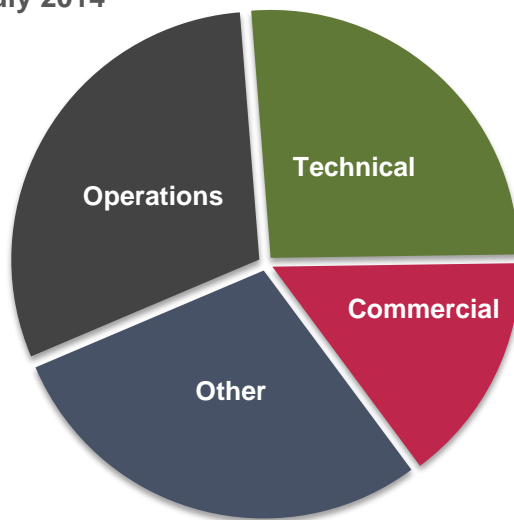
Plan

Leveraging all of our human and resource capital to deliver shareholder value

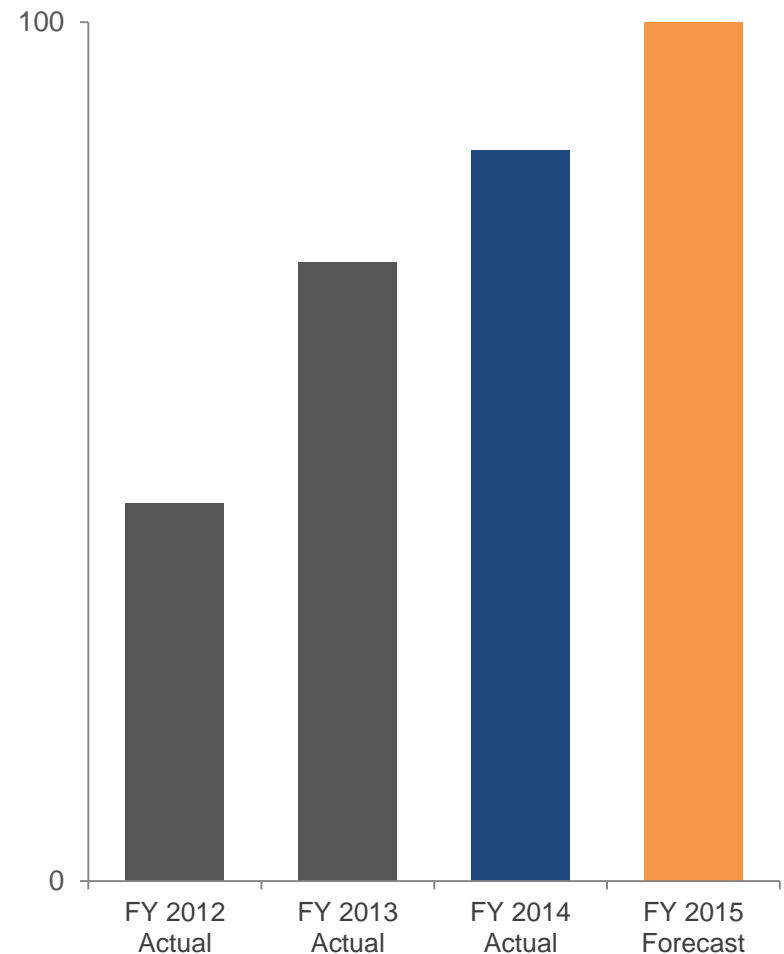
People

- Committed to prudent growth
- Technically-led organisation
- Building our operational capability
- Committed to diversity
- Cohesive, experienced management team

Team composition
as of July 2014

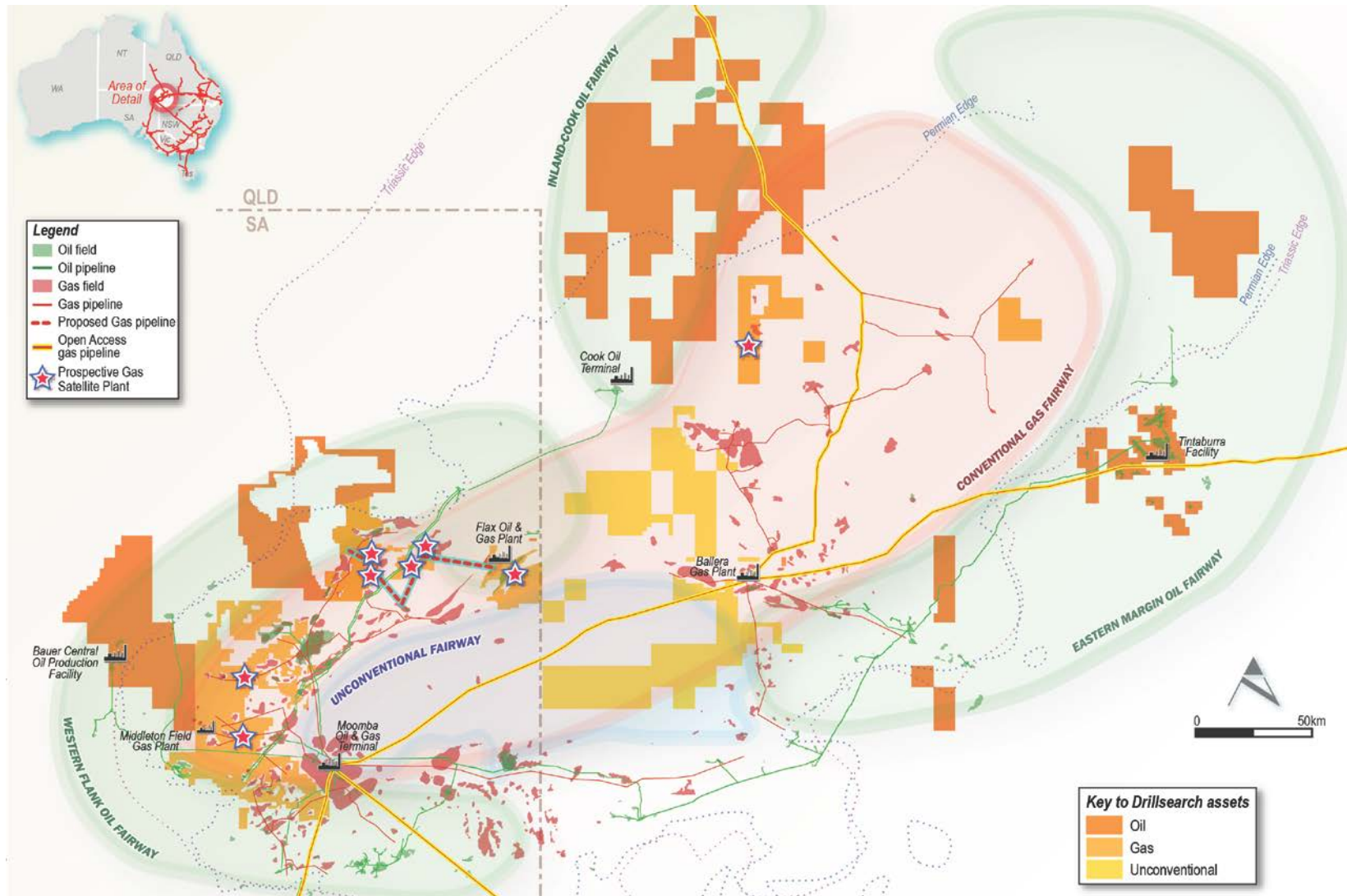


Growth in Team



Motivated by success and defined by our approach – measure twice, cut once

Projects



Only ASX 200 Company Offering Pure Cooper Basin Exposure

Drillsearch: Three Key Business Streams

OIL – NEAR-TERM ENGINE AND CASH FLOW GENERATOR



- Australia's third-largest onshore oil producer coming from highly profitable Western Flank Oil Fairway

WET GAS – MEDIUM-TERM DRIVER



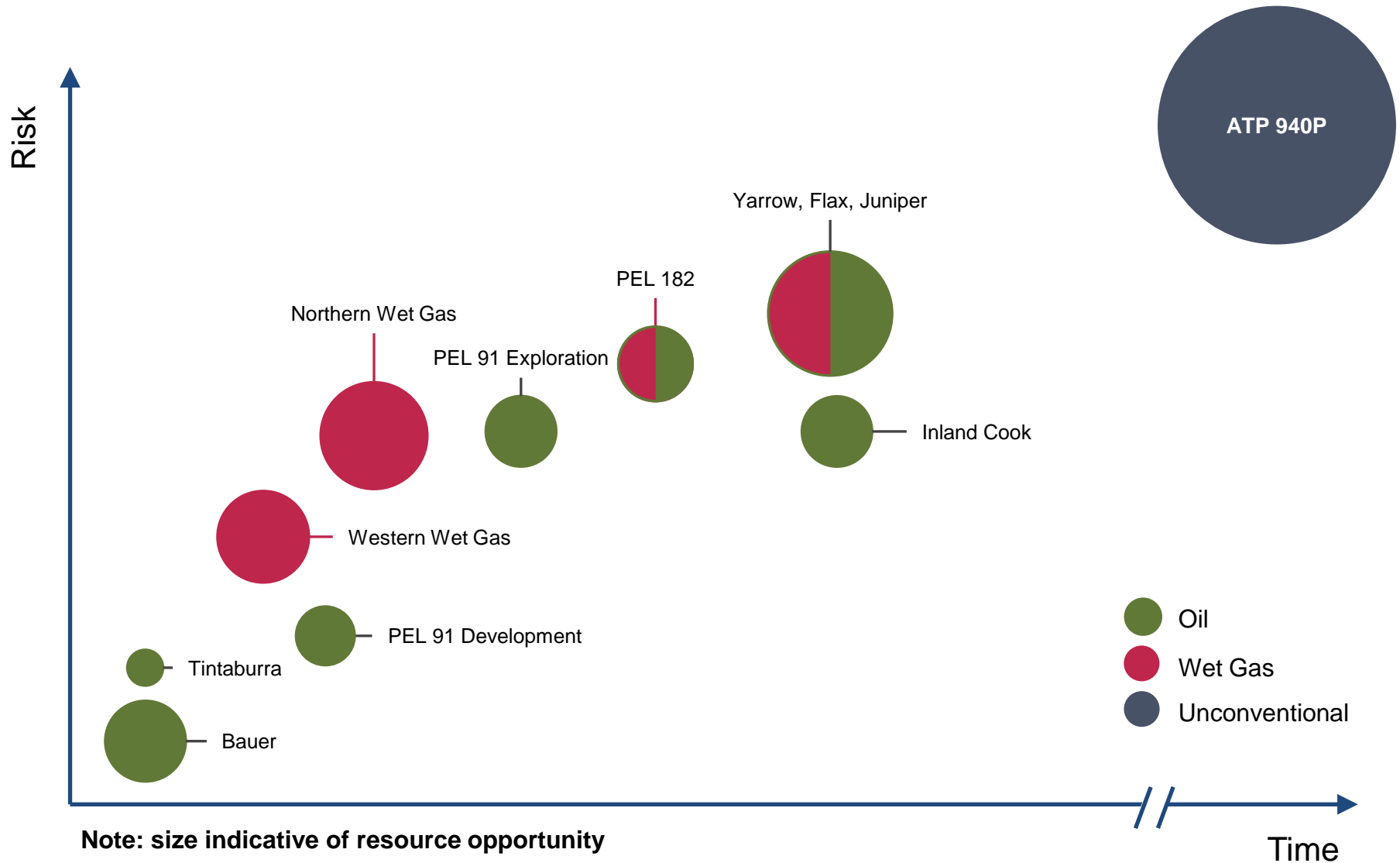
- Wet gas producer with multiple new discoveries in development

UNCONVENTIONAL – UPSIDE OPPORTUNITY



- Joint Venture with QGC focused on proving up two recognised plays

Projects



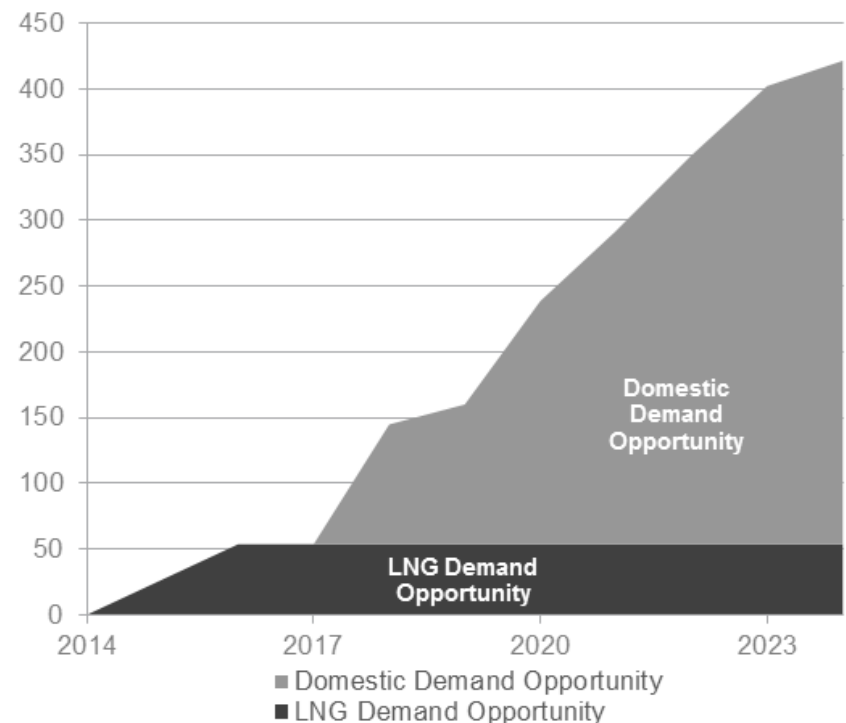
Projects spread across business streams, relative risks and time frames

Plan: Gas Demand

East Australian gas demand seen almost tripling by 2025, driven by new LNG export projects

- LNG plants add significant demand
- Investment in gas-fired generation to cut emissions
- Existing mature fields unable to meet domestic demand
- Delays in supply from NSW
- Half of market to sign new contracts between 2014 and 2017*

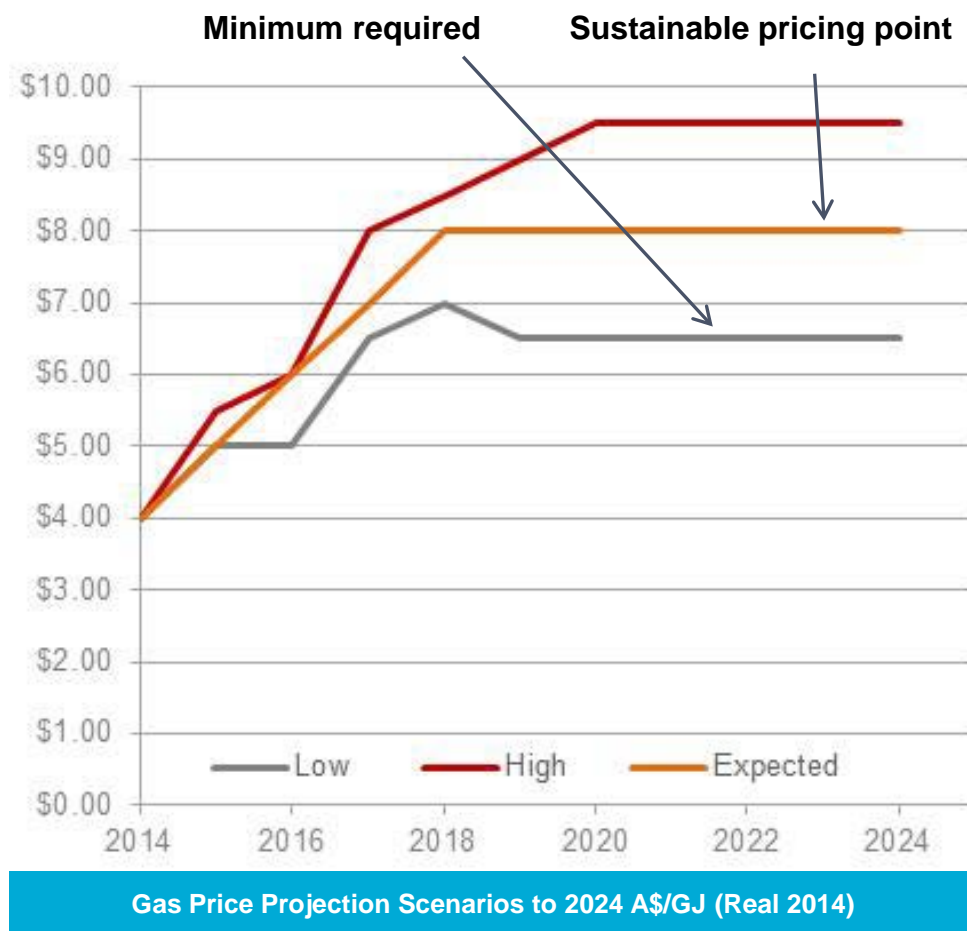
East Coast Demand Opportunity expected to be available to new Cooper Basin Supply (PJ)*



Targeting Wet Gas production up to 5% of total East Coast domestic gas market

Plan: Gas Prices Seen Higher for Longer

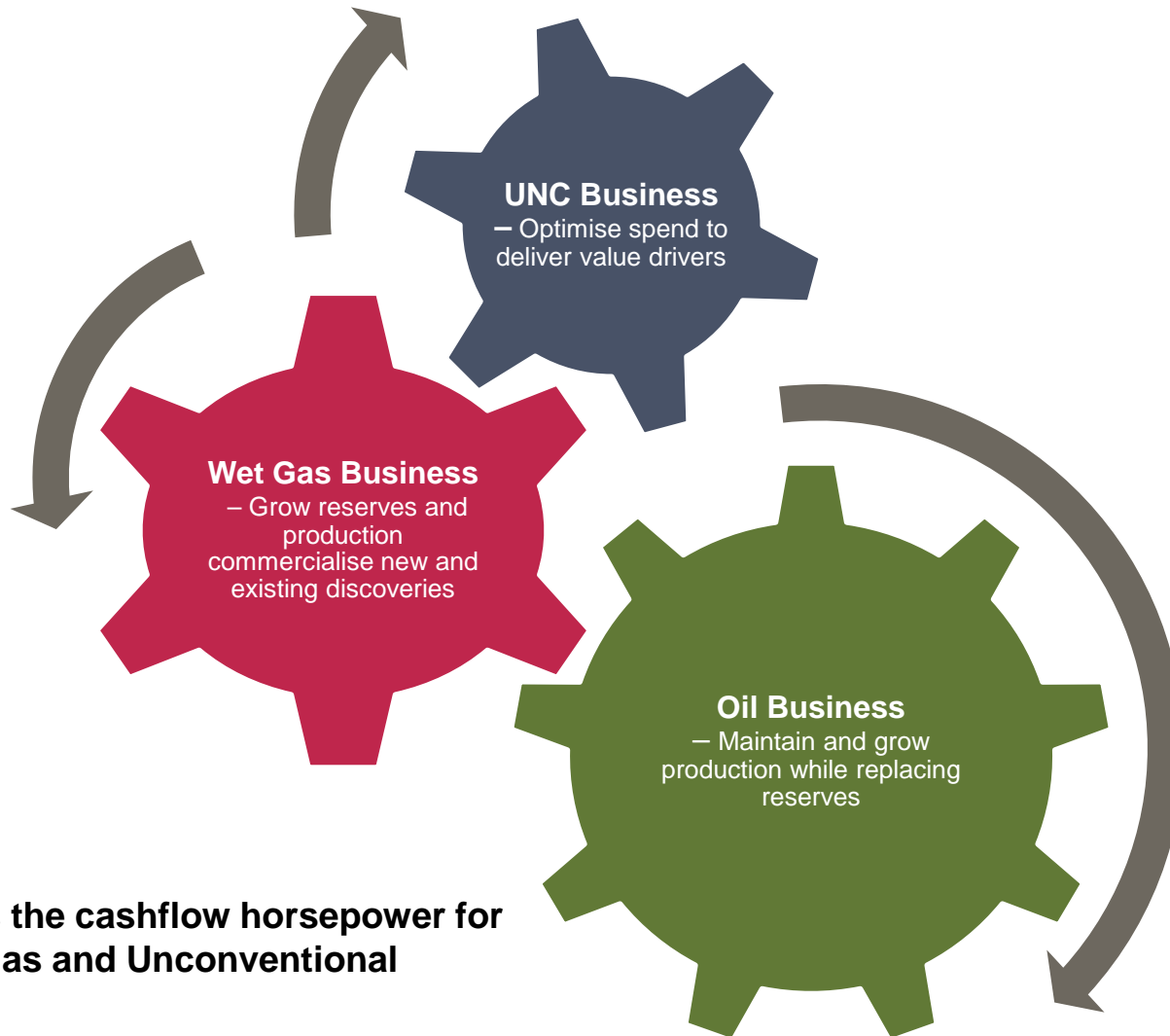
- Price spikes seen already in line with long-term LNG pricing
- Westside agreement to sell to GLNG at A\$9.28/GJ
- Short-term spikes as high as A\$14/GJ anticipated
- Longer term prices expected to settle around A\$8 by 2019
- Rising production costs – cheap gas already produced



Source: Core Energy June 2014

Focused on the Market Opportunity

Plan: Self-sustaining business model



**Oil provides the cashflow horsepower for
Wet Gas and Unconventional**

Strategy highly leveraged to the East Coast gas market thematic

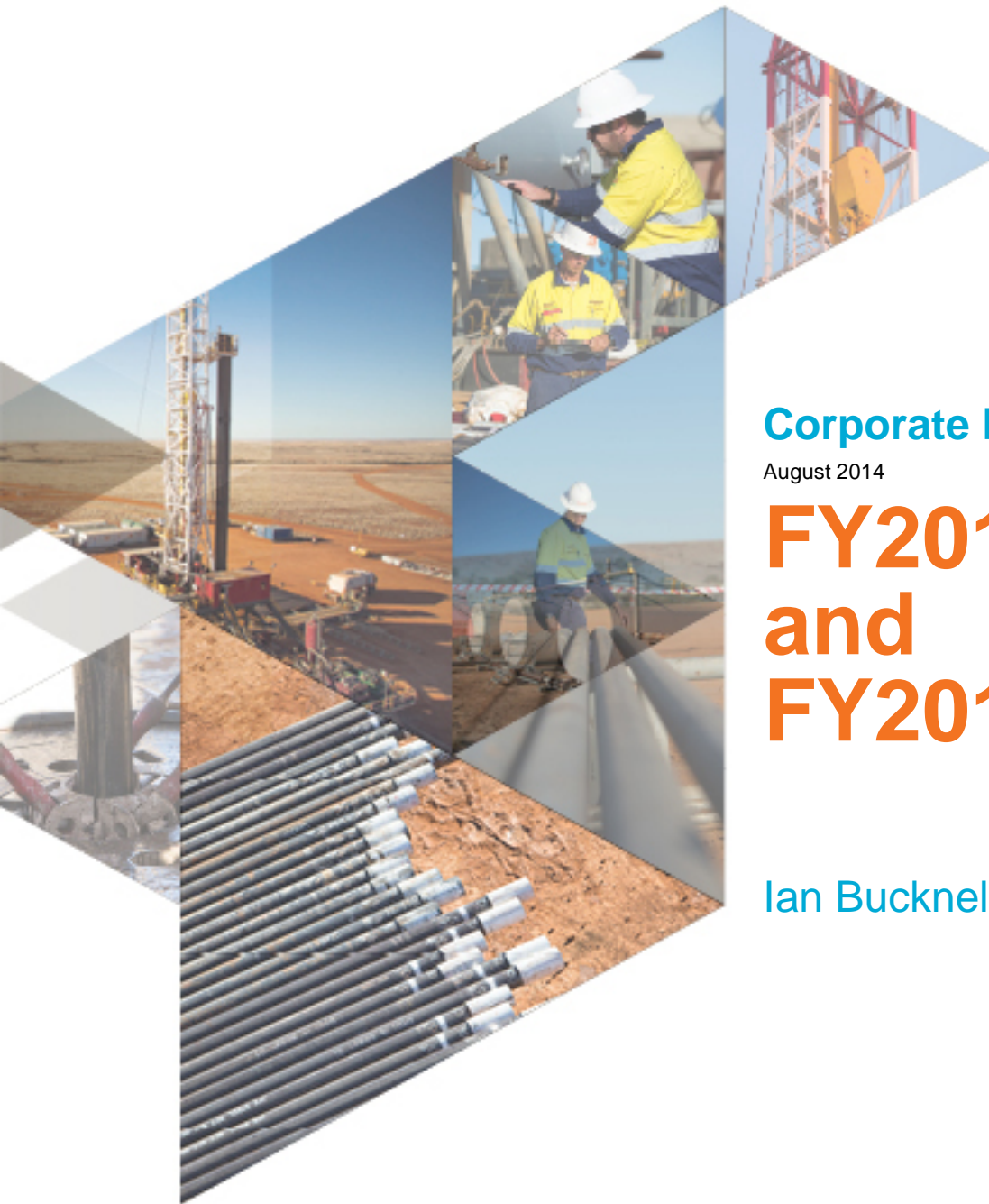
Five-Year Roadmap

	FY2009	FY2014	FY2019
Production	0.2 mmboe	3.4 mmboe	Targeted to double
Revenue / product mix	85% oil and 15% gas	95% oil and 5% Gas and NGLs	Highly leveraged to oil, gas and NGLs
Capital Spend	\$5 million	\$98.4 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		

*Unaudited

**Subject to review as of 30 June 2014

Based on conventional assets - Unconventional provides further upside



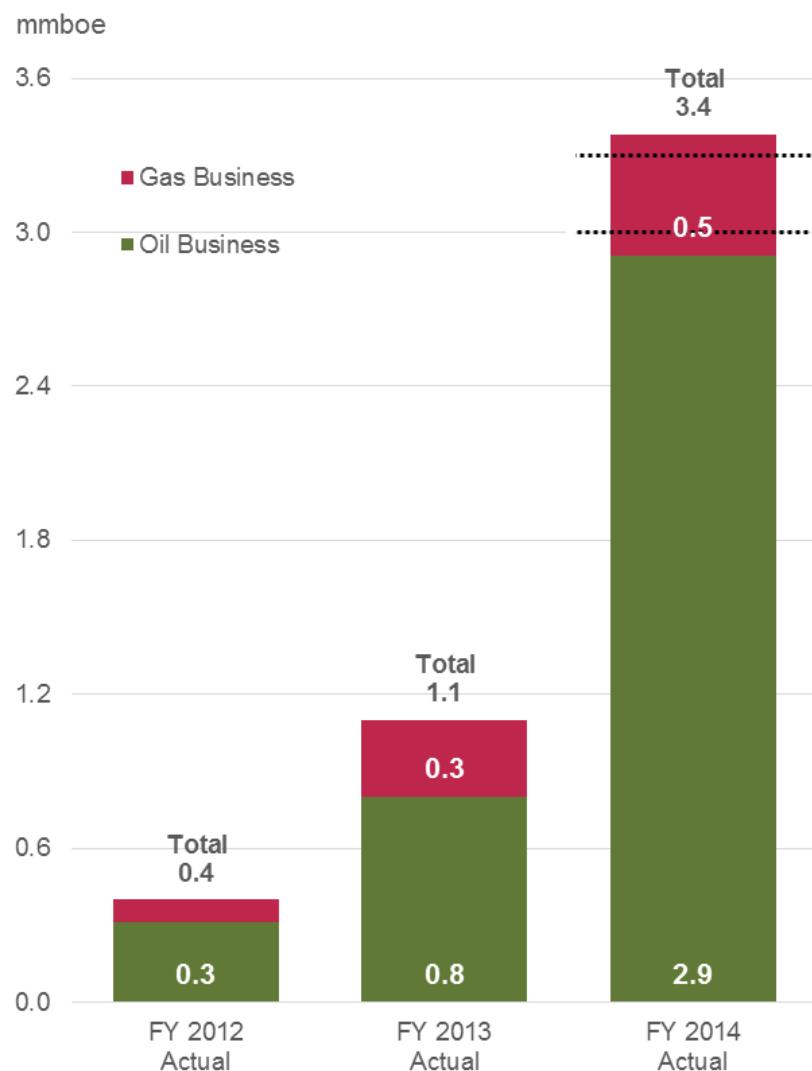
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FY2014 Performance and FY2015 Guidance

Ian Bucknell, Chief Financial Officer

FY2014 Performance: Production



FY2014 Actual Production

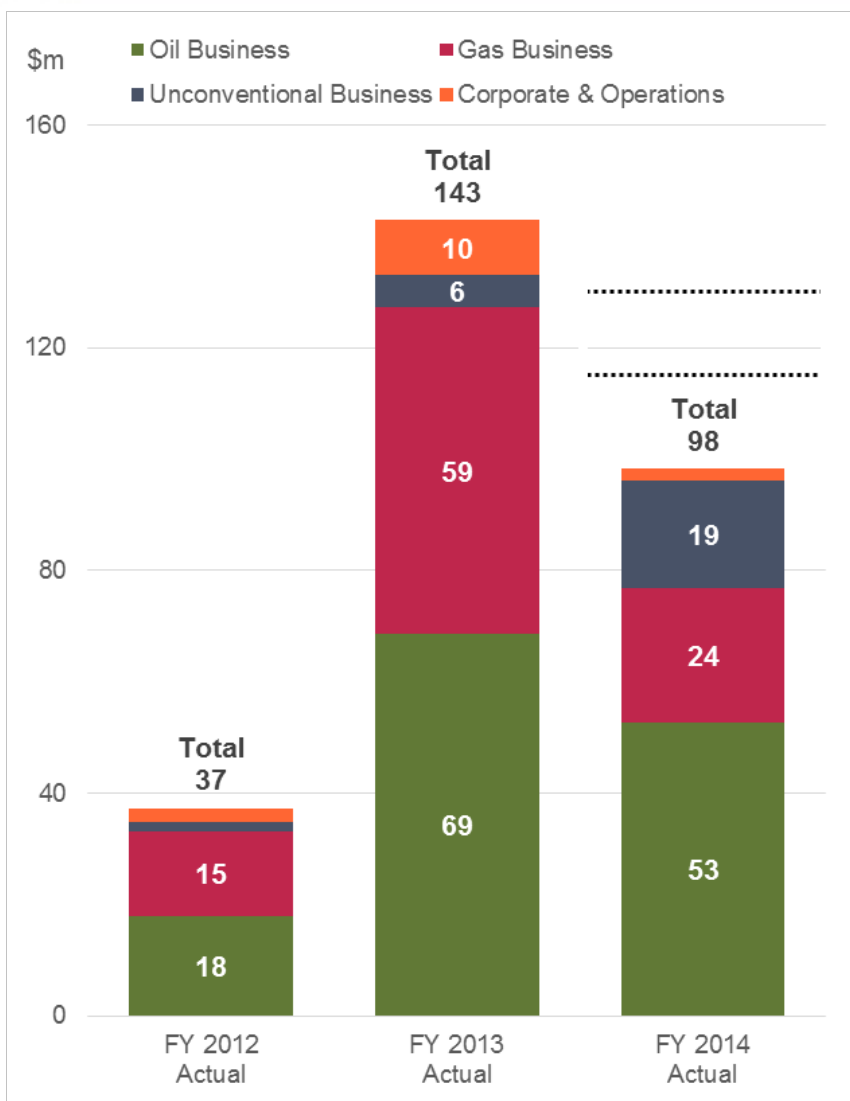
- Record production of 3.4 mmboe
 - Oil 2.9 mmboe
 - Wet Gas 0.5 mmboe
- Exceeded guidance of 3.0 to 3.3 mmboe

FY2014 Revenue

- \$387 million of annual revenue (unaudited), more than triple FY2013 result
- Achieved from robust production and strength in commodity prices

Step change in financial and production performance achieved

FY2014 Performance: Capital Spend

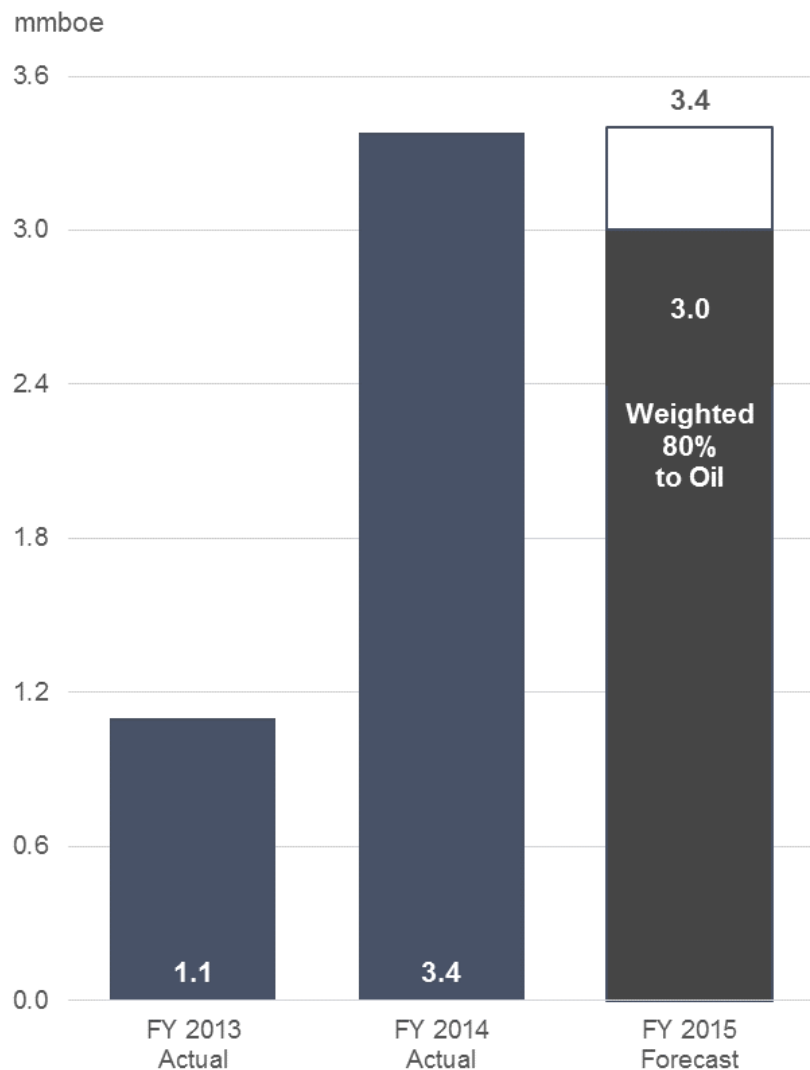


FY2014 Capital Spend Delivers

- Record production delivered on only \$98 million of capital expenditure
- PEL 91 joint venture continues to deliver while working well within budgets
- Several activities deferred to FY2015 including:
 - Connection of Kalladeina, Congony and Sceale (KCS) in PEL 91
 - Inland-Cook 2D seismic

Record production achieved on lower-than-expected capital expenditure

FY2015 Guidance: Production



FY2015 Forecast Production

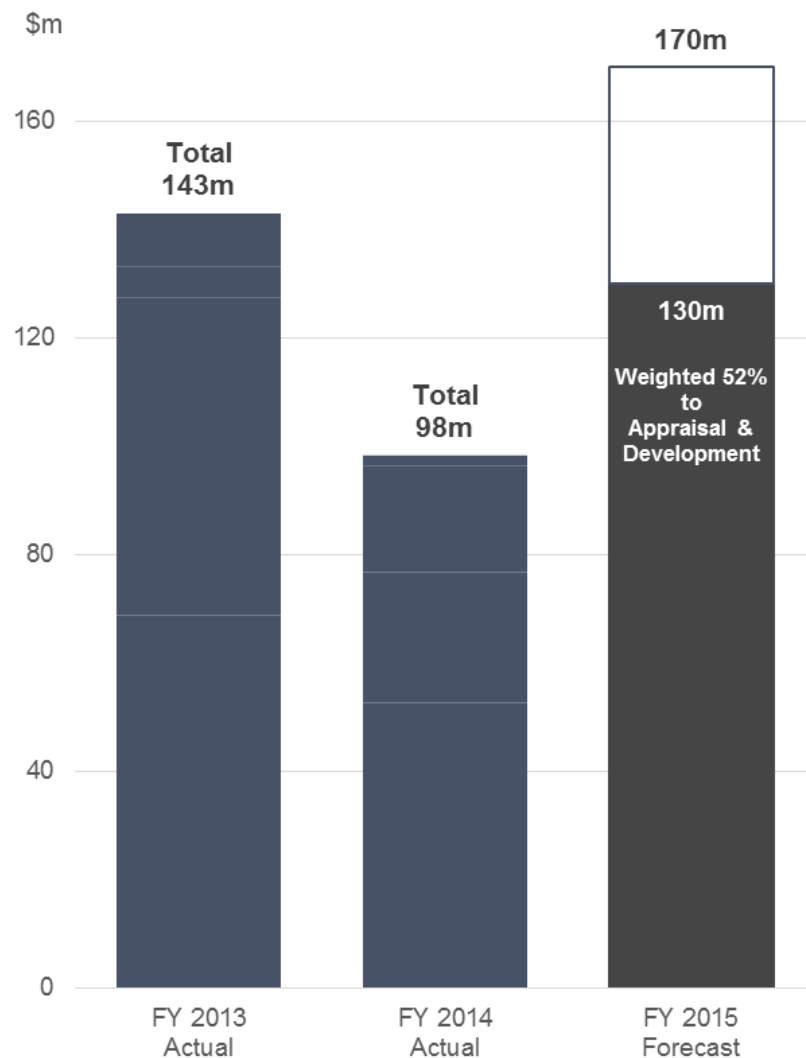
- Guidance 3.0 to 3.4 mmboe
- PEL 91 production to remain strong as new wells and facilities come online
- Maintain Eastern Margin oil output and Western Wet Gas (BPT) production
- Upside potential from Western Wet Gas (STO), Vanessa and Flax

Five-Year View

- Wet Gas production expected to increase to meet market opportunity
- Exploration potential within Oil Business including PEL 91, PEL 182 and ATP 924P
- Eastern Margin output stable to marginally higher

FY2015 Guidance of 3.0 to 3.4 mmboe

FY2015 Guidance: Capital Spend

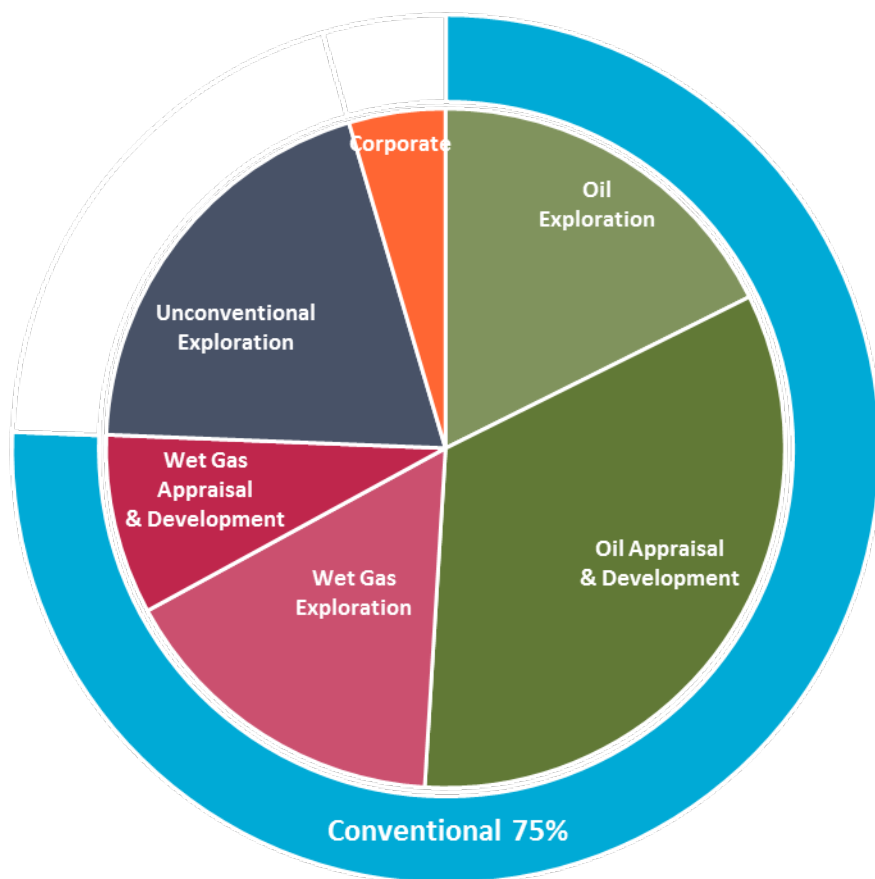


FY2015 Capex Guidance – Investing for Future Growth

- **Oil Business**
 - Western Flank and Eastern Margin: reserves replacement and production delivery (facilities etc.)
 - Inland-Cook: active exploration program
- **Wet Gas Business**
 - Northern Wet Gas: exploration and appraisal
 - Western Wet Gas: development of existing reserves and exploration; offset by remaining carry in Santos JV areas
- **Unconventional Business**
 - Ongoing exploration

Record year of investment and activity expected – capex of \$130m to \$170m

FY2015 Guidance: Capital Spend Activities



FY2015 Capital Spend Activities

- Approximately 75% of capital spend directed to conventional business
- Greater share of investment in the Oil Business
- Carried by Santos in PELs 513 and 632; Western Wet Gas spend focused on Beach acreage
- Continue to be disciplined in Unconventional investment

Capex weighted towards Oil as we seek to maintain and increase production

Funding

- Strong closing cash position of \$152.4 million (unaudited) at 30 June 2014
- \$50 million working capital facility remains undrawn as at 30 June 2014
- Fully funded for FY2015 and FY2016

Taxation

- Tax expense (~58%) to be recognised for FY2014*; no cash impact
- No PRRT cash flow impact forecast for FY2015** and FY2016**

Convertible Bond

- Non-cash expense likely to reflect FY2014 movement in exchange rates and change in fair value of derivatives
- Will reverse in future periods

**Subject to finalisation of year-end tax calculation*

** **Subject to approval of the PEL 91 combination*

Well funded over FY 2015 period with minimal financing risk



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Drillsearch as an Operator

David Evans, Chief Operating Officer

Drillsearch

Defined by Our Values

Focus	Execution	Innovation	Collaboration	Integrity
On operating safely and responsibly	In line with industry best practice	To reduce our environmental footprint	With our key stakeholders	In our interaction with local communities

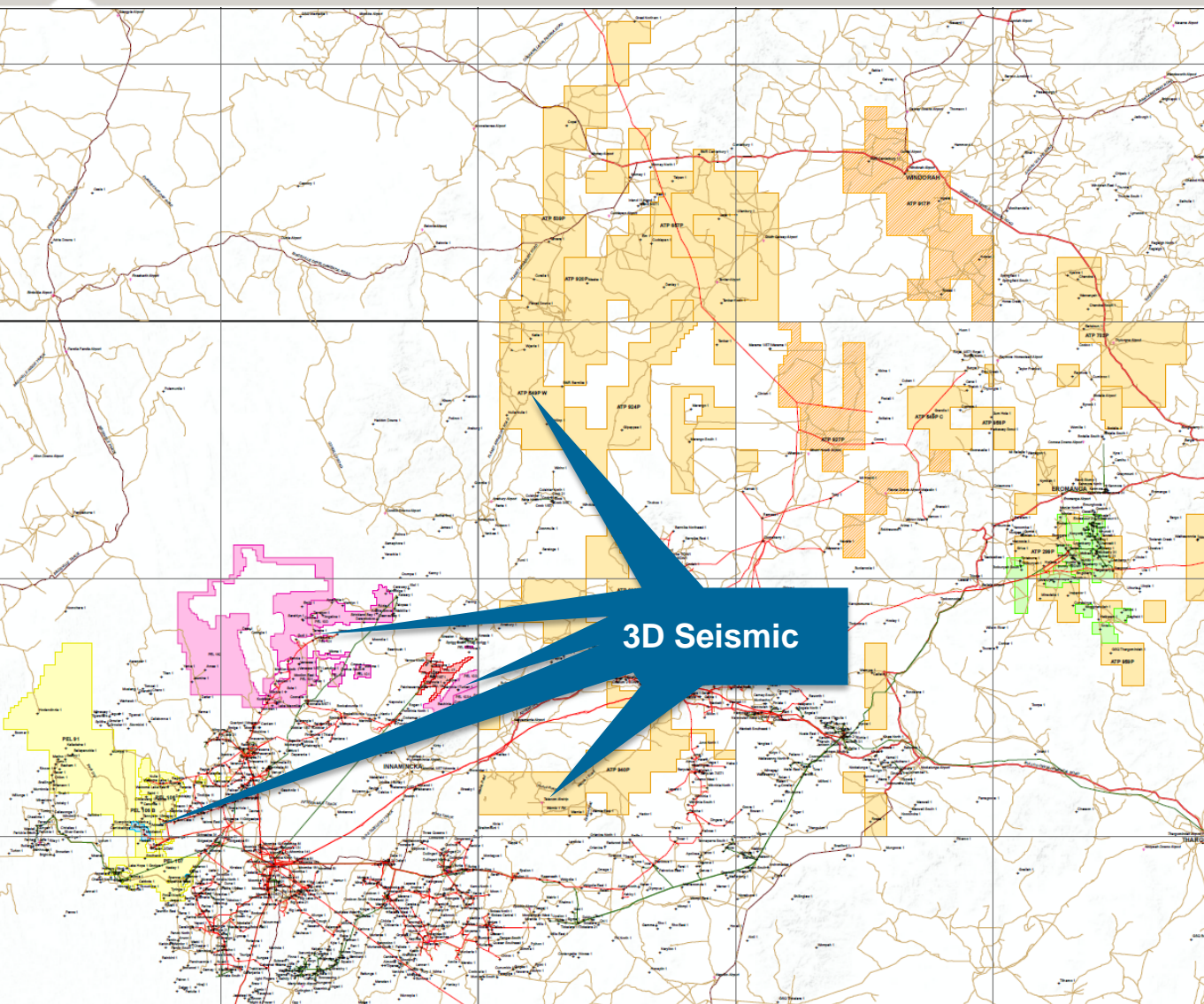


Disciplined approach – measure twice, cut once

Building our Operating Capability to deliver our Five-Year Plan



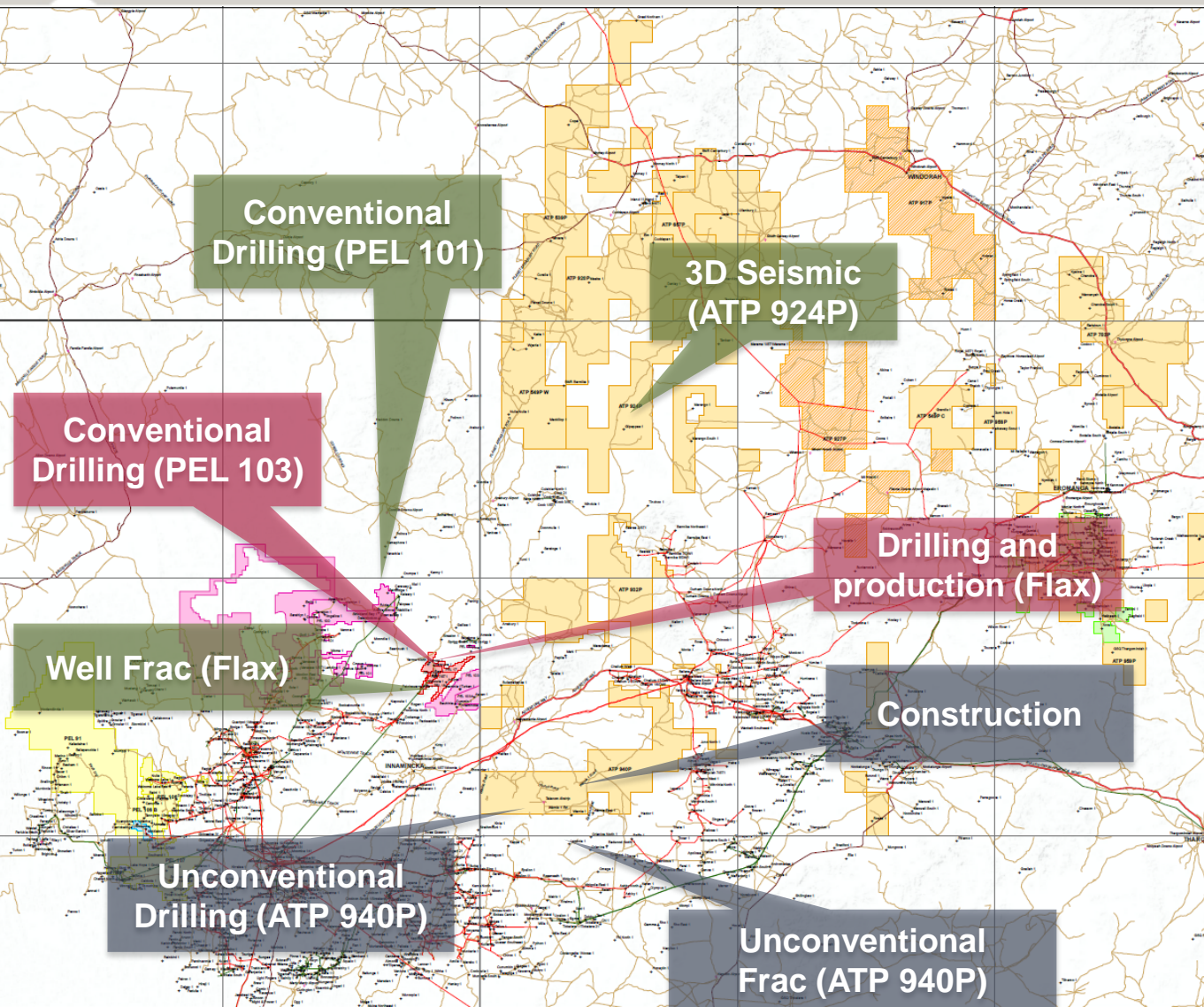
Operating Capability: 2012-13



Resource	People
Drilling Superintendents	0
Petroleum Engineering Supers	0
Engineering	2
HSEC	2
Supply Chain/Contracts	1
Field	5 (B2B)
People in Field (Sub Contractors)	80

Operations focused on seismic

Operating Capability: 2014-15



Resource	People
Drilling Sup	2 (B2B)
Pet Eng Sup	2 (B2B)
Engineering	6
HSEC	6
Supply Chain/Contracts	9
Field	19 (B2B)
People in Field (Sub Contractors)	300

Full service operator

Operations: Our Team's Capabilities

Major achievements so far:

- Western Cooper Wet Gas drilling campaign late FY2013: 3 wells drilled, 2 discoveries
- Northern Cooper Wet Gas appraisal drilling
- HPHT drilling in ATP 940P – 2 wells completed to ~4,000m
- 2,380km² of 3D seismic, including the largest onshore seismic survey completed in Australia



Flax South-1 Drilling



One of the most experienced and lean Operations teams onshore Australia – multiple operational fronts, delivering complex projects

Operations: Drill Rigs Contracted



Ensign 918



Weatherford 826



Ensign 932

Weatherford 826 Upgraded by Drillsearch; only HPHT Capable Rig in Cooper Basin

DRILLSMART DRILLSAFE DRILLSEARCH

- Improved TRIFR (Total Recordable Injury Frequency Rate) of 9.72% in FY2014, even as operated activity increases
- New HSEC strategy to drive performance over next three years
- Corporate social responsibility is a priority













A sound approach to a social license to operate is a sound approach to business

Operations: Our Team's Capabilities

- Supply Chain capability developed to provide
 - Centralised logistics hub in Adelaide
 - Centralised procurement, reducing operational and commercial risks
 - Spend category strategies to deliver targeted sourcing and value
 - Lean but capable process, meeting the requirements of a fit-for-purpose precision operation
- Health, Safety, Environment, and Community (HSEC)
 - Deeply imbedded Corporate and Field HSEC, working with our JV partners
 - Proactively implementing and facilitating HSEC across our field Operations
 - Evolving fit-for-purpose HSEC management systems

Drillsearch Operations Team – Feeding the Machine and Keeping it Safe

FY2015 Activity: Matched to Five-Year Plan

Permit	DLS %	Operator	FY2015					Total	
			Sept Q	Dec Q	Mar Q	Jun Q	Sept Q		
OIL									
Western Flank - PELs 91 & 182	60-43	BPT/SXY						21	23
Seismic acquisition and processing		500km² Solidus 3D acquisition and processing					500km²		
Facilities upgrades and pipeline installation		CKS Facility Bauer Expansion Chiton facility Stunsail & Pennington Facility & Pipeline							
Northern Oil - PEL 103	100	DLS						2	
Hydraulic stimulation and production testing		Flax-1					1		
Inland-Cook - ATP 924P	50	DLS	Huron and Taj 3D along with George 2D acquisition and processing						
WET GAS									
Western - PELs 106 & 107	50	BPT						5	18
Hydraulic stimulation and production testing		Udacha-1					1		
Western - PEL 513 & 632	40	STO						8	
Hydraulic stimulation and production testing				Moruya-1			1		
Seismic acquisition and processing		329km² Jacenza 3D acquisition and processing					329km²		
Northern - PEL 101 (80%)	80-100	DLS						5	
UNCONVENTIONAL									
Central Cooper - ATP 940P	40	DLS						3	4
Hydraulic stimulation and testing		All wells to be hydraulically stimulated and production tested					4		

Summary

- Proven experience and growing as a Cooper Basin Operator
- One of the most experienced and lean Operations Teams onshore Australia
- Forward program aligned to execute and deliver the Drillsearch Five-Year Plan
- Dynamic HSEC approach to Field Operations





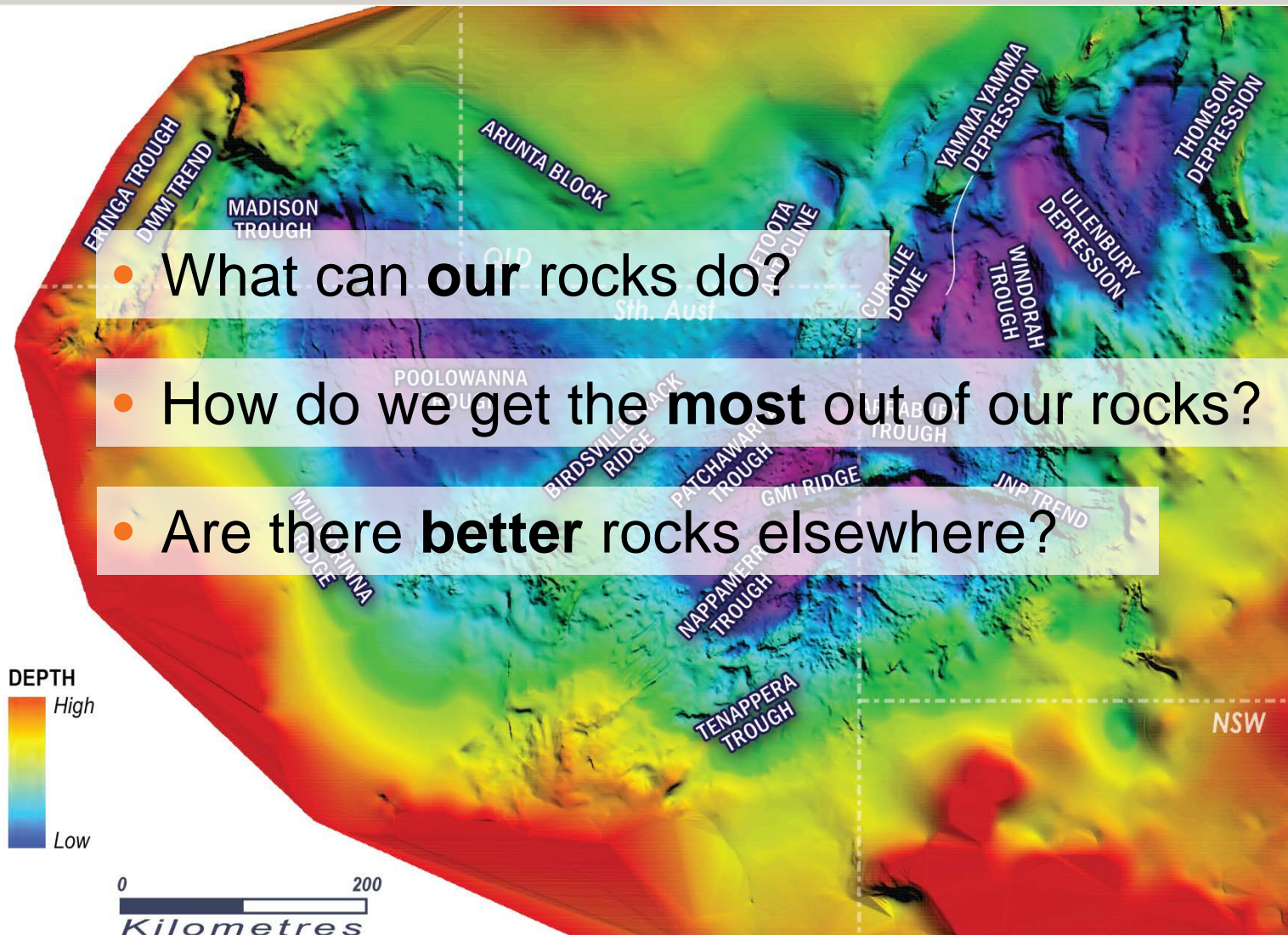
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Cooper Basin Overview

Duncan Lockhart, Chief Technical Officer

Cooper Basin: Australia's Premier Onshore Petroleum Address



Play-driven approach – having a great position in great plays

Regional Evaluation Process: Project Uber

1. **Fields - Review oil and gas accumulations**
2. **Plays - Define extent of proven oil and gas plays and calculate remaining potential (conventional and unconventional)**
3. **Technology Review – Do we have the best seismic and well data to succeed?**
4. **Recommendations on Fields, Plays and Technology**
5. **Where do we go next and when?**

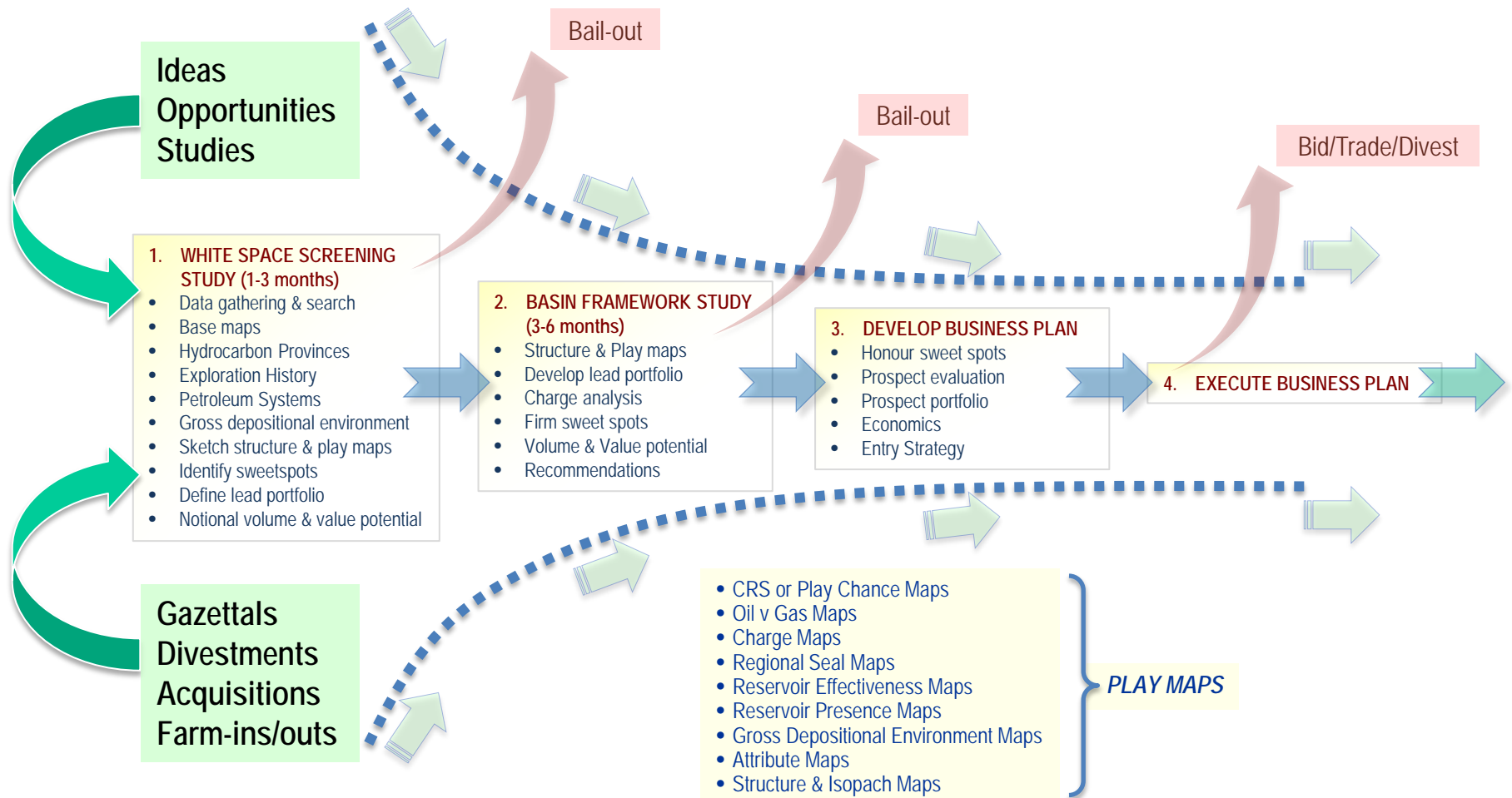
Though the Cooper Basin still has a lot more to give...



"We usually find gas in new places with old ideas. Sometimes, also, we find gas in an old place with a new idea, but we seldom find gas in an old place with an old idea."

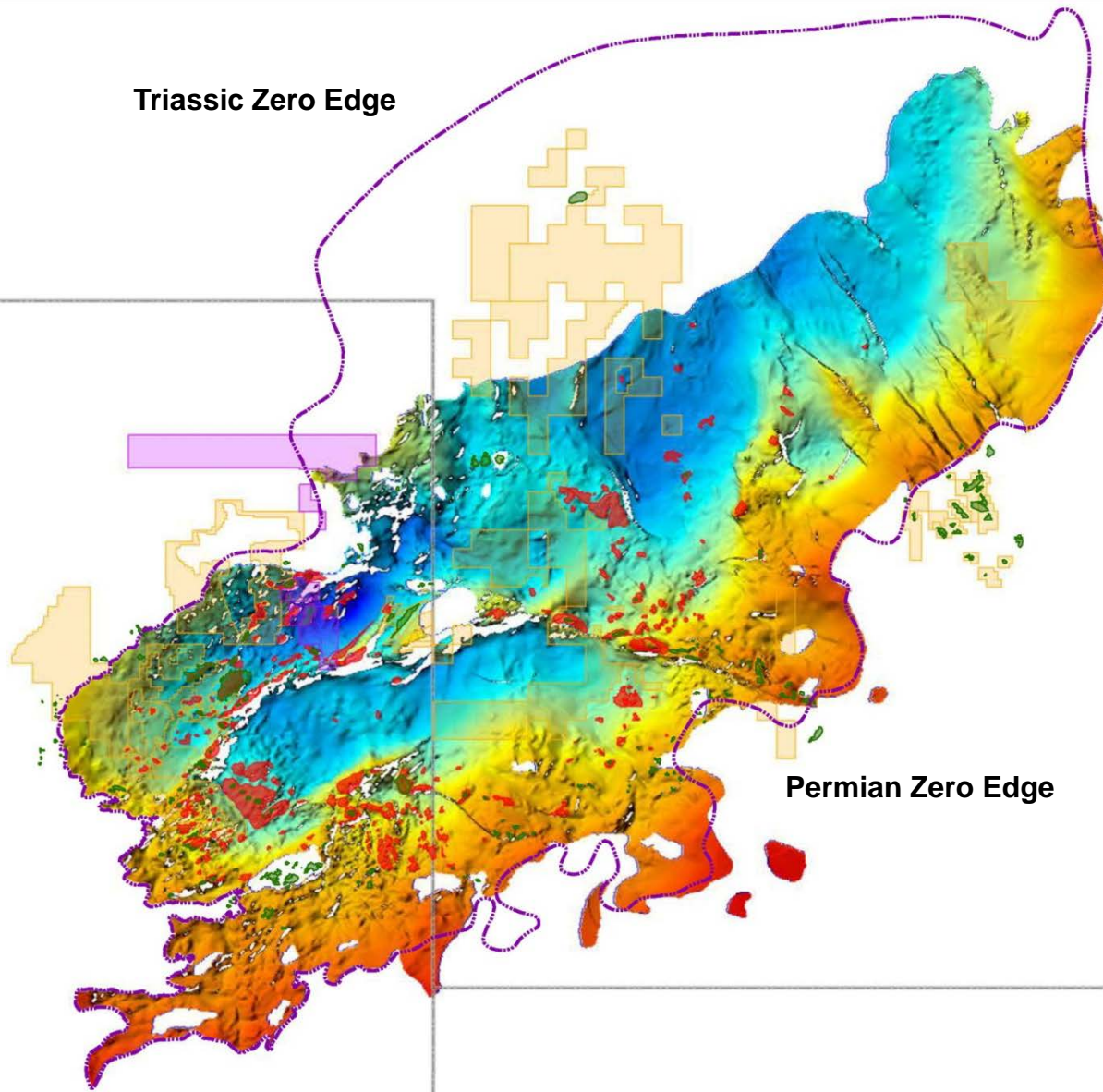
Evaluating our own portfolio and other assets within the Basin

Regional Evaluation Process: Project Uber



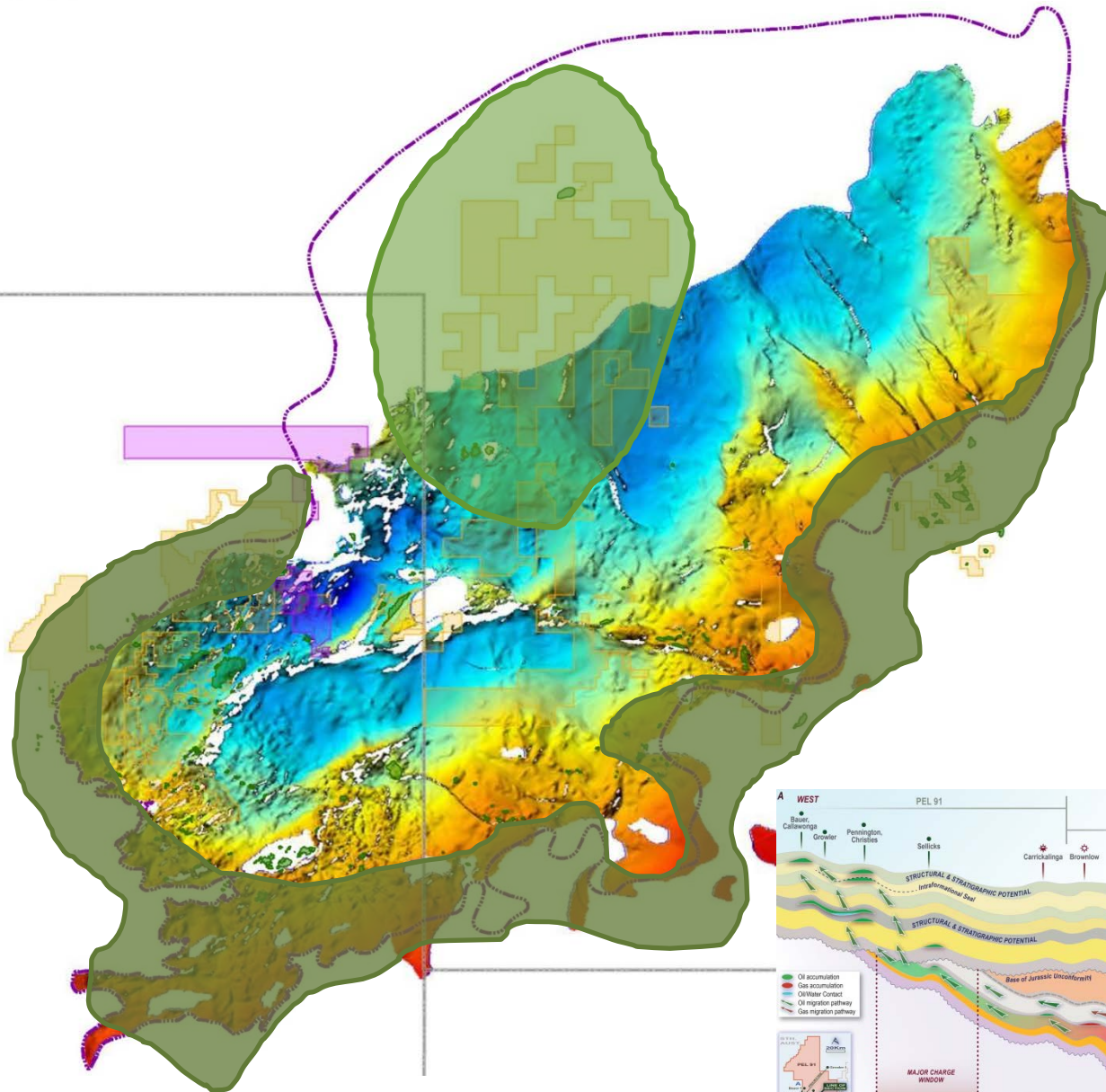
Project Uber is feeding into this process

Cooper Basin: Australia's Premier Onshore Petroleum Address

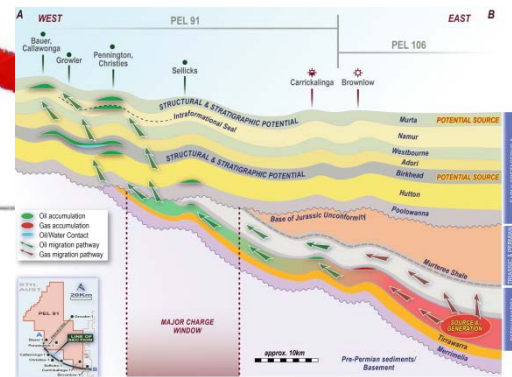


- Permian is main source rock
- Oil and gas migrate from low to high
- Ridges act as focal points for migration
- Oil and gas migrates until a trap causes it to pool
- For success we need
 - Reservoir
 - Source Rock
 - Seal
 - Trap
- Without one of these factors there will be no accumulation

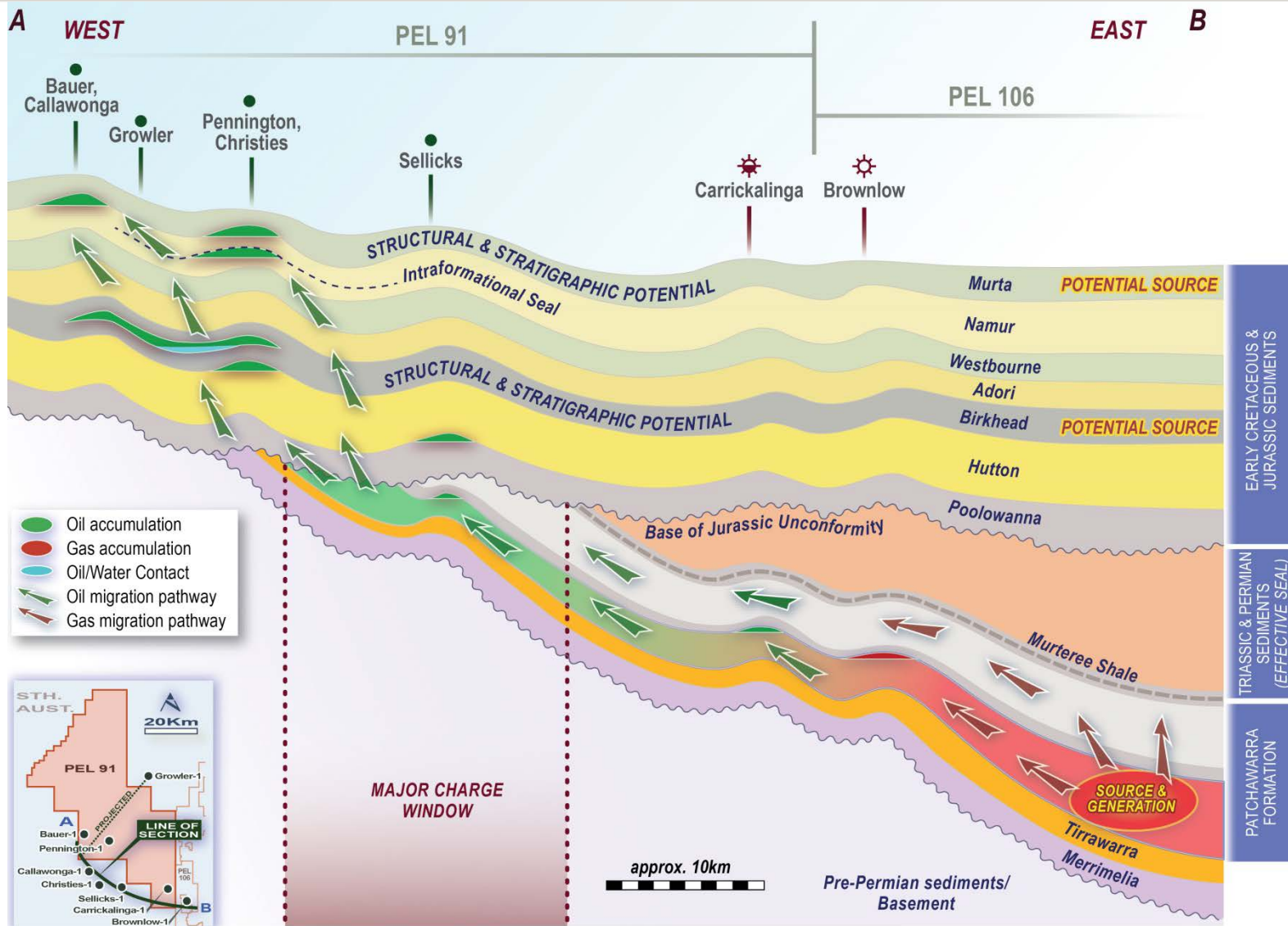
Oil Fairways



- Potential for oil to be generated from several intervals including the Permian and Jurassic
- Most Cooper oil typed to the Permian rocks
- Most oil reservoired in the Jurassic Eromanga Basin sediments
- Main oil fields found in two main places:
 - Fringes of the Permian Zero edge where the Triassic seal is absent
 - Intra-basinal ridges where faults have penetrated the Triassic seal and allow for vertical migration

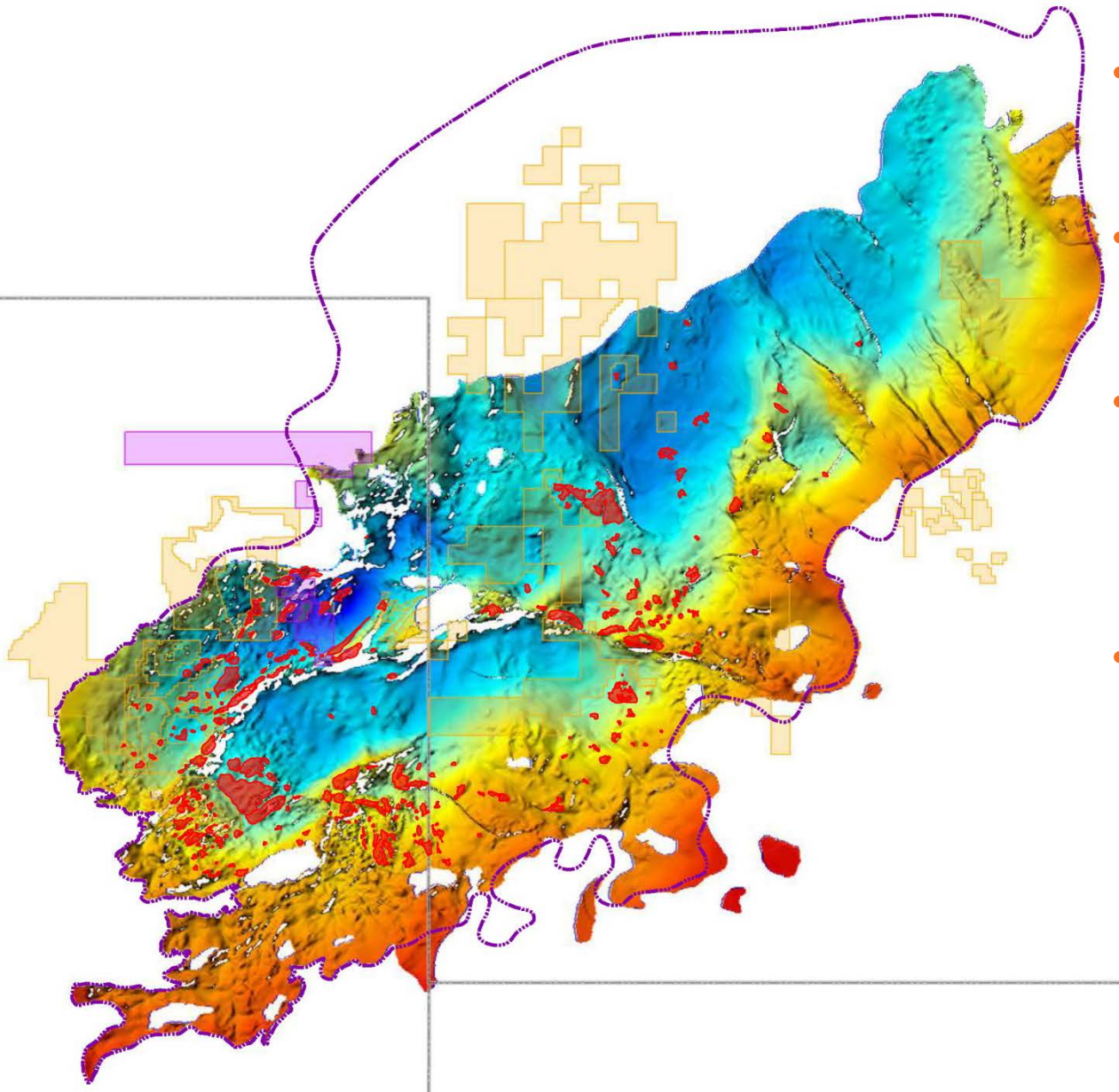


Oil Fairways



Western Flank Oil Fairway Optimally Located

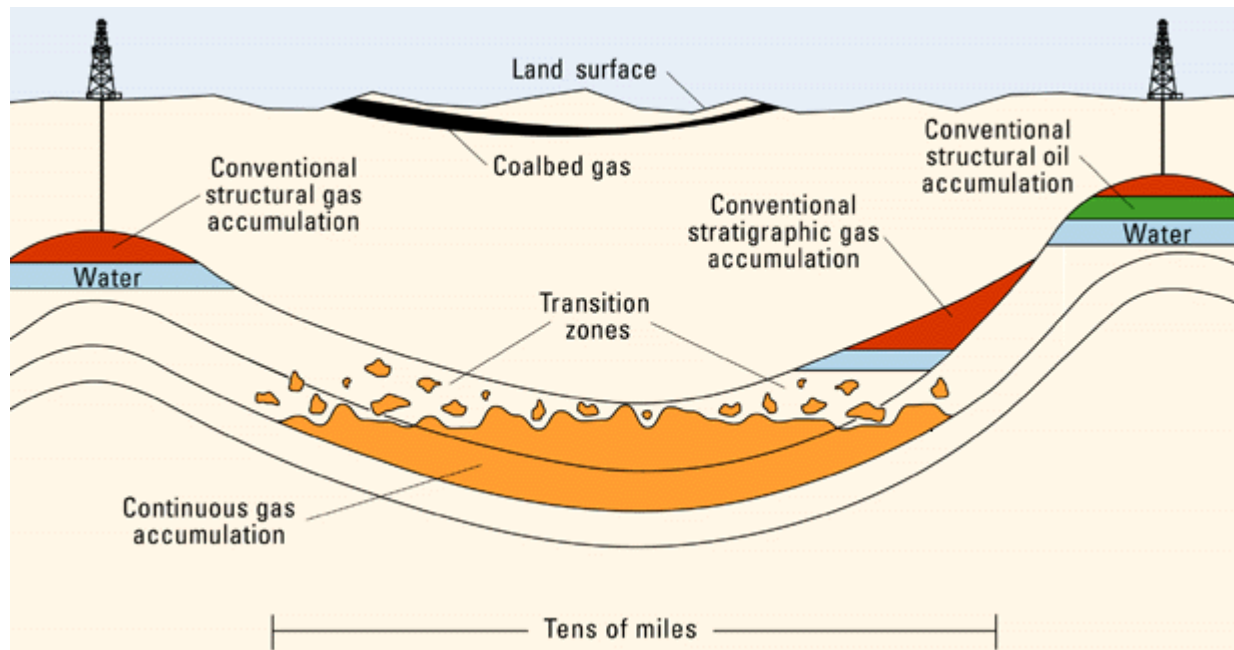
Gas Fairways



- For gas, source rocks need to be hotter and more deeply buried
- Source rock types associated with Permian produce more gas than oil
- Gas generated later than oil tends to be found in more central parts of the troughs and also along the major intra-basinal ridges
- Gas largely confined to Permian reservoirs

Gas Fairways – Unconventional Gas

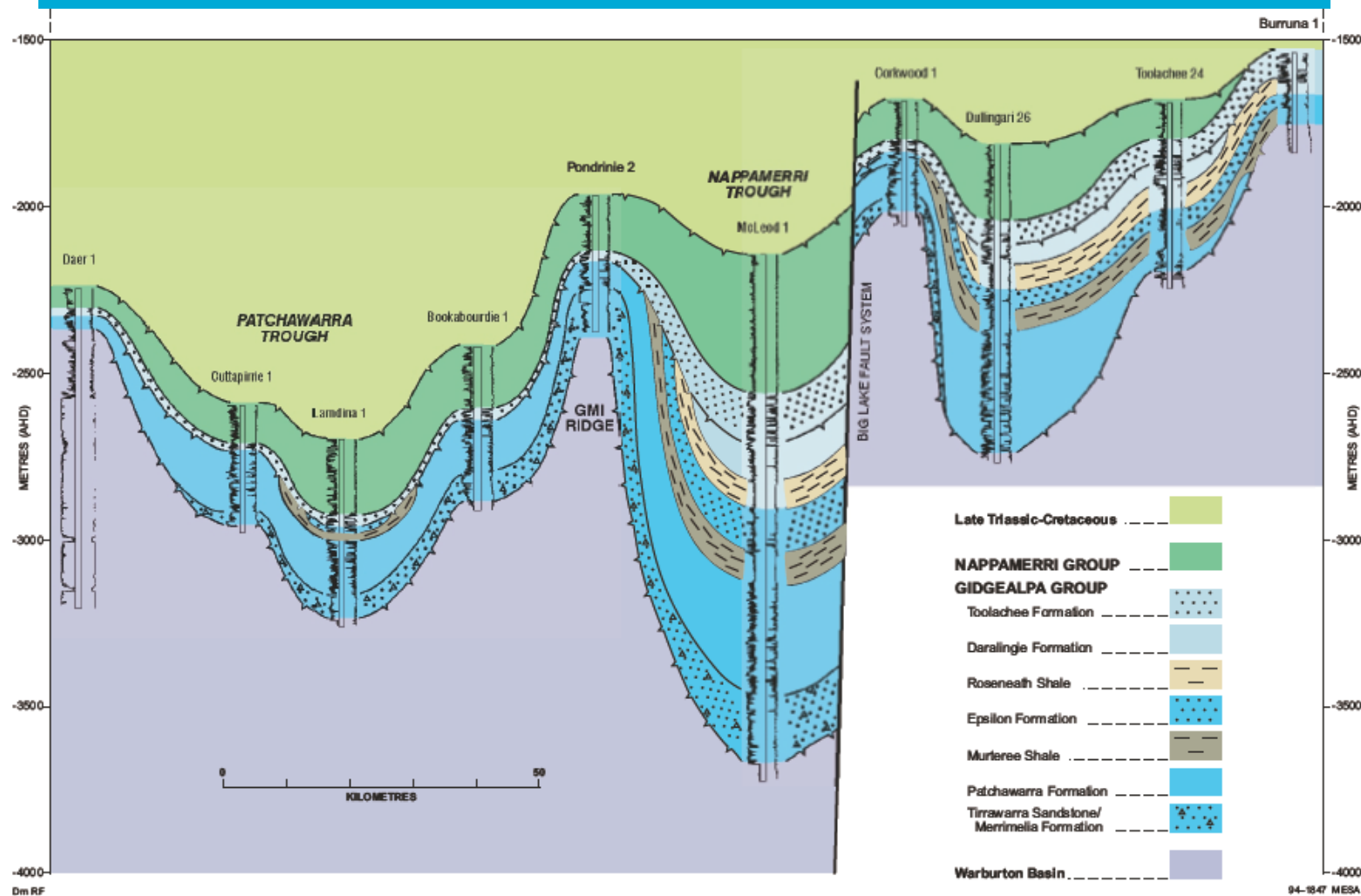
- Plenty of gas but the rocks too tight to allow migration
- Patchawarra Formation is self-sourcing. Mature coals and shales producing oil & gas and charging surrounding sandstones
- Roseneath Epsilon and Murteree (REM) - tight siltstones and shales that provide major unconventional target
- Targets require stimulation to allow trapped oil & gas to flow in artificial fracture systems



Source: United States Geological Survey

Gas Fairways: Nappamerri Trough versus Patchawarra Trough

Only party with interest in both plays



Patchawarra Trough is more liquids-rich, with less CO₂ and at lower pressure and temperature, however the size of the prize is bigger in the Nappamerri Trough

Summary: Bringing New Ideas to an Established Region

- Only pure Cooper Basin-focused company in the ASX 200
- Senior technical team with decades of experience in Australia and overseas
- Project Uber helps us to be proactive in seeking opportunities
- Nappamerri Trough - the primary Unconventional address – harder operating conditions, but the prize is substantial

Rigorous

Systematic

Scientific

Commercially-driven



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Questions



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Oil Business

David Evans, Chief Operating Officer

Production

Bauer (PEL 91)
Chiton (PEL 91)
Hanson (PEL 91)
Eastern Margin

Development

Stunsail (PEL 91)
Pennington (PEL 91)
Kalladeina, Congony and
Sceale (KCS) (PEL 91)
Arno (PEL 91)
Eastern Margin (infill and
water-flood)
Flax

Exploration

ATP 924P
PEL 182
PEL 103 (Banyan)
Other PEL 91
PEL 107

Robust pipeline of oil assets across the E&P continuum

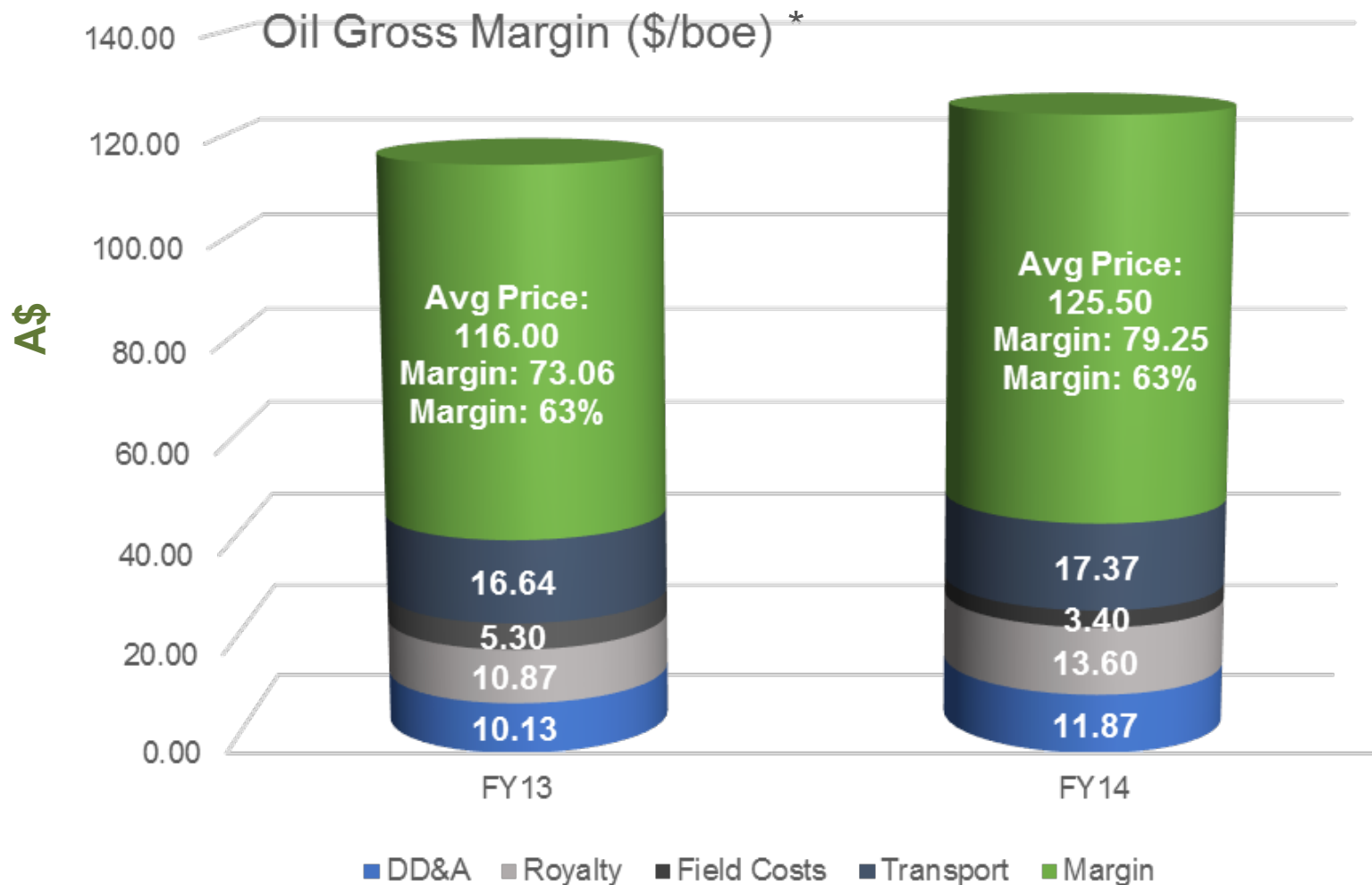
Oil: FY2014 Production Performance

Oil DLS Net Monthly Production (kbbl)



PEL 91 and Eastern Margin provide robust production base

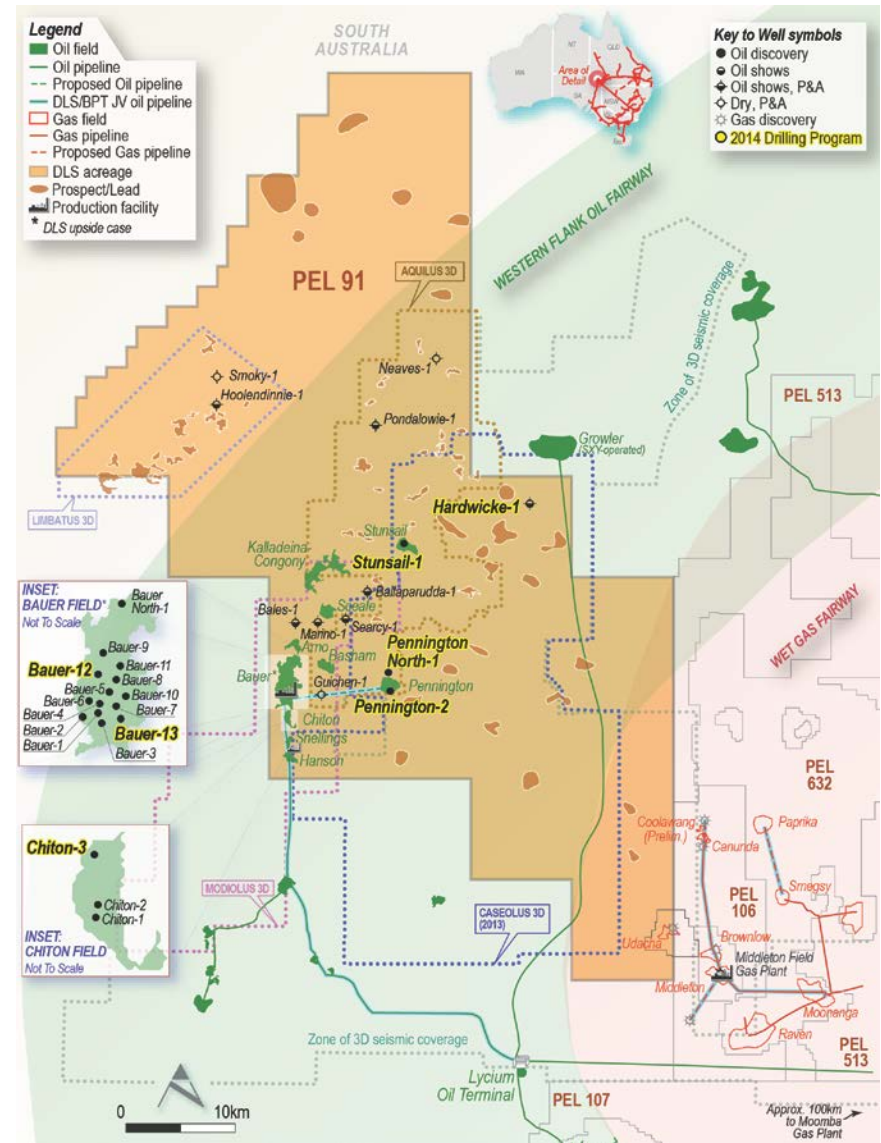
Oil: Profitability Margins greater than \$75 a barrel



Among the most profitable barrels of oil production in the world

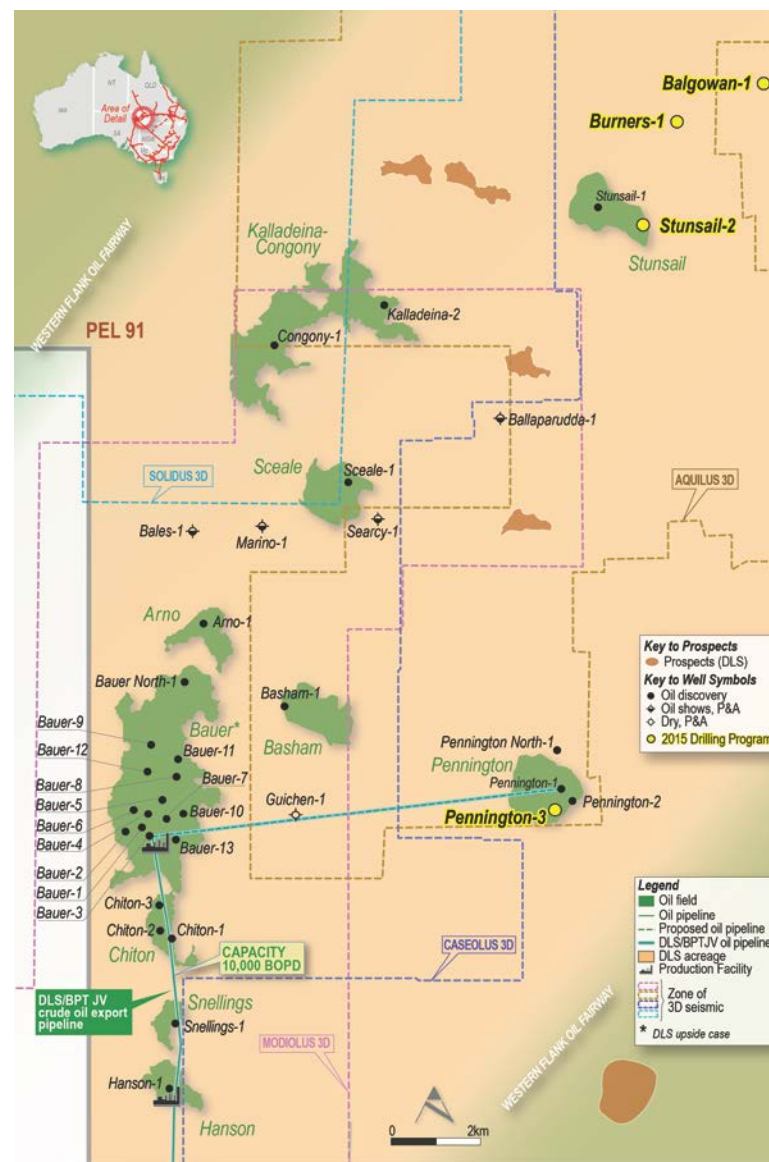
Oil: PEL 91 Current Status

- Production – 12,485 bpd in June Quarter (7,491 DLS Share)
- 14 wells in production – Bauer-1 to -11, Hanson-1, Chiton-1 and -2
- Export – 10,000 bpd pipeline, with remainder trucked to Moomba
- Bauer fluid handling facilities upgraded to 50,000 bpd with new evaporation pond



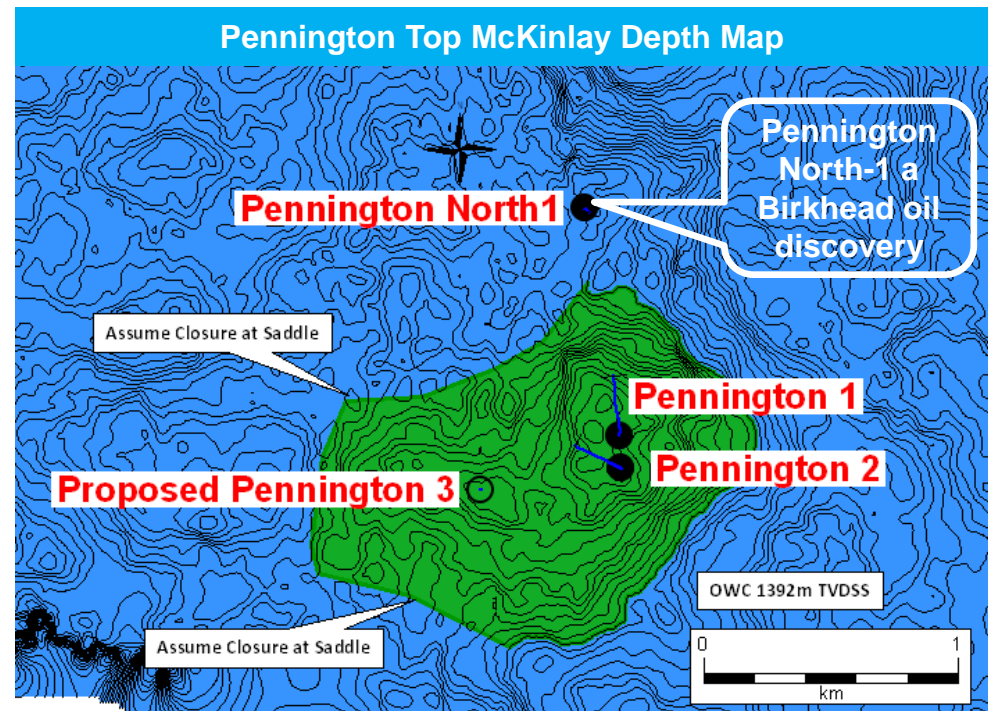
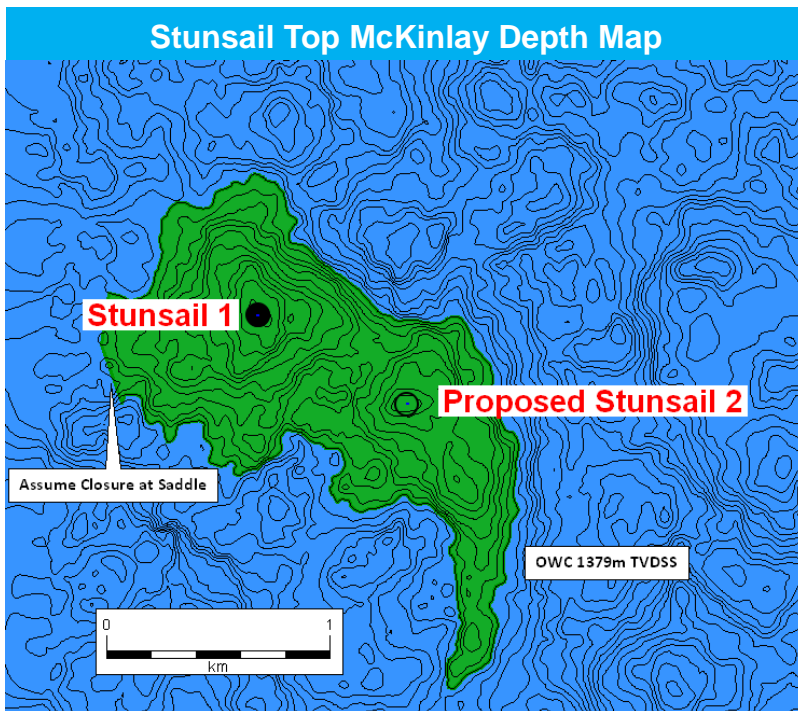
Oil: Major Work Program in PEL 91 in FY2015

- **Drilling:**
 - 18 wells planned in FY2015:
 - 6 Exploration wells (5 oil and 1 gas)
 - 4 Oil appraisal wells
 - 8 Development wells
- **Seismic:**
 - ~500km² 3D Solidus seismic survey in north west
- **Development:**
 - Kalladeina, Congony, Sceale (KCS) – FY15 Q2
 - Bauer facility upgrade (Phase 3) – FY15 Q3
 - Stunsail facilities and pipeline – FY15 Q4
 - Pennington facilities and pipeline – FY15 Q4
 - Chiton facility expansion – FY15 Q4
- **Production:**
 - Chiton-3, Bauer-12 and -13, Hanson-2 and -3
 - Six new Bauer development wells



Oil: PEL 91 - Stunsail and Pennington

- Three wells cased and suspended at Pennington, one at Stunsail
- Additional appraisal drilling needed before facilities are sized
- Reserves of both under review in 30 June 2014 audit



Both Stunsail and Pennington expected to come into production in FY2015

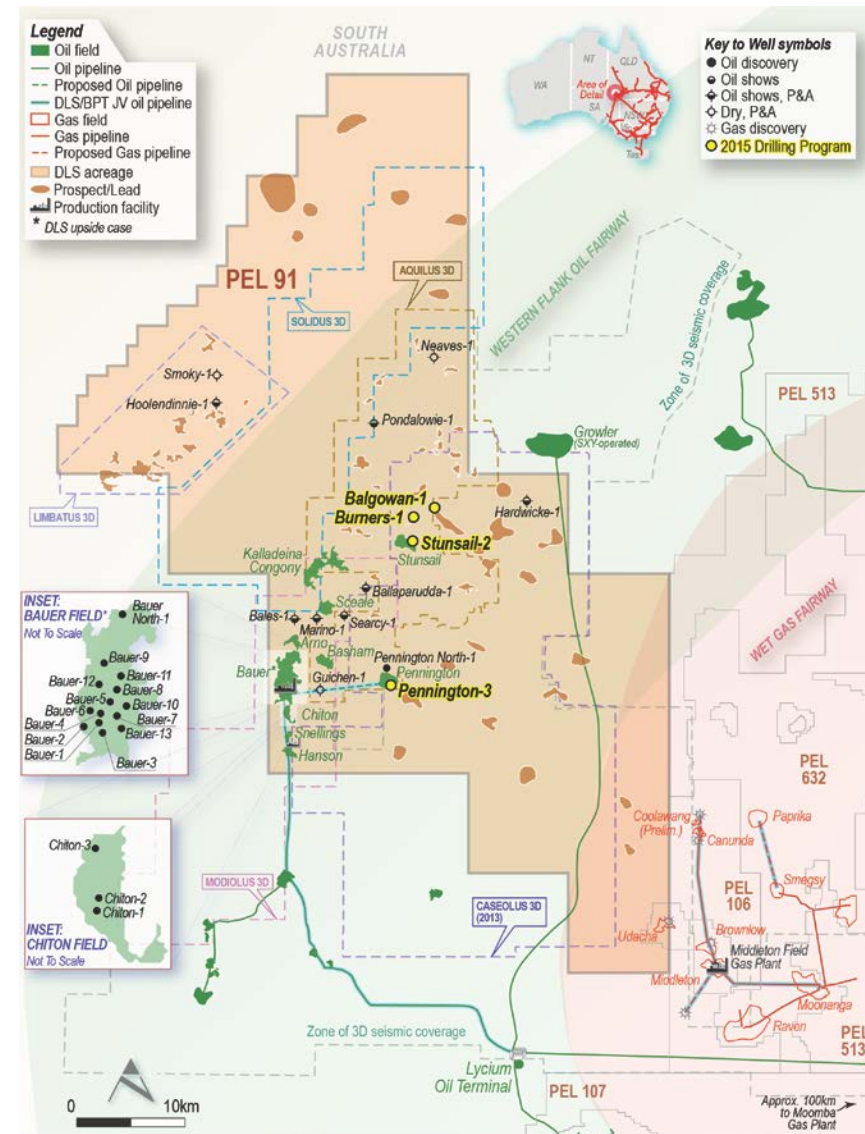
Oil: PEL 91 – Exploration Potential

Burners-1 and Balgowan-1

- Simple anticline oil prospects; follow-ups to Stunsail-1, 2km and 3.5km to the South West
- Multi-zone targets - McKinlay/Namur, Mid-Namur and Birkhead

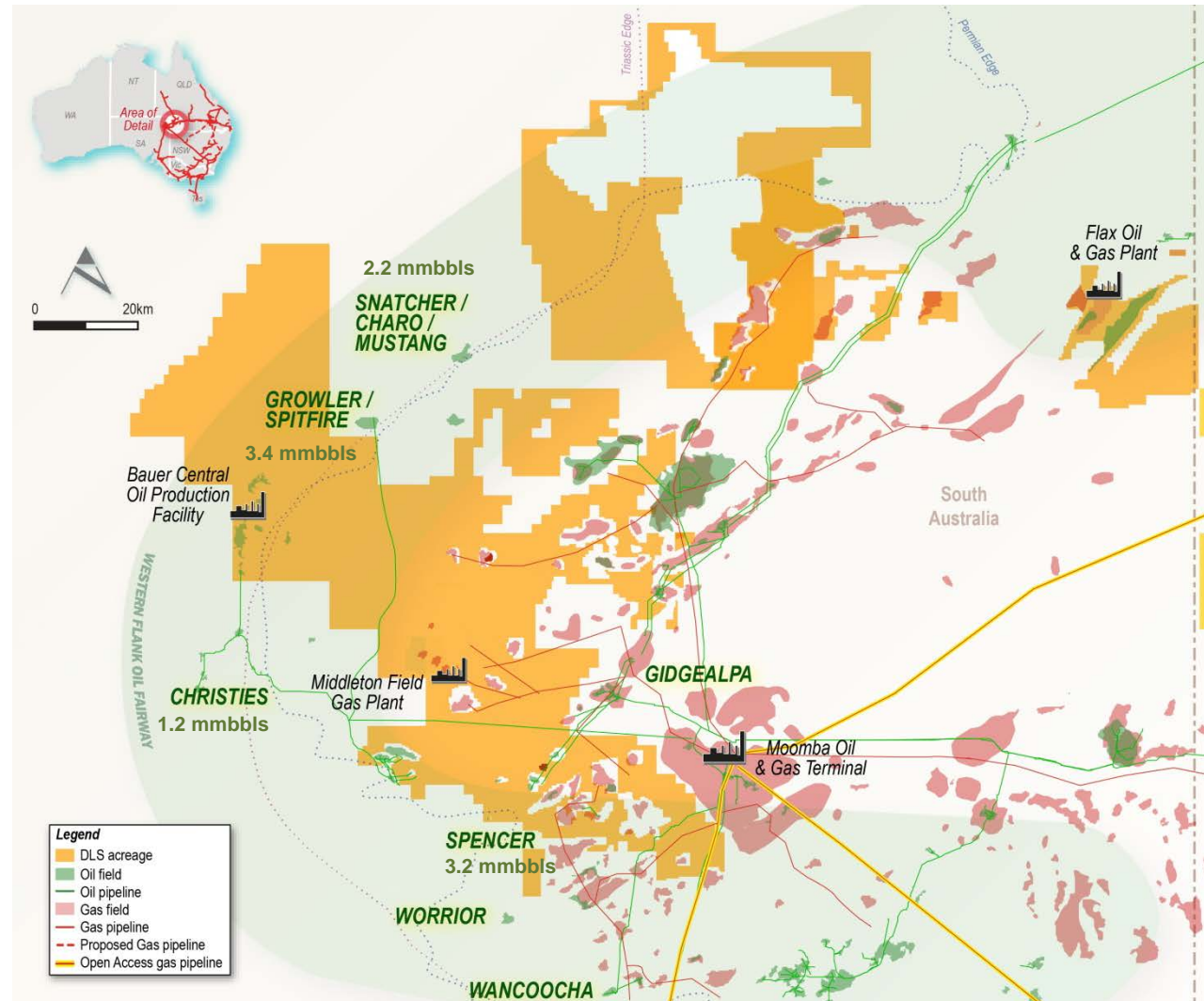
Upside in the Birkhead

- Significant intervals at Bauer-5, Stunsail-1 and Pennington North-1, and oil recoveries from Basham-1, Arno-1 and Marino-1
- Well developed sands in Pondalowie-1 and Neaves-1
- Apply seismic inversion to current and proposed 3D seismic to test unexplored permit areas, targeting best reservoir and seal potential

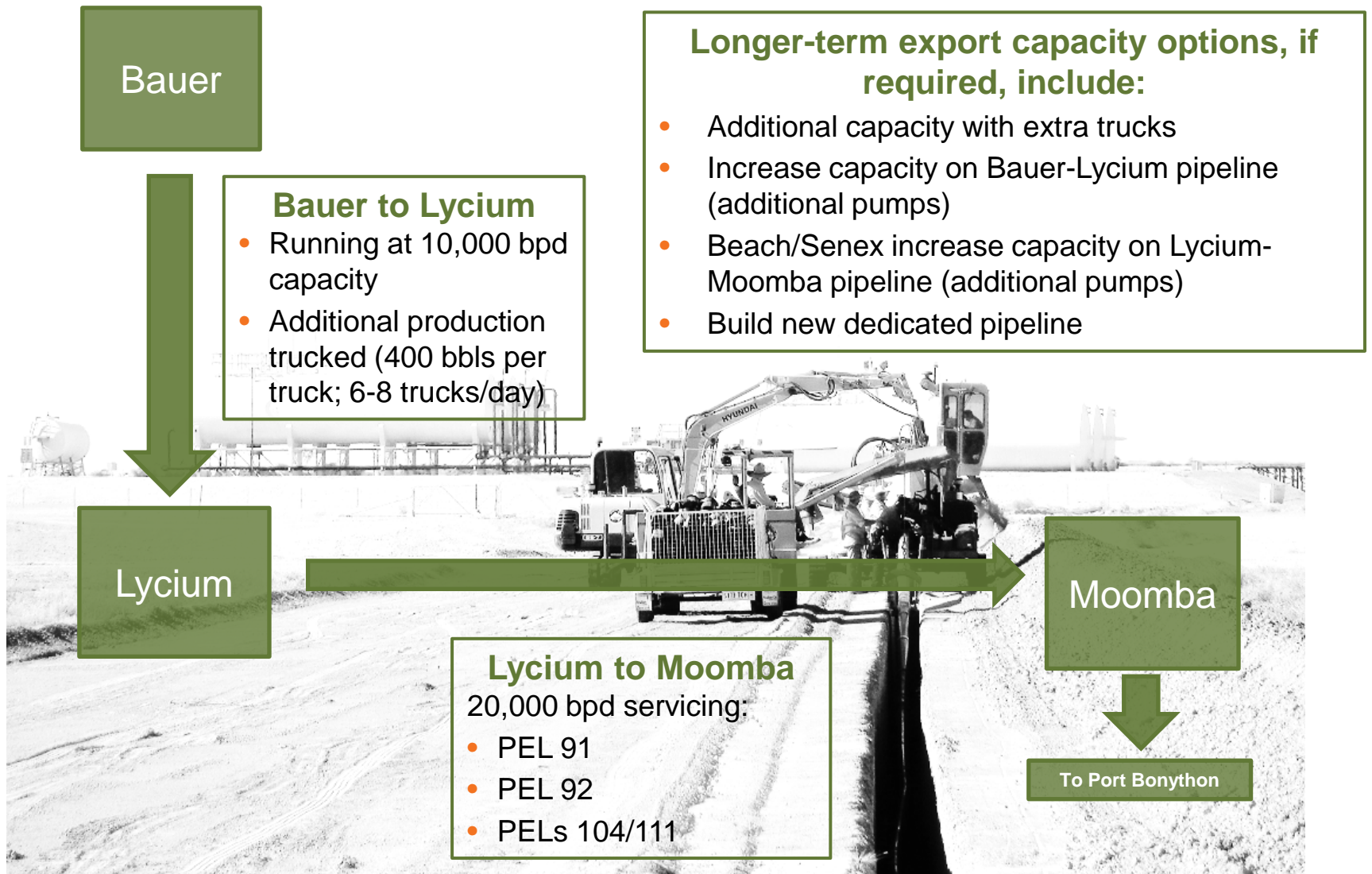


Oil: Potential in the Birkhead – PELs 91 and 182

- More than 35 Birkhead oil discoveries in South Australia (average size 0.6 mmbbls).
- Considerable oil potential from traps defined by 3D seismic inversion mapping
- Pressure depletion in some fields indicates limited support from aquifers - average recovery per well 200-300 kbbbls



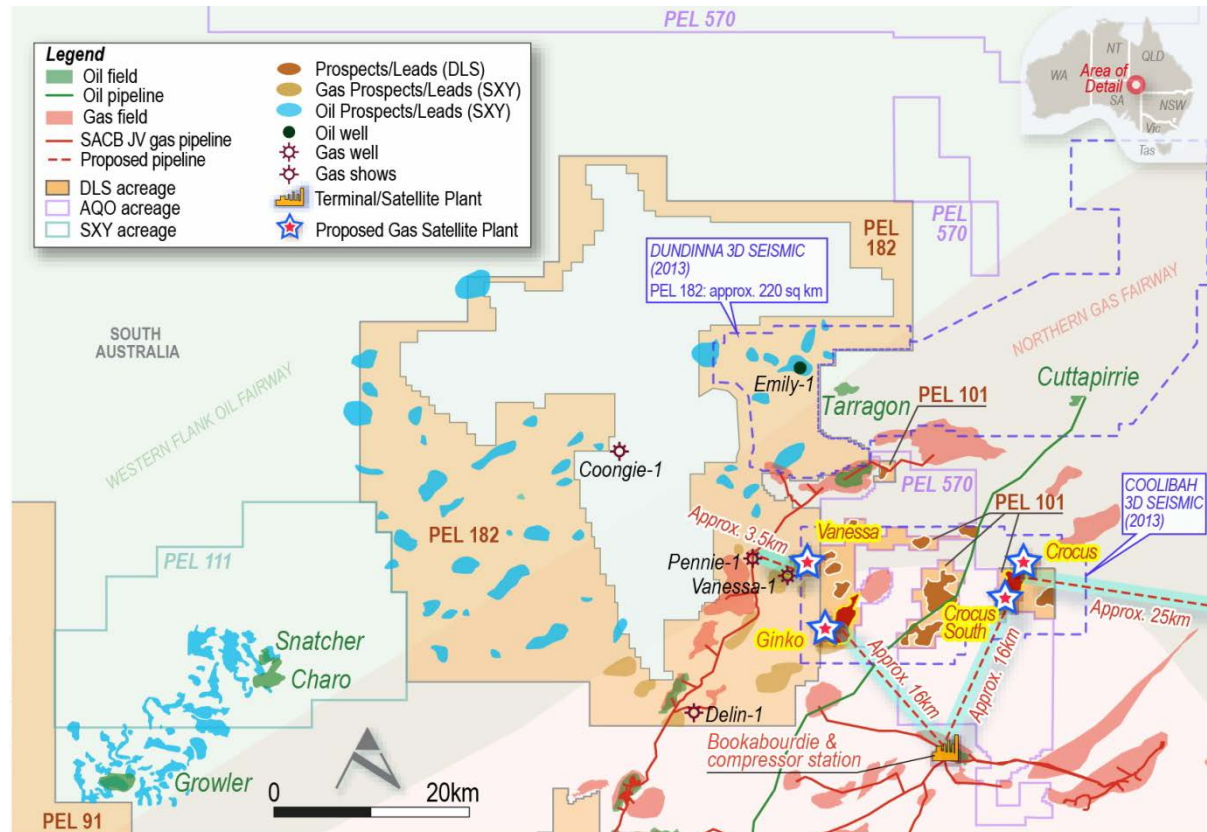
Oil: PEL 91 - Export Capacity



All options are under consideration as part of long-term plan for PEL 91

Oil: PEL 182 – a New Opportunity on the Western Flank

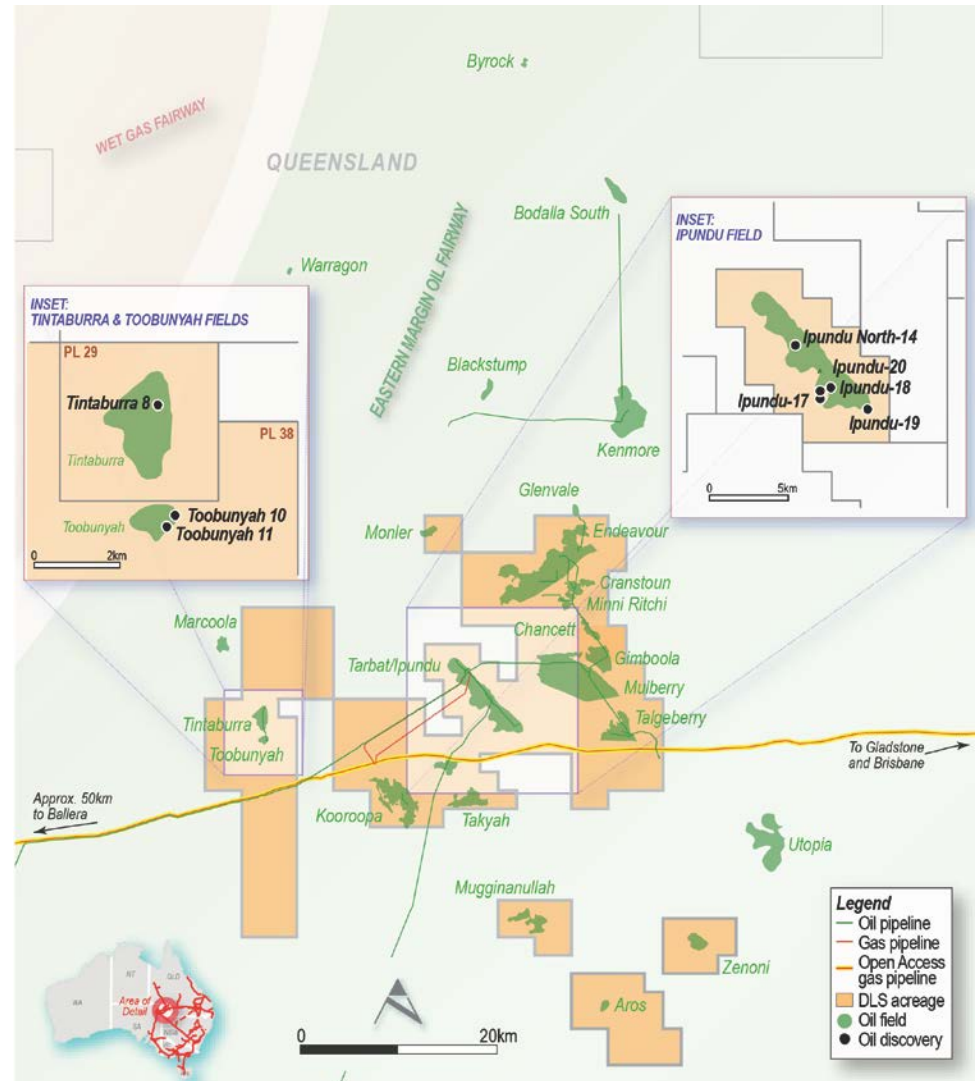
- 3D seismic processing completed in June quarter
- Several new leads identified with oil targets in the Poolowanna, Hutton and the Birkhead
- Three exploration wells to be drilled in FY2015
- Excellent oil and gas potential with numerous leads mapped on 2D seismic
- Western and southern areas under-explored and will require new 3D seismic



Oil: Eastern Margin/Tintaburra

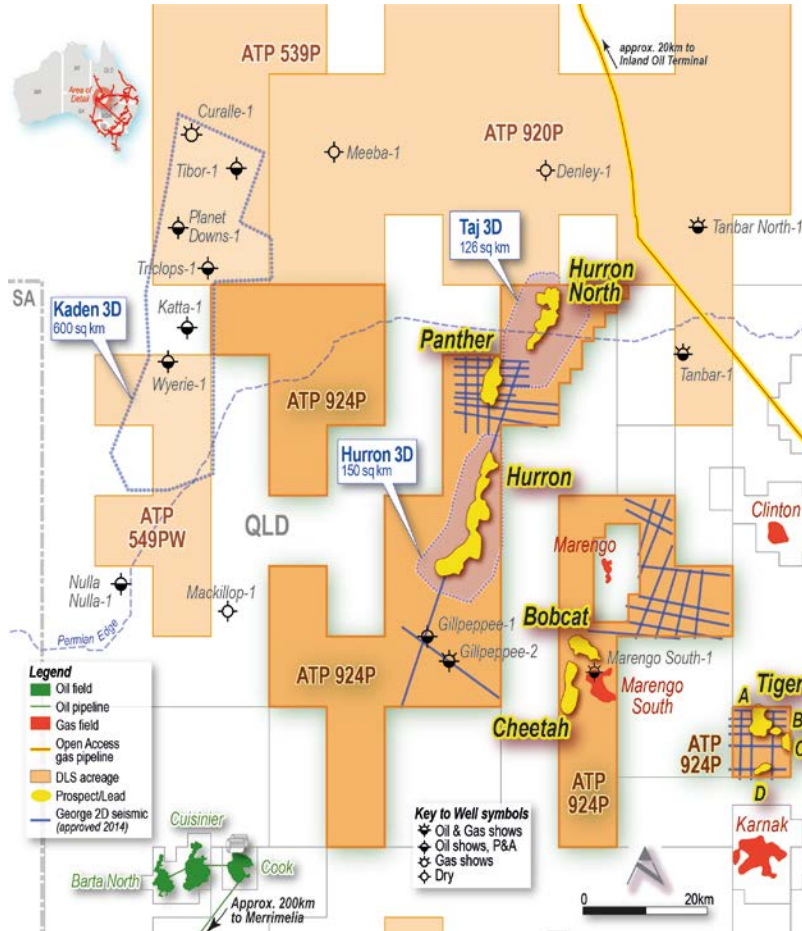
ATP 299P (Santos Operated)

- 84 producing wells
- 8 wells in FY14 – all successful
- Remaining two deepenings to be completed in FY2015
- Production of 1,200-1,400bbls/d gross
- Production Optimisation and smart oilfield technology = record low downtime of 7%
- Water flood reinstated eight months ago – Operator targets recovery factor improvement of 5-15% (As much as 40% in sweetspots)
- Opportunities for enhanced oil recovery under review



Downtime reduced and longevity extended

Oil: Inland Cook ATP 924P

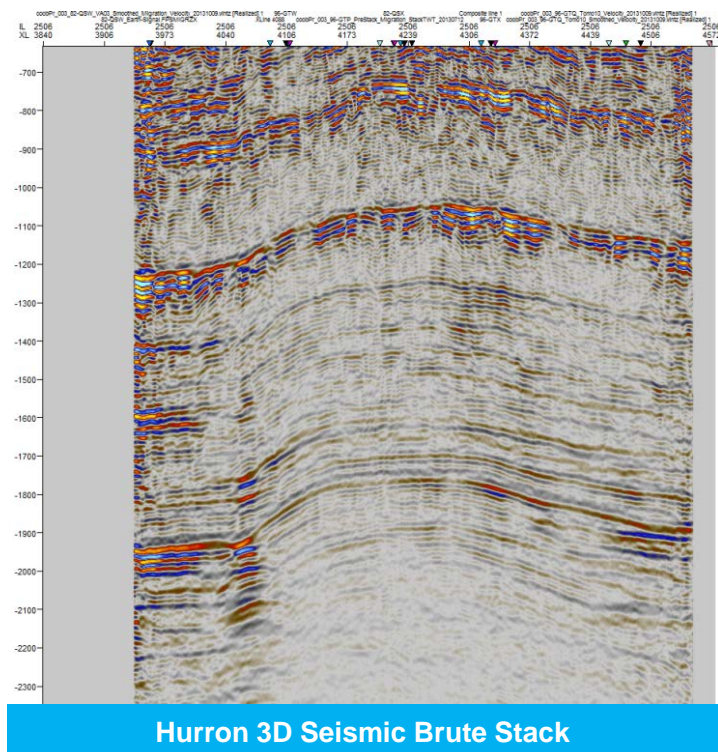


Work Program and Beach Farmout

- 2,300km² in SW Queensland Cooper Basin
- Between Inland Oil field to the north and Cook/Cuisinier to the south
- Two 3D seismic surveys recently completed with seismic processing underway
- Beach to fund recently completed 3D seismic, drill two wells and pay other past costs to earn 45% interest
- Farmout introduces quality partner, and extends successful working relationship
- Additional infilling 2D seismic program planned in FY2015 Q1

Under-explored area with several robust prospects

Oil: Inland Cook ATP 924P



Prospectivity

- Current program is de-risking and high-grading multiple prospects and leads identified on vintage 2D
- 2D seismic identified Hurron as largest undrilled oil prospect in the portfolio

(Based on 100% ownership, estimates pre-date 3D seismic)	Low	Best	High
Hurron¹ (Prospective Resource)	6.4mmbbls (P90)	18.7mmbbls (P50)	48.1mmbbls (P10)
Hurron Wet Gas¹ (Prospective Resource)	12.3BCF (P90)	27.9BCF (P50)	52.4BCF (P10)
Marengo South^{2*} (Contingent Resource)	5.0BCF (1C)	17.5BCF (2C)	42.1BCF (3C)

Cautionary Statement - the unrisks Prospective Oil and Gas Resources for Hurron in this presentation that may potentially be recovered by the application of a future development project 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.

¹ For background on Hurron, see ASX announcement 17 December 2013.

² For background on Marengo South, see ASX announcement 20 February 2014.

* Marengo South Contingent Resources independently audited by DeGolyer and MacNaughton.

Aggregation Method - the Contingent Gas Resources for the Marengo South-1 discovery and the unrisks Prospective Oil and Gas Resources for Hurron in this presentation have been estimated probabilistically at field and reservoir level but combined arithmetically to provide a total. The aggregate 1C or P90 may be a conservative estimate and the aggregate 3C or P10 may be an optimistic estimate due to the portfolio effect of arithmetic summation.

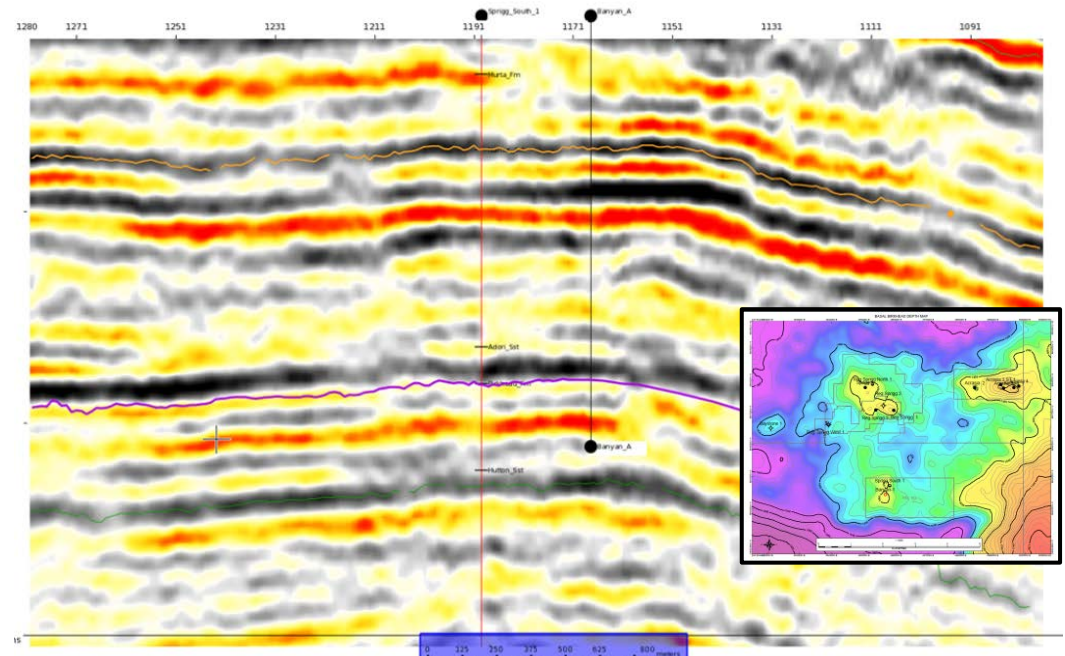
Under-explored area with several robust prospects

Banyan-1

- 3D-controlled exploration well - August 2014
- One of three culminations in the area, close to Acrasia and Reg Sprigg – testing Hutton and Birkhead up-dip of Sprigg South-1

Cautionary Statement

The unrisks Prospective Oil Resources for Banyan in this presentation that may potentially be recovered by the application of a future development project 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.



TWT Seismic section through the Banyan Structure

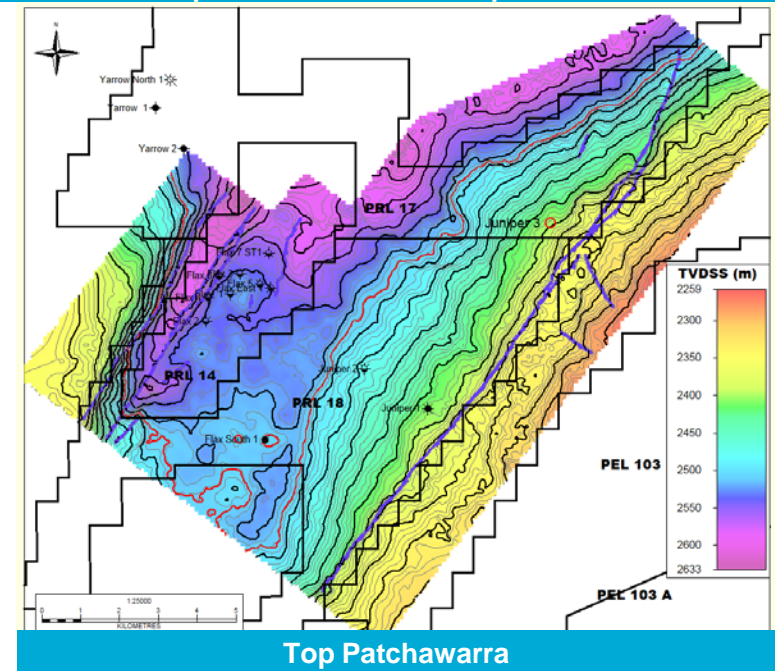
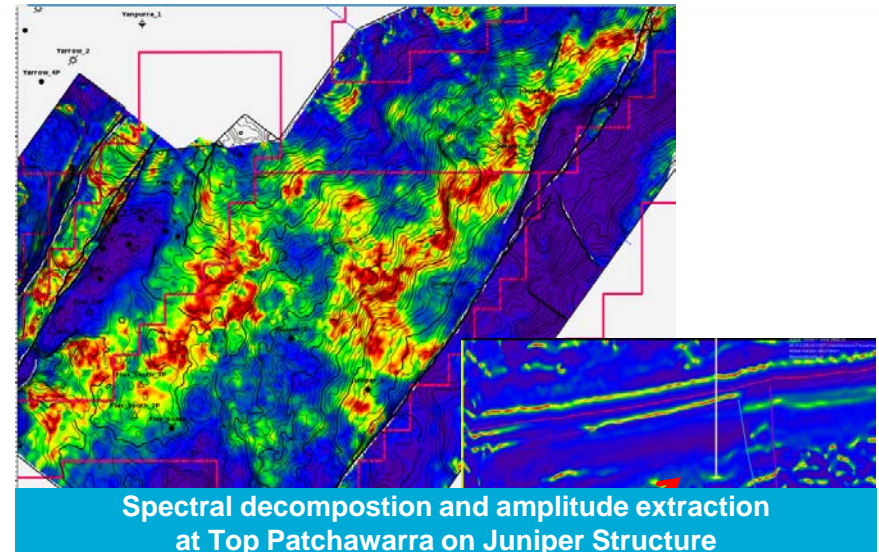
(Based on 100% ownership)	Low P90	Best P50	High P10
Banyan-1* (Prospective Resource)	0.2 mmbbls	0.7 mmbbls	2.2 mmbbls

*See ASX announcement, 17 December 2013.

Aggregation Method - The unrisks Prospective Oil Resources for Banyan in this presentation have been estimated probabilistically at field and reservoir level.

Juniper-3

- Appraisal well to spud September 2014
- 5.7km north east and up-dip of Juniper-1
- Testing Juniper structure - three-way closure against fault
- Primary targets in Patchawarra and Tirrawarra Formations
- Testing seismic anomaly to identify better reservoir development



Oil: Flax – Solving the Puzzle

Lauded as one of Australia's largest onshore oil fields when originally discovered by Innamincka Petroleum

DISCOVERY 2004

- Flax-1 discovered in the Tirrawarra formation
- 2D seismic-led discovery; 3D acquired 2012
- Tight, light, volatile 54 API oil
- 8 wells drilled to date

START-UP 2007

- 178,000 bbls of historic production
- Low rates – 400 bopd at peak
- 54% of output from Flax-1
- Weak aquifer support
- Flax East well connection to Juniper

ACQUIRED BY DRILLSEARCH IN EARLY 2013

EVALUATION 2013

- Shut-in for 18 months to monitor pressure rebound
- Well pressure gradients show good inter- communication
- Flax South-1 demonstrated a significant extension to the Flax field

RESTART 2014

- Re-certification of facilities near-completion
- Frac and recompletion of Flax-1 Tirrawarra sandstone producing interval and a new Patchawarra zone
- Restart expected September 2014
- Initial output of 200-400 bopd expected of volatile oil

Establishing a commercial recovery factor has been the main issue historically

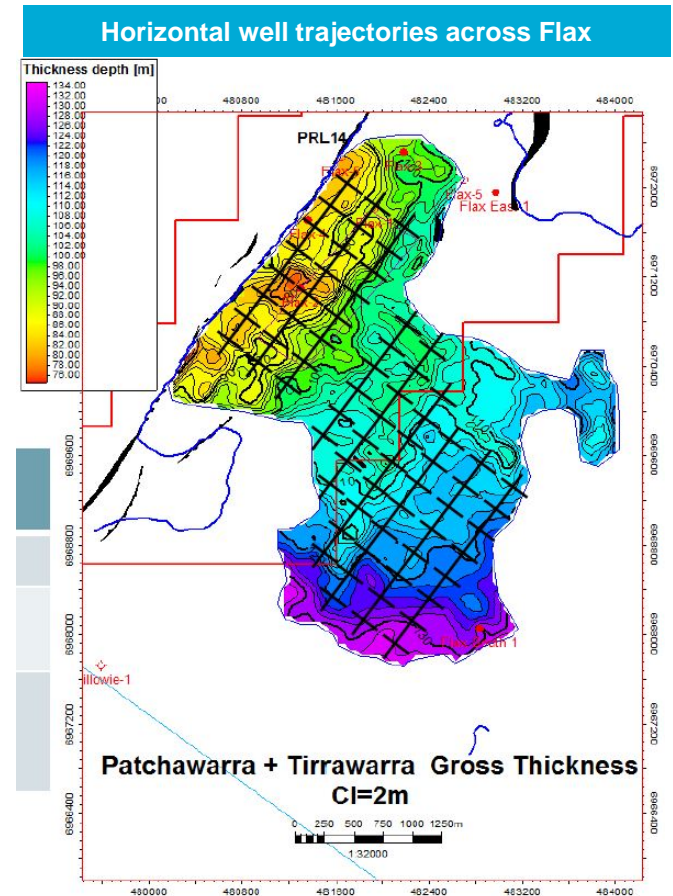
Oil: Flax – Applying New Thinking

Opportunity Summary (100% Ownership)

- Significant technical work conducted internally and by RISC
- Northern Cooper Tight Oil Commercialisation Study completed in June:
 - Preliminary (Best Case) Contingent Resource of 10 mmbbls of oil and 19 bcf solution gas, with significant upside if Juniper included
 - Contribution from both Tirrawarra and Patchawarra critical

Conceptual Development Plan

- Production of 10,000 stb/d and 20 MMscf/d of gas
- Fluids to be exported via pipeline to Bookabourdie line
- Nine wells with 2km laterals; 8-stage fracs
- Cardium is the analogue – unconventional techniques in conventional reservoir



Source: RISC

Project not without risk – challenging accumulation, though significant upside resource and production potential remains

Oil: Flax – The Way Forward

Next steps towards delivering a field development:

1. Additional technical work internally
2. Stage 1 – ‘Proof of Concept’ – 1-2 proof of concept multi-stage frac horizontal wells – late FY2015/early FY2016
3. Stage 2 – ‘Full field development stage’ – 8-9 multi-stage frac horizontal wells FY2016/FY2017

Additional considerations:

- RISC estimate of Contingent Resources will be included in our upcoming Reserves Update
- JV partner being sought to spread risk. Ideal partner will already have experience in delivering similar wells



Existing facilities at Flax



Leveraging our capability to deliver a well never drilled before in the Cooper Basin, though commonplace globally

Oil: Summary

- Balanced portfolio – highly profitable production and high impact exploration
- Increased investment seen in FY2015
- Bauer continues to surprise to upside; potential remains on Western Flank – PELs 91 and 182
- Targeting near-term liquids production from Northern Cooper in short term – Flax and Banyan





Corporate Briefing

August 2014

Wet Gas Business

Duncan Lockhart, Chief Technical Officer

Production

Brownlow, Middleton,
Canunda - PEL 106

Development

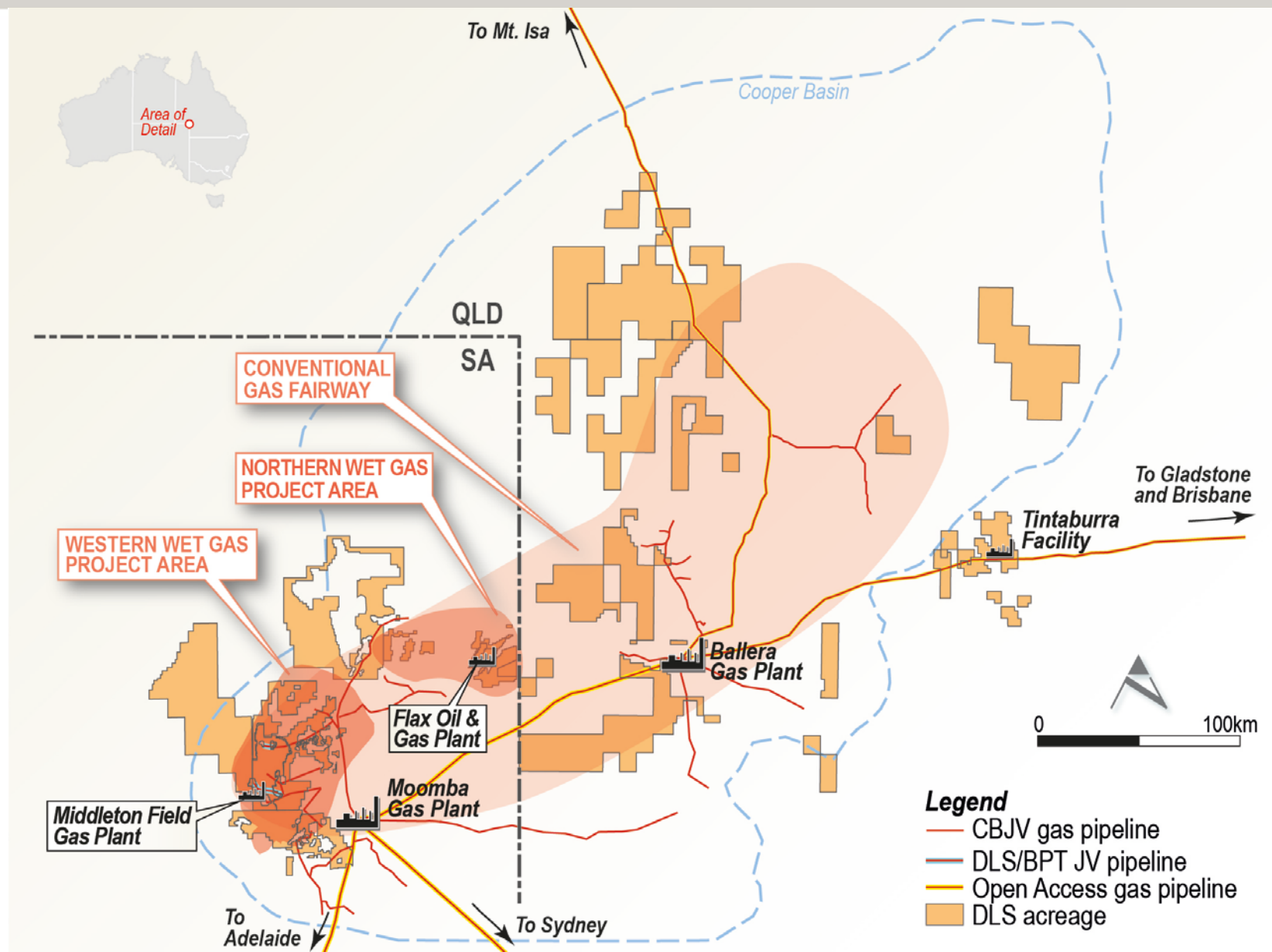
Coolawang, Udacha - PEL 106
Cadenza - PEL 632
Yarrow – PRL 17

Exploration

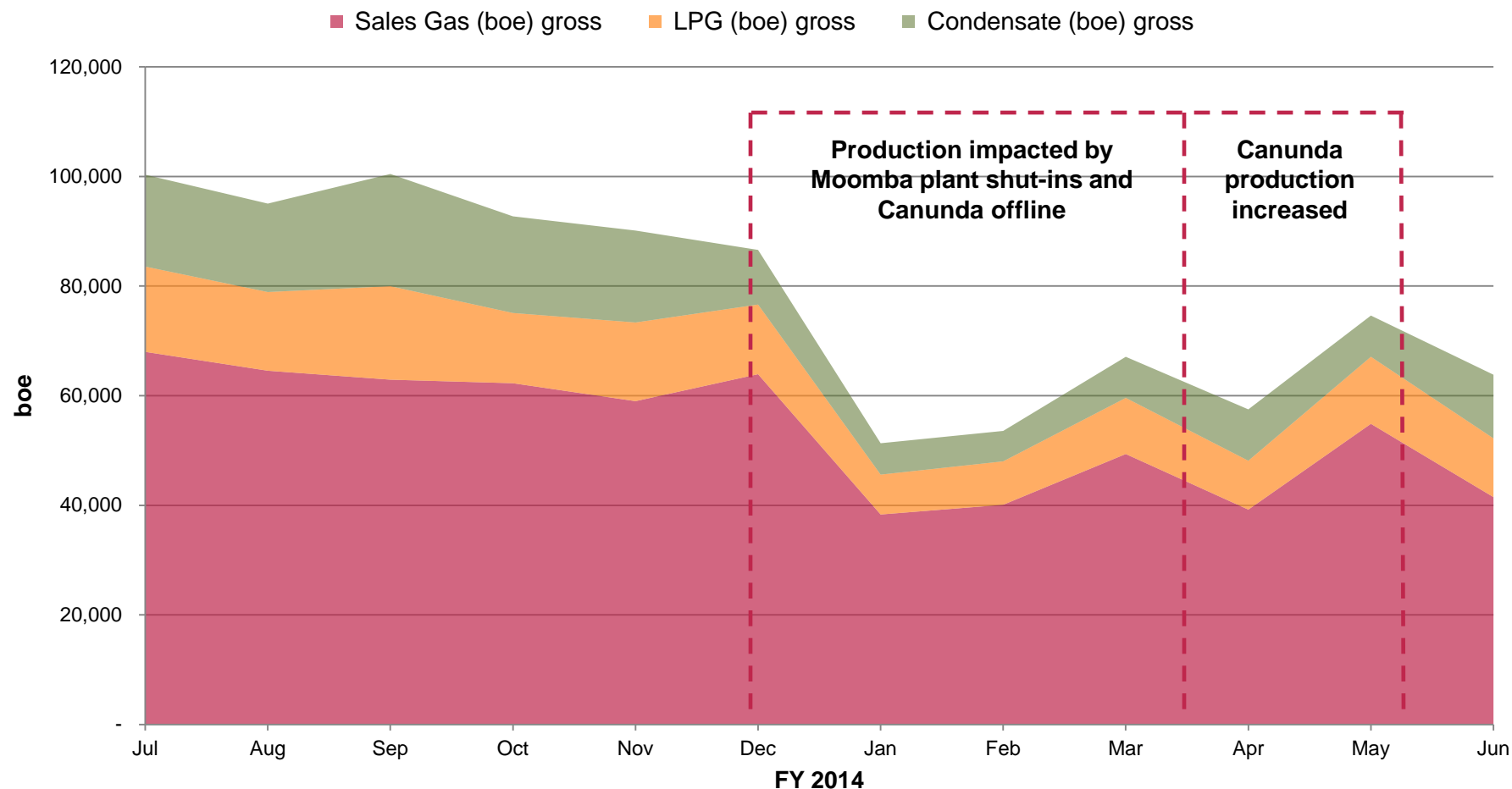
PEL 101
PEL 106
PEL 107
PEL 513
PEL 632
PEL 91 (eastern area)

Robust pipeline of gas assets across main project areas

Wet Gas: Project Area Overview

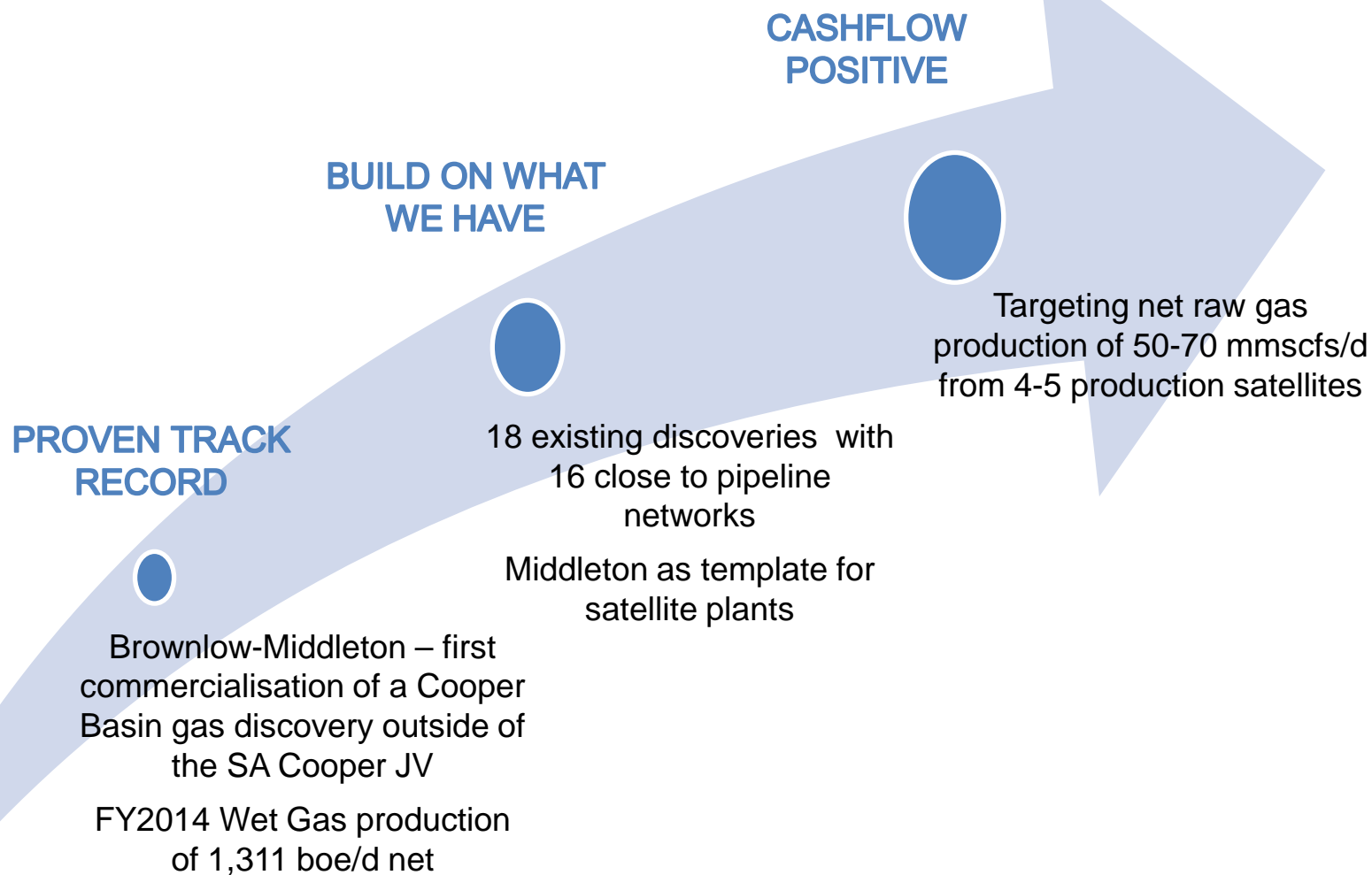


Wet Gas: FY2014 Production



- Compression to support production by as much as 0.4mmboe net in FY2016

Wet Gas: Clear Strategy to Become a Material Producer



Capturing the market opportunity, with liquids production maximising profitability

Wet Gas: Brownlow-Middleton as a Template



**Total CAPEX \$40m
(full cycle, gross)**

Seismic, exploration & development drilling, gas plant

DLS CAPEX

\$11.4m

(full cycle, net)

Seismic
Exploration &
development drilling
Gas Plant

1.05 mmboe production
Jan 2012 – June 2014

**Gross
Profit
\$33.2m**
OPEX \$7.3m
Royalties \$4.2m

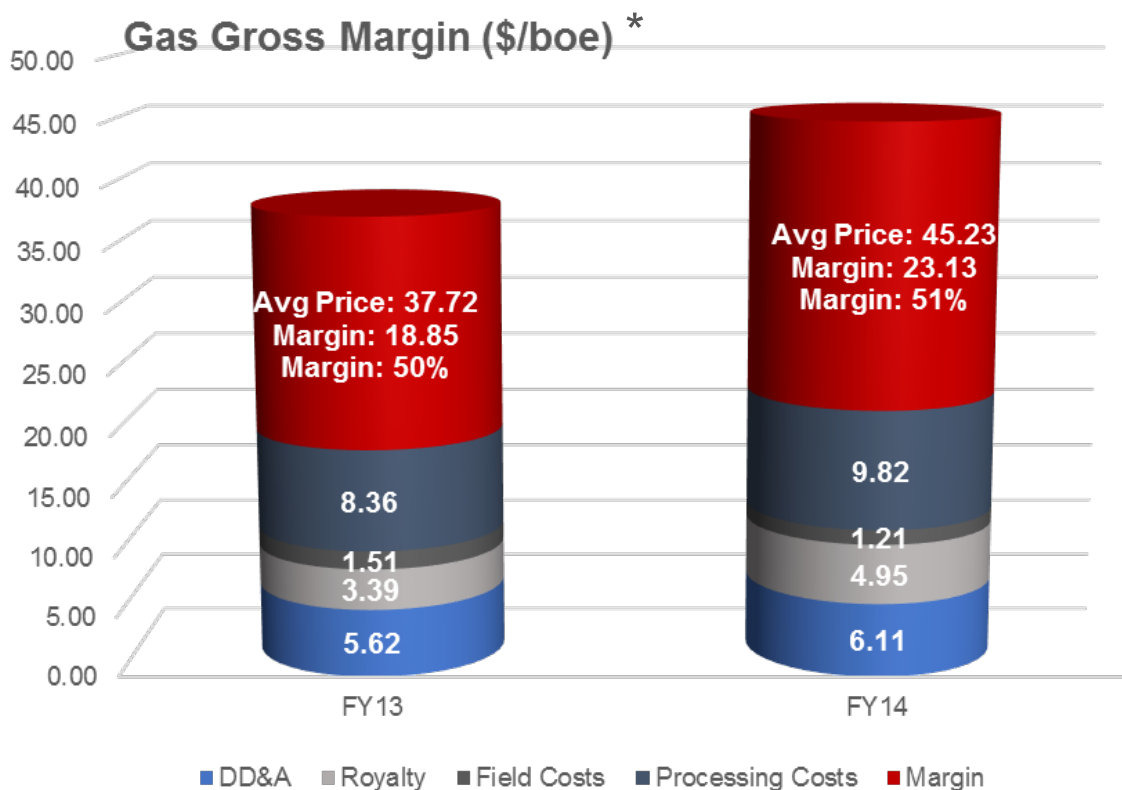
**Remaining
2P Reserves***
15.5mmboe
As at 30 Jun 2014

*Reserves reviewed by DeGolyer & MacNaughton as at 31 December 2013 (released to the ASX on 20 February 2014) and adjusted for production to 30 June 2014 of 0.2mmboe by Drillsearch

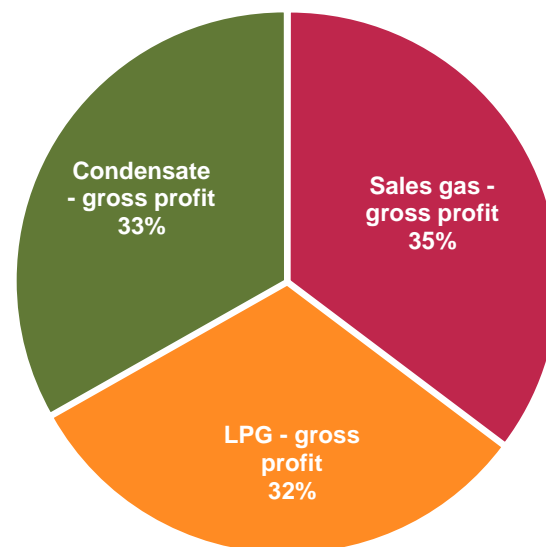
Full cycle cash flow positive in first year of production

Wet Gas: Liquids Drive Profitability

- Wet Gas projects are substantially linked to global oil prices through natural gas liquids

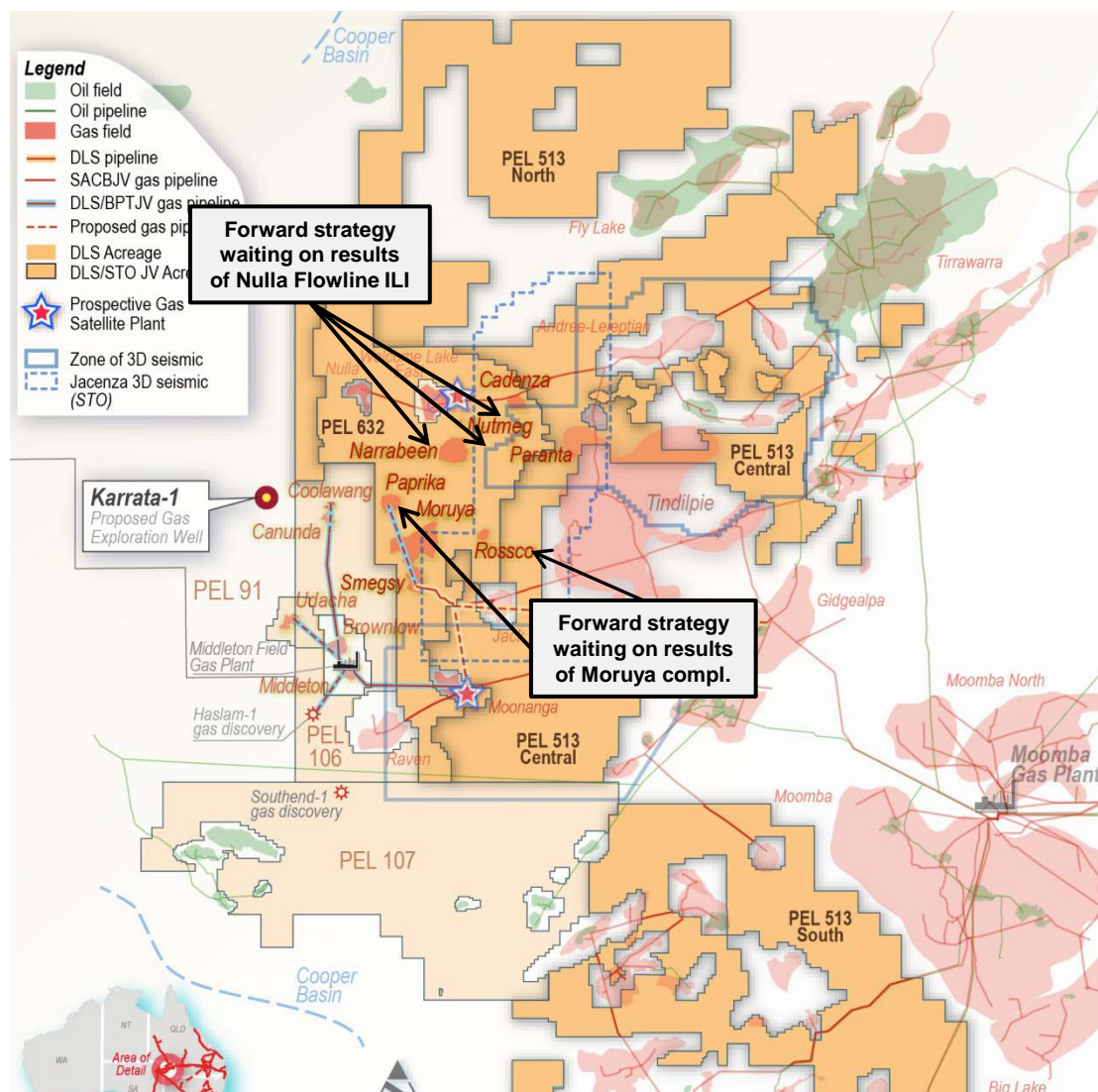


Brownlow-Middleton % gross profit by product



Western Wet Gas: Santos JV Acreage – PELs 513 and 632

- **Seismic:**
 - 329km² Jacenza 3D survey acquisition commenced
- **Drilling:**
 - Eight wells planned:
 - 6 in PEL 513
 - 2 in PEL 632
- **Development:**
 - Hydraulic stimulation, completion and extended production test planned at Moruya
- **Production:**
 - Cadenza start-up dependent on testing of Nulla spurline



Drillsearch remains fully carried for work program in FY2015

Western Wet Gas: Beach JV Acreage – PELs 91, 106 and 107

- **Drilling:**

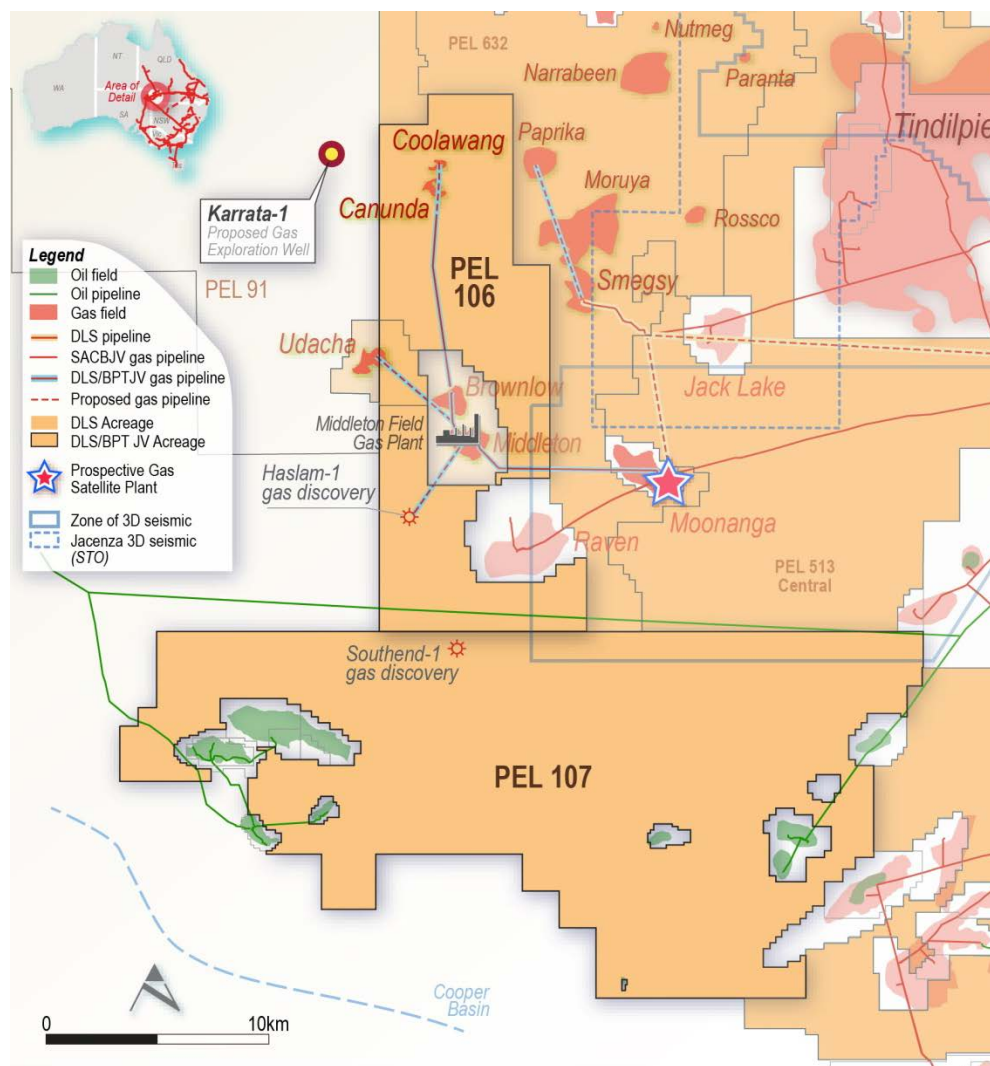
- Five wells planned:
 - 4 exploration
 - 1 appraisal well
- Karrata-1 gas well proposed in PEL 91

- **Development:**

- Central compression facility planned, commissioning late CY2015
- Compression to boost production and increase ultimate recovery while supporting new discoveries

- **Production:**

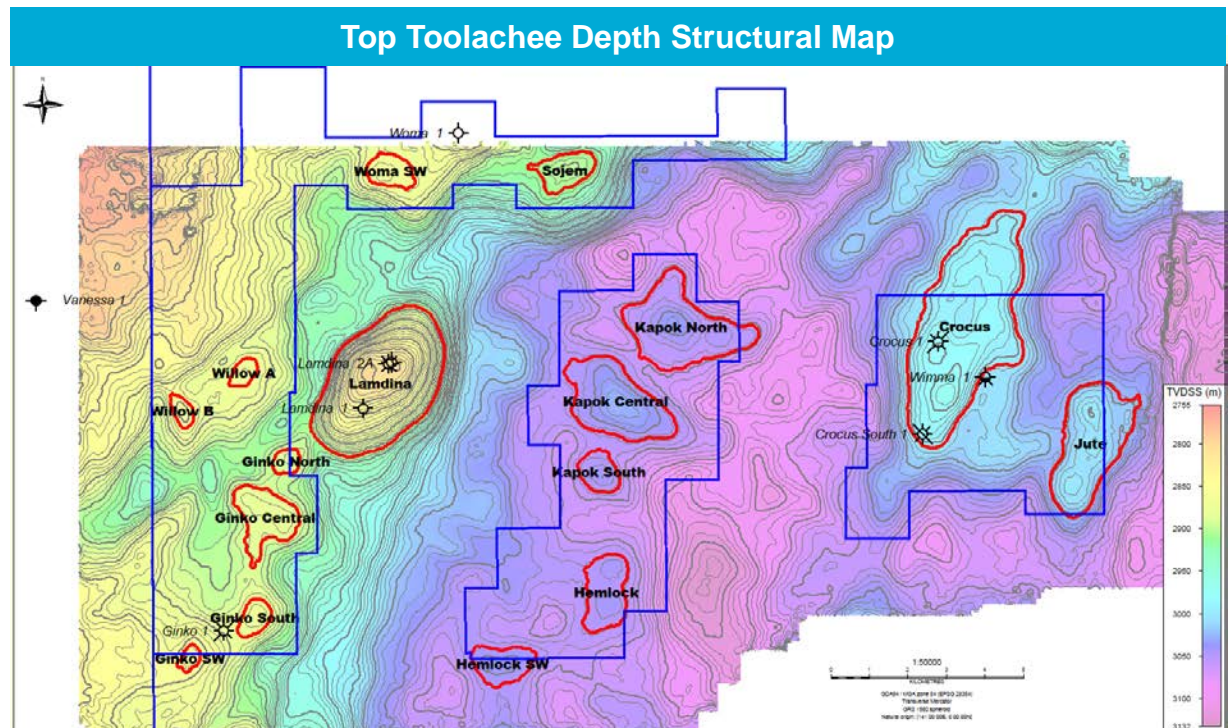
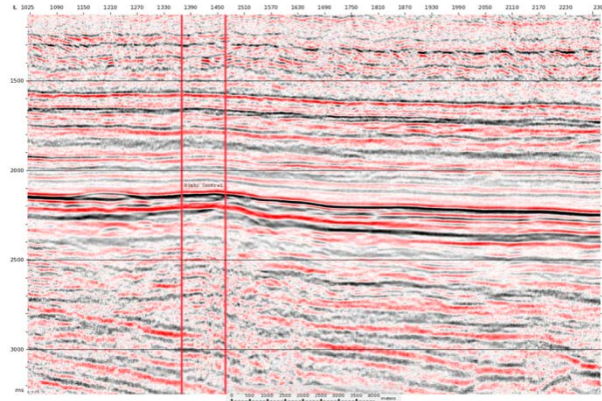
- Udacha hydraulic stimulation and extended production test



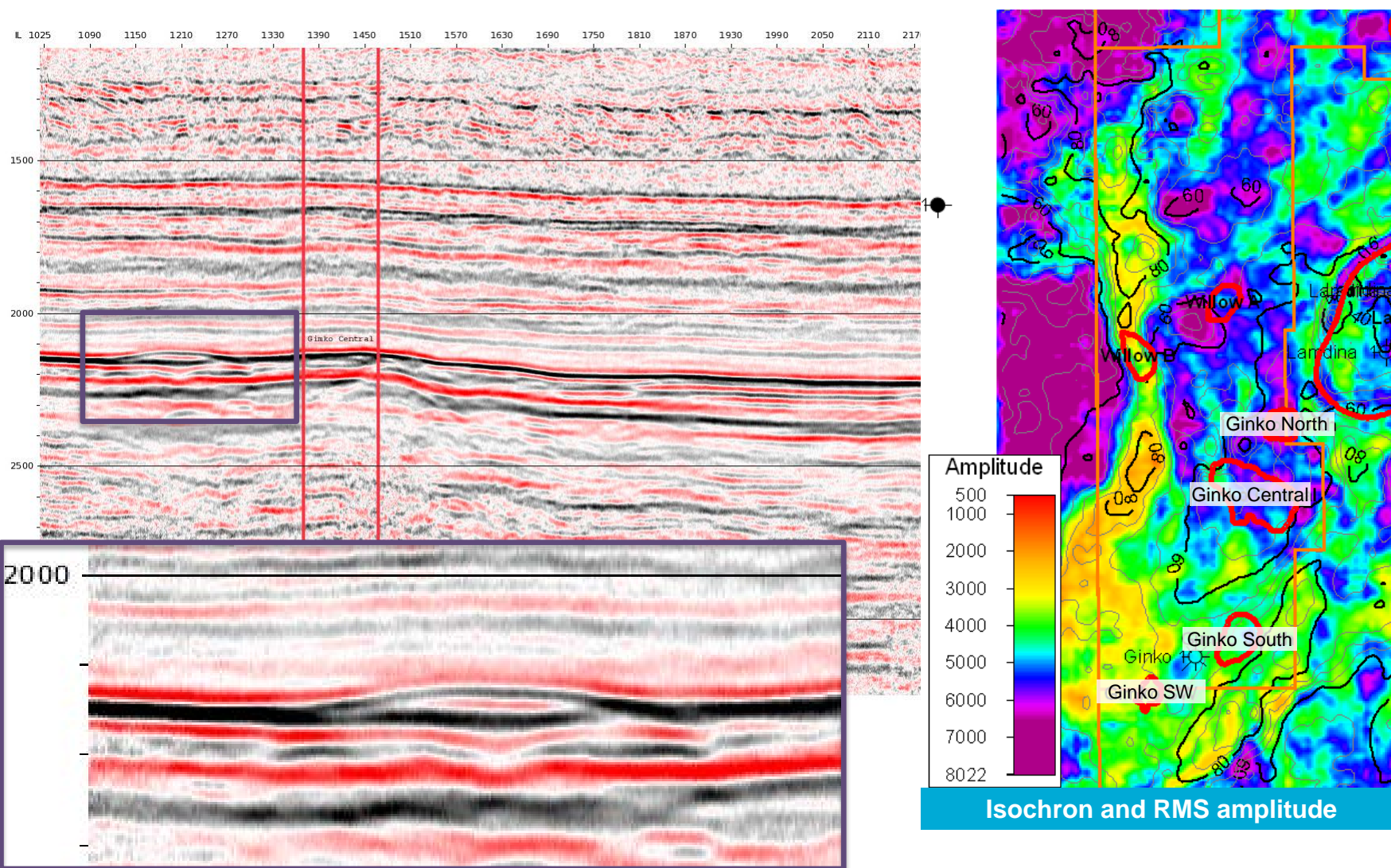
FY2015 exploration program is the biggest planned by the JV

Northern Wet Gas: PEL 101

- Three untested discoveries: Crocus, Crocus South and Ginko
- Five wells planned in FY2015
- Excellent low risk wet gas potential
- Proximate to pipeline networks
- Facility similar to Middleton/Brownlow envisaged
- Broader region identified as the prime unconventional gas fairway in the SA Cooper Basin

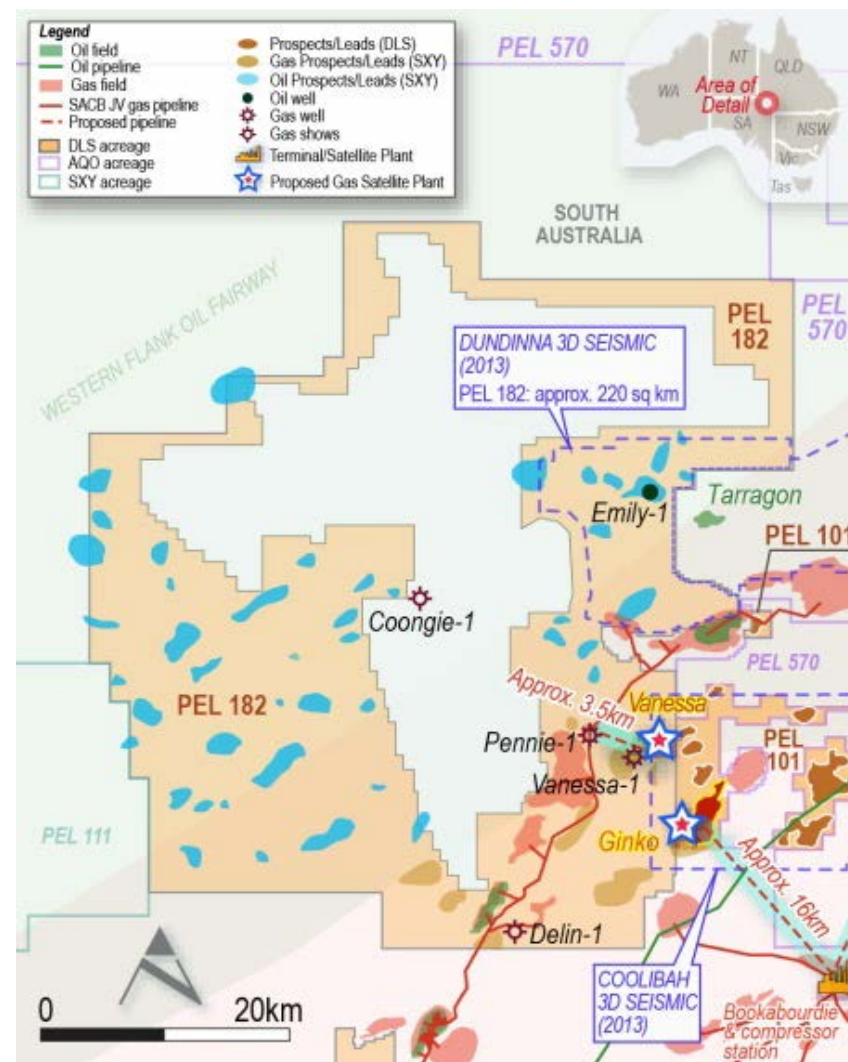


Northern Wet Gas: PEL 101 3D Unlocking Stratigraphic Potential



Northern Wet Gas: PEL 182 Vanessa

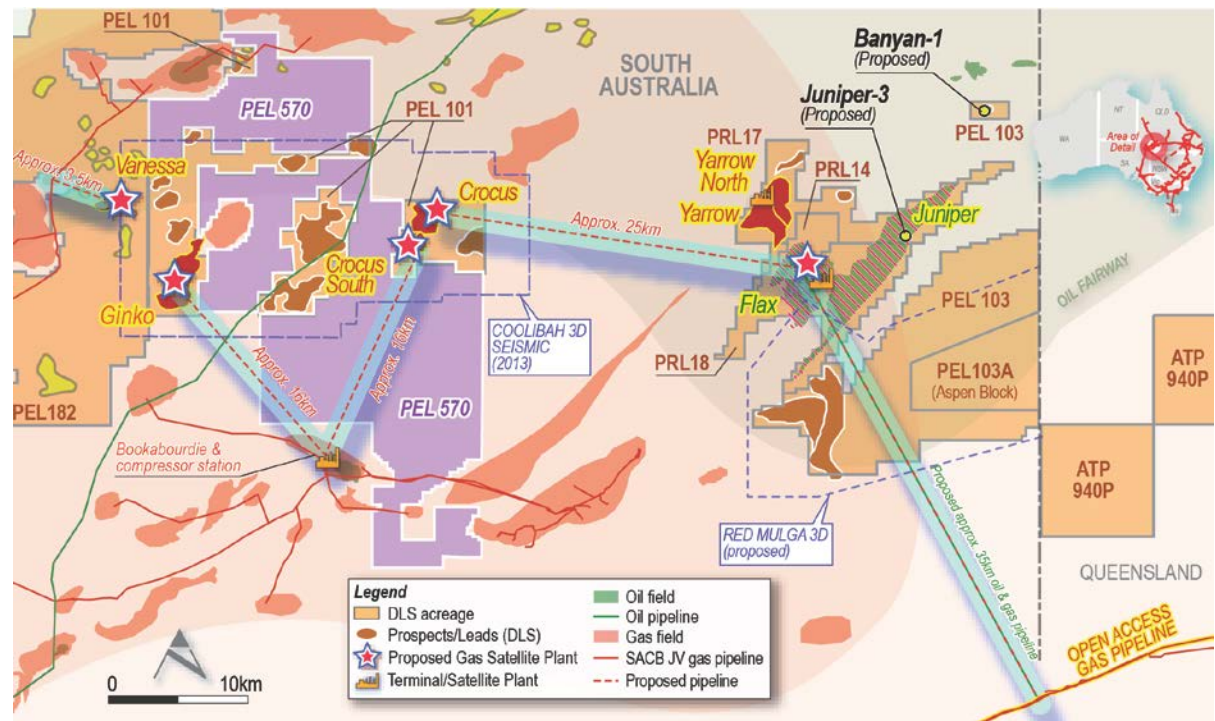
- Discovered in 2007 – not covered by 3D
- Estimated gas flows – 8.4mmscf/d
- Associated condensate production ~20 barrels per mmscf/d (~170 barrels per day)
- Toolachee and Epsilon structure with stratigraphic upside
- Pre-planning underway for workover
- Extended production test anticipated by end calendar 2014
- Located approximately 3.5km from Santos pipeline at Pennie



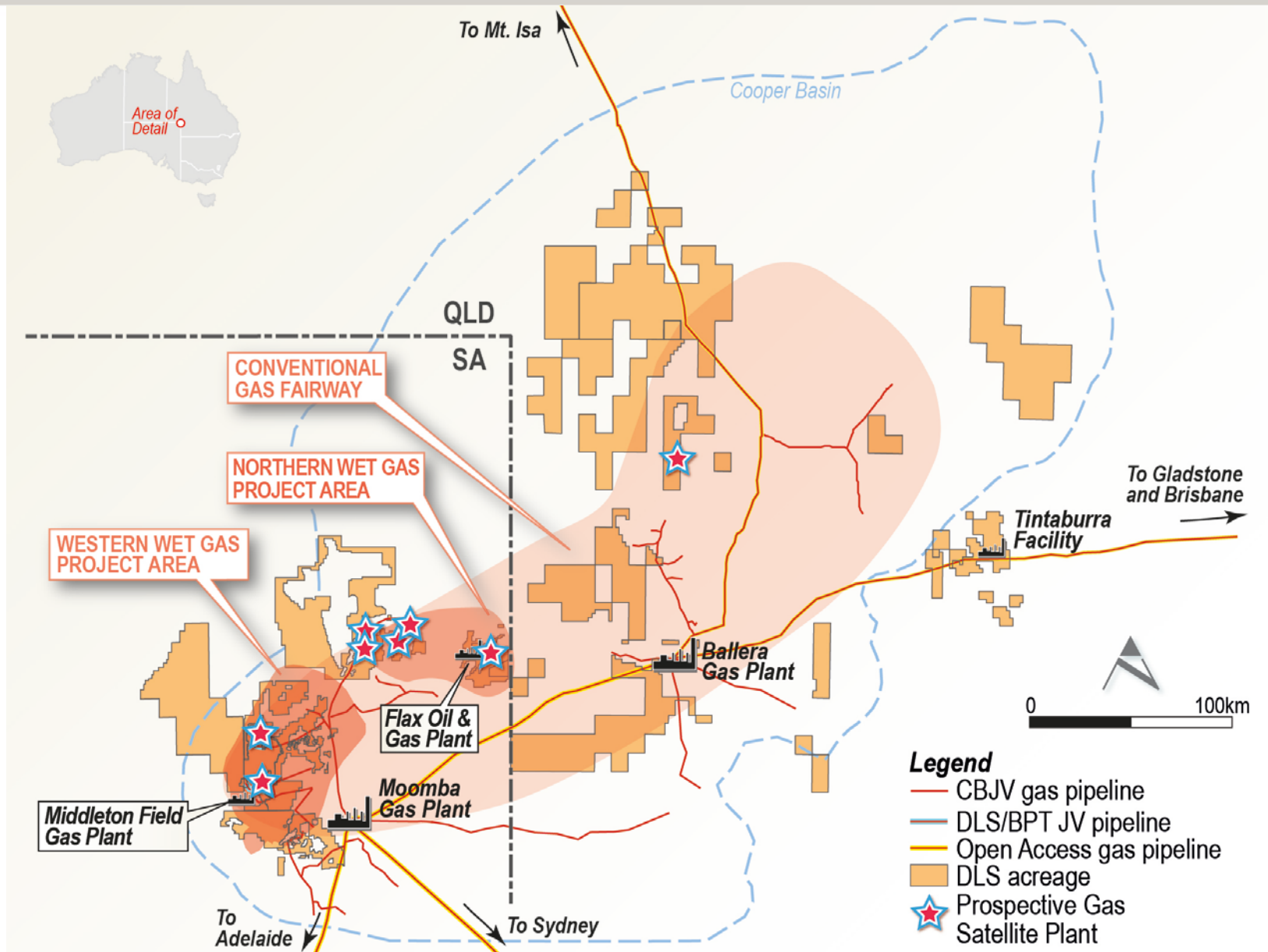
Discussion around a potential development ongoing

Northern Wet Gas: Proposed Acquisition of Ambassador

- Compelling bolt-on acquisition that consolidates position in Northern Cooper Wet Gas
- PEL 101 and 570 structural stratigraphic play potential seen as analogous to SACBJV's Greater Tindilpie complex in southern Patchawarra Trough
- Three existing discoveries in the neighbouring PEL 101
- Drilling in PEL 101 to further de-risk conventional prospectivity, and generate significant value across all permits



Wet Gas: Clear Strategy to Become a Material Producer



Wet Gas Summary: Clear Strategy to Become a Material Producer

- Long life assets, with liquids content improving the economics
- Targeting self-funding by FY2017 through development of 4-5 production satellites
- FY2015 drilling provides base for future step change in production
- Gas market drivers provide impetus and motivation for aggressive work programs
- Western Cooper Wet Gas Fairway provides solid revenue base and template for development of other discoveries



Corporate Briefing

August 2014

Unconventional Business

Peter Fox, Chief Commercial Officer

Drillsearch

Context

What:

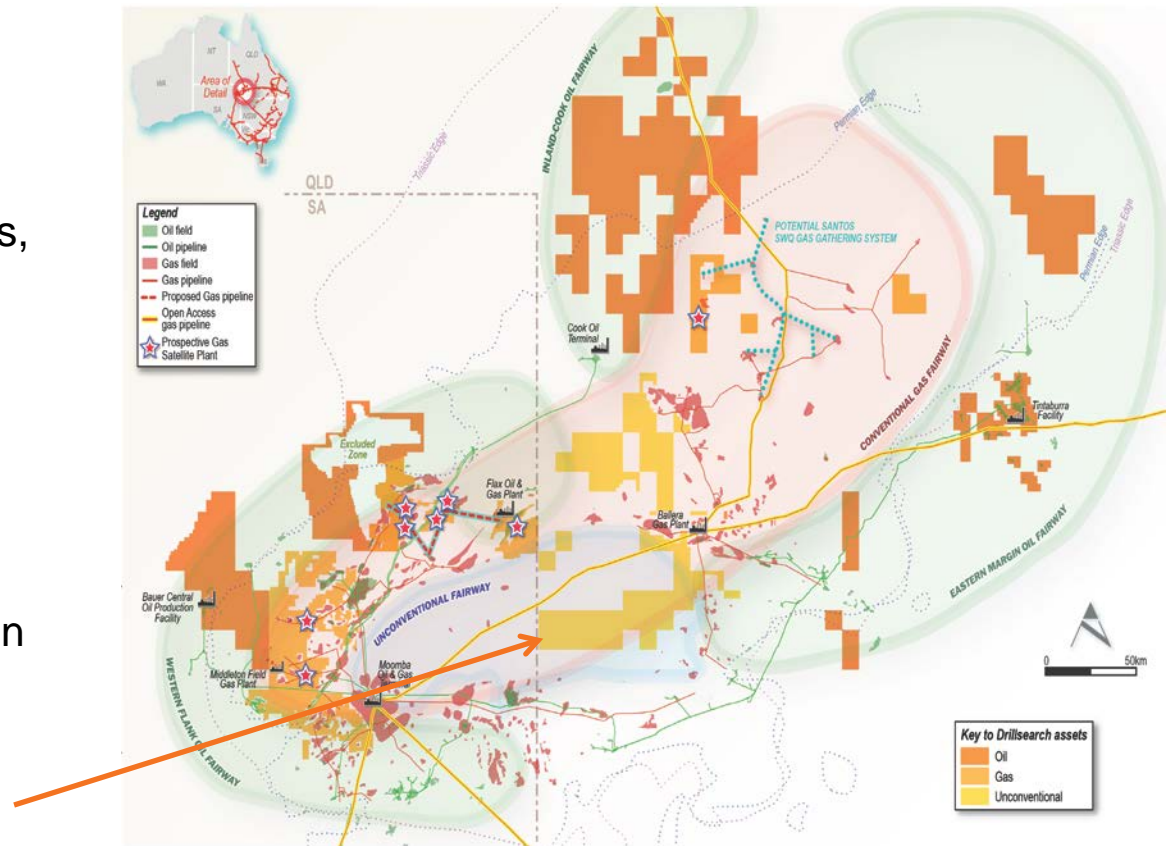
- Oil and/or gas - pervasive in extent
- Multiple plays – shale, tight gas, deep CSG

Where:

- Well understood fairways in mature oil and gas region
- Often associated with conventional resources
- Immediate focus is ATP 940P in the Nappamerri Trough – additional opportunities in the Patchawarra Trough

Why:

- Favourable long-term outlook – good rocks, access to market, fair regulatory framework
- Complements conventional Oil and Wet Gas

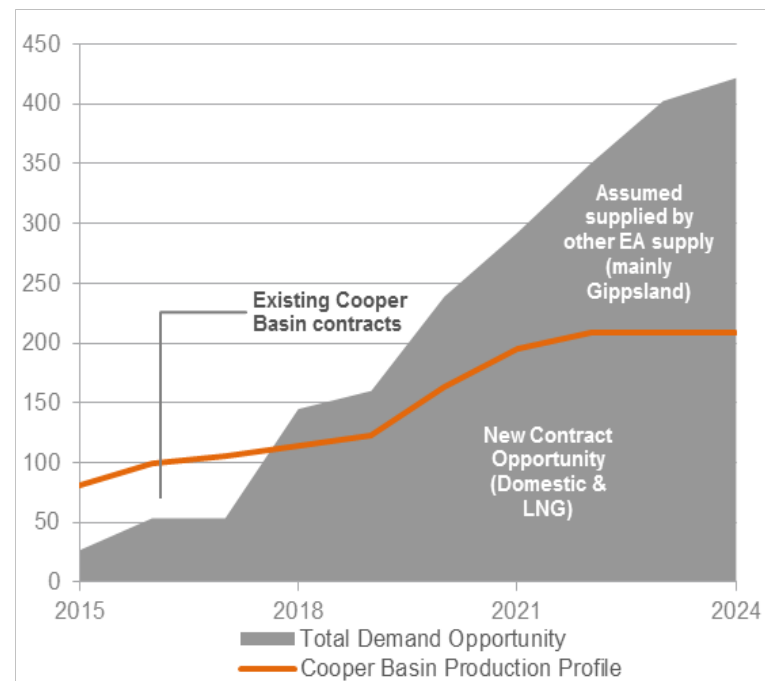


US Energy Information Administration estimates 342 TCF of shale gas in place in the Cooper Basin with a risked recoverable amount of 85 TCF

Cooper Unconventional: A Major Role in the East Coast Market

- The Cooper Basin has supplied East Coast for more than 40 years
- LNG growth beyond current developments benefits from economies of scale
- LNG pricing unlocking untapped resources – e.g. Cooper Unconventional
- Infrastructure exists connecting the Cooper to major capitals, and to Gladstone
- International majors bring investment and expertise

Investment underpinned by market opportunity and price outlook



Cooper Basin Supply Opportunity | PJ

Cooper Basin production expected to reach 155 PJ a year by 2022. Potential to supply up to 54 PJ a year to Gladstone LNG projects.

Source: Core Energy June 2014

Unconventional: Value Milestones

Four key steps to establishing a viable Unconventional project:

Presence

Are the hydrocarbons there?

Prevalence

How much is there?

Producability

What volume and rate can the hydrocarbons be produced?

Profitability

Do selling price, project costs and production combine to provide a commercial return?

Our Cooper Basin peers have proved the first two – the key is to demonstrate Producability and Profitability

Unconventional: How to Build a Commercial Project

Key variables determining profitability of an Unconventional project

Gas Price

- Observable
- Changes over time

Production Rate

- Early indications
- More wells, refined completion approach, better rates

Well cost

- Well scope efficiencies
- Economies of scale grow
- Service providers more prevalent

EUR

- Long term production required

TIME

ATP 940P Joint Venture With QGC: Landmark Agreement

Who:

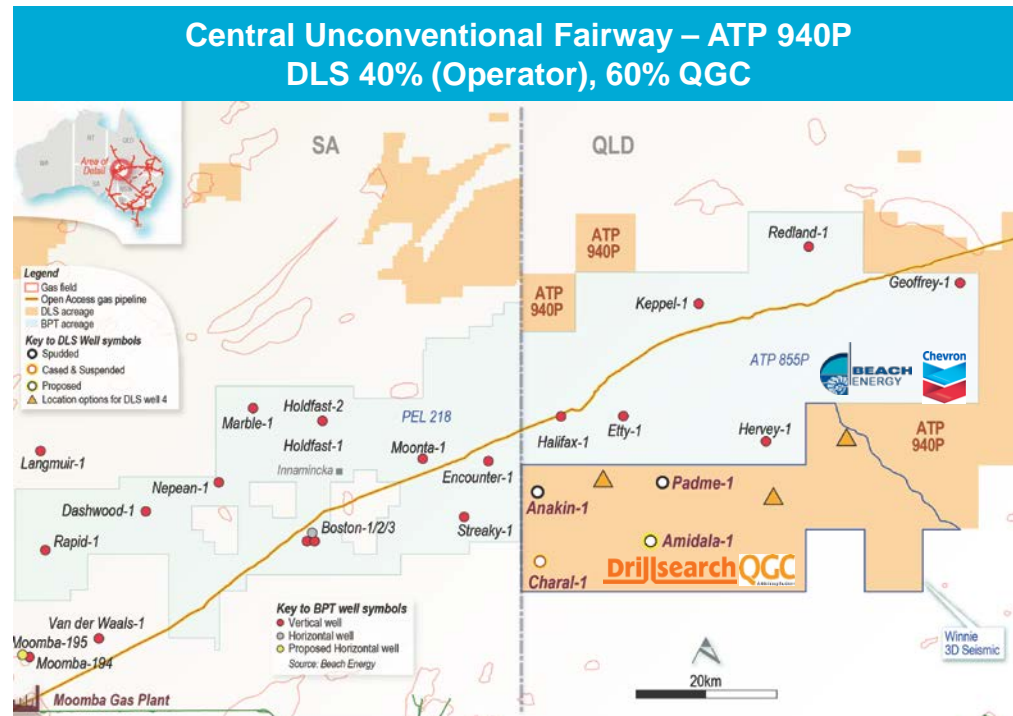
- First alliance to introduce global major into Cooper Basin unconventional project
- Relationship responsive to project needs

What:

- Differentiated by use of 3D seismic – biggest survey carried out onshore Australia and to the highest resolution
- Weatherford 826 – most fit-for-purpose rig in Australia

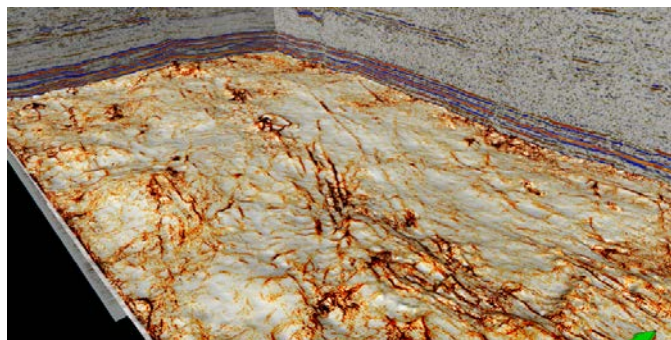
Where:

- Two wells drilled to target depth so far - Charal-1 3,866m in late April. Anakin-1 4,050m in mid-July
- Hydraulic stimulation and testing to begin in September

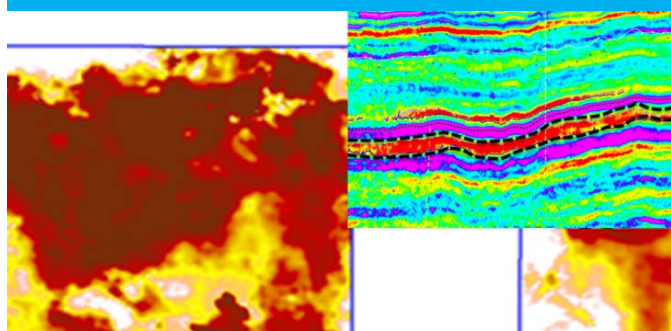


Collaboration at the heart of our core disciplines

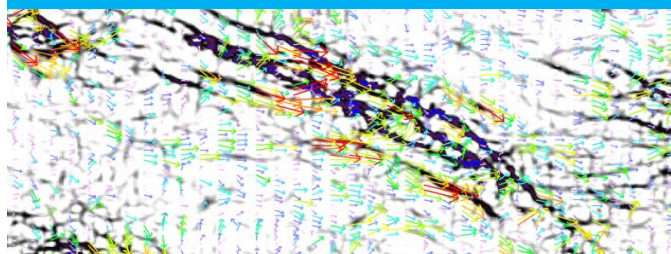
Winnie 3D Seismic: – Providing the Roadmap



Interpret and understand structural elements



Interpretation of seismic facies indicators



Correlate azimuthal attributes with structure, stratigraphy, and stress.

- More than 1,050km² 3D seismic survey conducted by WesternGeco, a unit of Schlumberger.
- Latest technology used to meet the resolution required for both unconventional and conventional targets.
- De-risks hazards such as shallow volcanics and deep faults, which could prove catastrophic to well success.
- High resolution facilitates early delineation and targeting of 'sweetspots' in the shales and tight sands.

Committed to seismic-led activity in all of our permits

Operations outcomes: Difficult conditions, excellent delivery



Weatherford 826 Rig

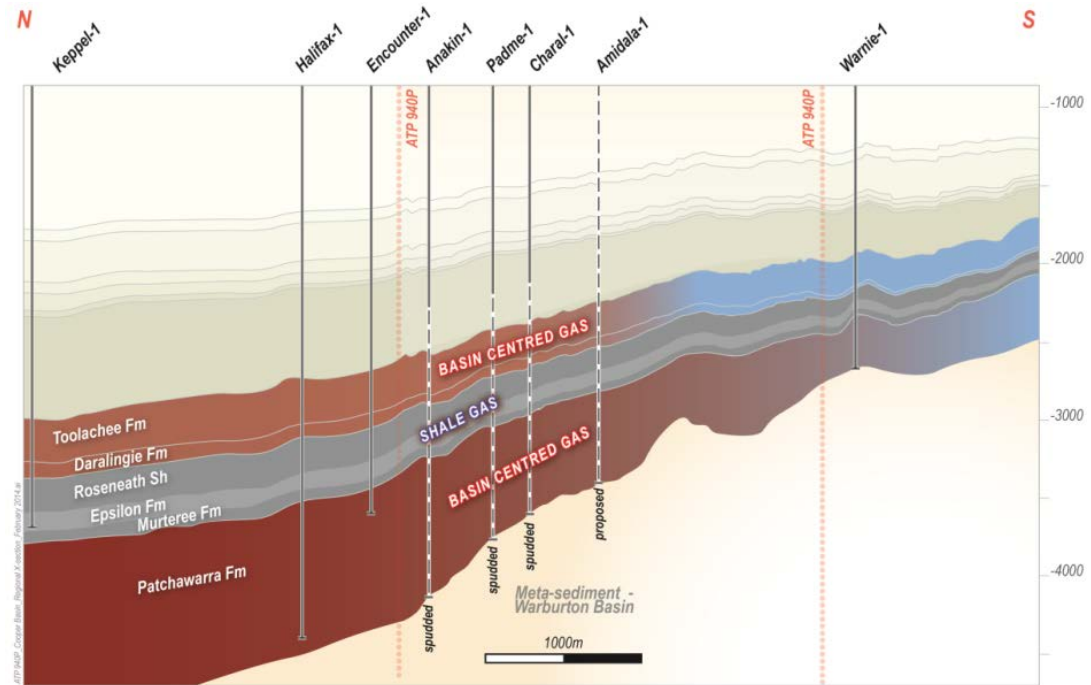
Weatherford 826 Rig

- 1,500-HP top-drive drilling rig, built in Houston, Texas
- Advanced rig suited to conventional and unconventional drilling
- Delivers certainty and efficiencies
- Rig upgraded with High Pressure, High Temperature (HPHT) equipment
- Two deep wells and one top hole completed without incident
- Measured approach to conditions:
 - safe operation demonstrated;
 - pathway to increased efficiency.

Using the best drilling team, and the best equipment

Technical Outcomes: Charal-1 and Anakin-1

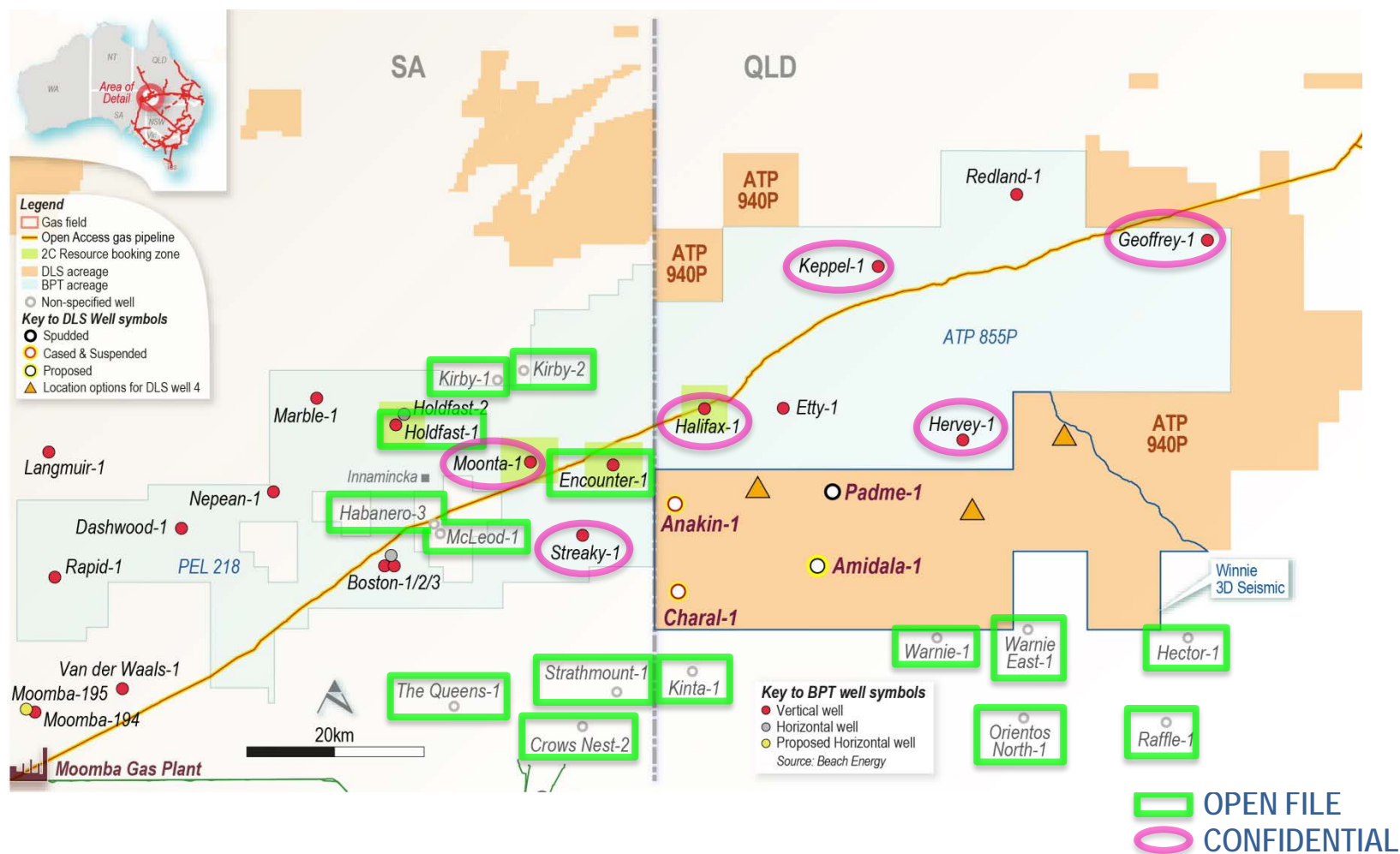
- 3D seismic provided excellent resolution
- Program tests lateral extent of seismic area
- Two distinct plays reached by each well
- Elevated gas levels experienced in both wells
- Hydraulic stimulation program flex to test different horizons
- Anakin and Charal corroborating and refining seismic



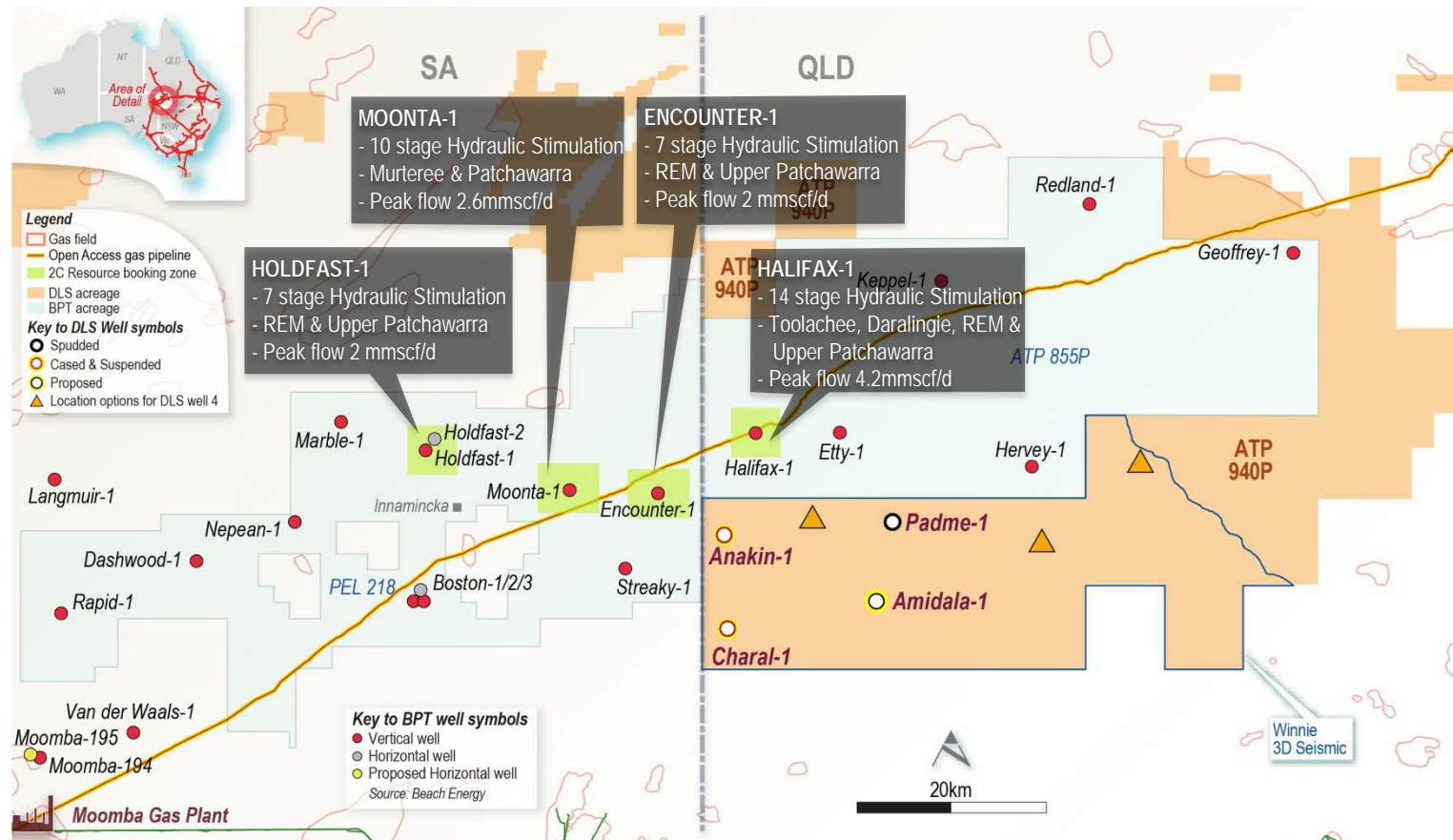
Central Unconventional Fairway – ATP 940P

Initial wells drilled to the highest specification – providing invaluable intelligence to help us refine the process

Technical outcomes: Other Cooper Basin Wells



Technical Outcomes: Encouraging Results in Adjacent Permits



Initial gross contingent resource of 2 trillion cubic feet of sales gas covering Holdfast-1 and Encounter-1 in PEL 218 booked by Beach Energy in August 2011

(Source: Beach Energy ASX Announcement 10 August 2011 – Initial 2TCF Resource Booking Following Successful Shale Gas Evaluation)

DeGolyer & MacNaughton recently estimated the gross unconventional prospective raw natural gas resource for ATP 855 (as at 15 June 2014) at 21.48 TCF (Low estimate P90), 28.49 TCF (Best Estimate (P50) and 37.74 TCF (High estimate P10)

(Source: Beach Energy ASX Announcement 20 June 2014 – Cooper Basin NTNG Exploration Update)

Next Steps: Rollout of Hydraulic Stimulation Program



Halliburton high horsepower hydraulic stimulation spread

Work Program

Date	Milestone
March 2014	QGC farm-in renegotiated
April 2014	Charal-1 completed to target depth
July 2014	Anakin-1 completed to target depth
August 2014	Padme-1 to be re-entered and drilled to target depth
September 2014	Hydraulic stimulation and testing to start - ongoing
January 2015	Target booking initial 2C resource and complete Amidala-1 to target depth

Maintain disciplined approach to using shareholder funds

ATP940: Changes to Queensland Legislation

Longer permit term



More considered evaluation



Better resource outcomes



appea the voice of australia's oil and gas industry

Media Release

28 May 2014

Queensland gas industry gets a strong foundation for growth

Changes to the Land and Other Legislation Amendment Bill 2014 by the Queensland Government constitute a major reform and give the onshore gas industry a strong foundation for growth, the Australian Petroleum Production & Exploration Association said today.

The amendments include:

- Extending by two years the term of all current Authority to Prospect (ATP) exploration work programs to six years from the current four years; and
- Deferring the associated relinquishment of the tenure area, due at the end of each four-year work program, to the end of the extended six-year mark.

APPEA Chief Operating Officer Eastern Australia, Paul Fennelly said: "The changes represent a commonsense approach to resource development in Queensland that takes into account the many unforeseen pressures on company work schedules.

"They provide greater flexibility in planning projects that meet energy needs here and abroad, employ thousands of people and generate economic activity in Queensland.

"A strong resource exploration sector is the backbone of the state's resource industry, ensuring continued future access to high quality deposits.

"To sustain the contribution of Queensland's petroleum resources to the state's economic performance in the longer term, additional high quality resources must be discovered and developed.

"Legislative changes such as these are a vital part of the Resources Q initiative that sets out a 30-year strategic pathway seeking to address sliding competitiveness and secure global investment in Queensland resources.

The changes demonstrate a strong commitment by the Queensland Government to ongoing growth in the sector."

Media contact: Chris Ward 0408 033 422 or cward@appea.com.au

Framework changes provide opportunity

Unconventional: Long-Term Value Driver

- Deliberate, science-led approach using the best technology – measure twice, cut once
- Maintaining disciplined use of funds in order to pursue the opportunity
- Gas market dynamics and a supportive partner underpin path to commercialisation





Corporate Briefing

August 2014

Questions



Corporate Briefing

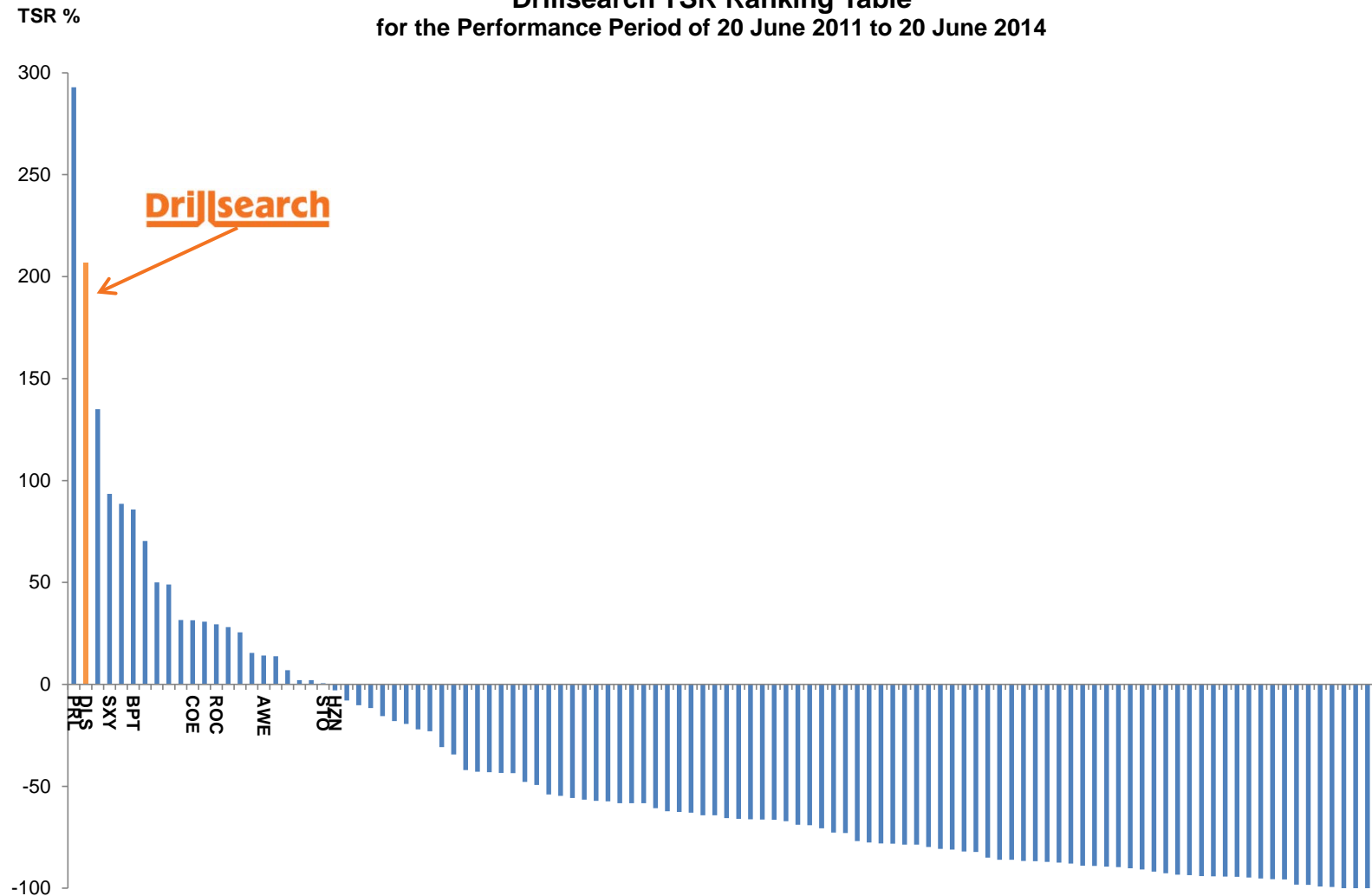
August 2014

Concluding Comments

Brad Lingo, Managing Director











Track Record of Outperformance

Drillsearch TSR Ranking Table
for the Performance Period of 20 June 2011 to 20 June 2014



Ranked No. 2 against our ASX Energy Peer Group over Past Three Years

Record Activity Planned in FY2015

Permit	DLS %	Operator	FY2015					Total	
			Sept Q	Dec Q	Mar Q	Jun Q	Sept Q		
OIL									
Western Flank - PELs 91 & 182	60-43	BPT/SXY						21	23
Seismic acquisition and processing		500km² Solidus 3D acquisition and processing					500km²		
Facilities upgrades and pipeline installation		CKS Facility Bauer Expansion Chiton facility Stunsail & Pennington Facility & Pipeline							
Northern Oil - PEL 103	100	DLS						2	
Hydraulic stimulation and production testing		Flax-1					1		
Inland-Cook - ATP 924P	50	DLS	Huron and Taj 3D along with George 2D acquisition and processing						
WET GAS									
Western - PELs 106 & 107	50	BPT						5	18
Hydraulic stimulation and production testing		Udacha-1					1		
Western - PEL 513 & 632	40	STO					8		
Hydraulic stimulation and production testing				Moruya-1			1		
Seismic acquisition and processing		329km² Jacenza 3D acquisition and processing					329km²		
Northern - PEL 101	80-100	DLS						5	
UNCONVENTIONAL									
Central Cooper - ATP 940P	40	DLS						3	4
Hydraulic stimulation and testing		All wells to be hydraulically stimulated and production tested					4		



OIL



WET GAS



UNCONVENTIONAL

Big Takeaways

- **Maintain robust production performance**
 - Guidance of 3.0 to 3.4 mmboe for FY2015
- **Record activity planned**
 - Capex guidance of \$130m - \$170m
 - Weighted towards Oil and Wet Gas
- **On track to achieve five-year plan**
 - Grow reserves, production and cashflow
- **Maintain discipline in using shareholder capital**
- **Long-term growth underpinned/projects to watch**
 - Western Flank (PEL 91), Northern Cooper (PEL 101/182), Flax, ATP 924P/Inland-Cook and ATP 940P



Thank You

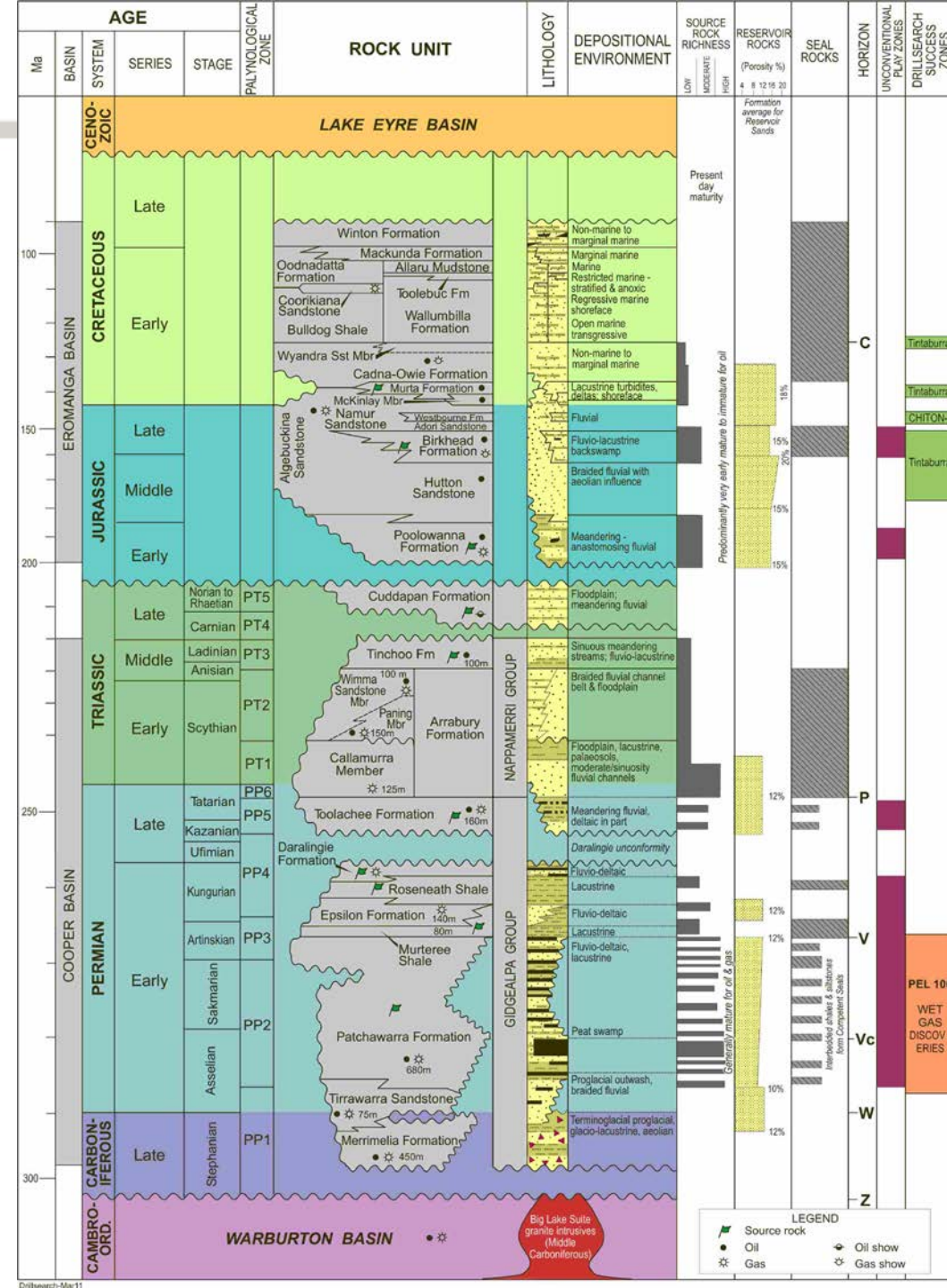


Appendix

Patchawarra Trough

Patchawarra Trough

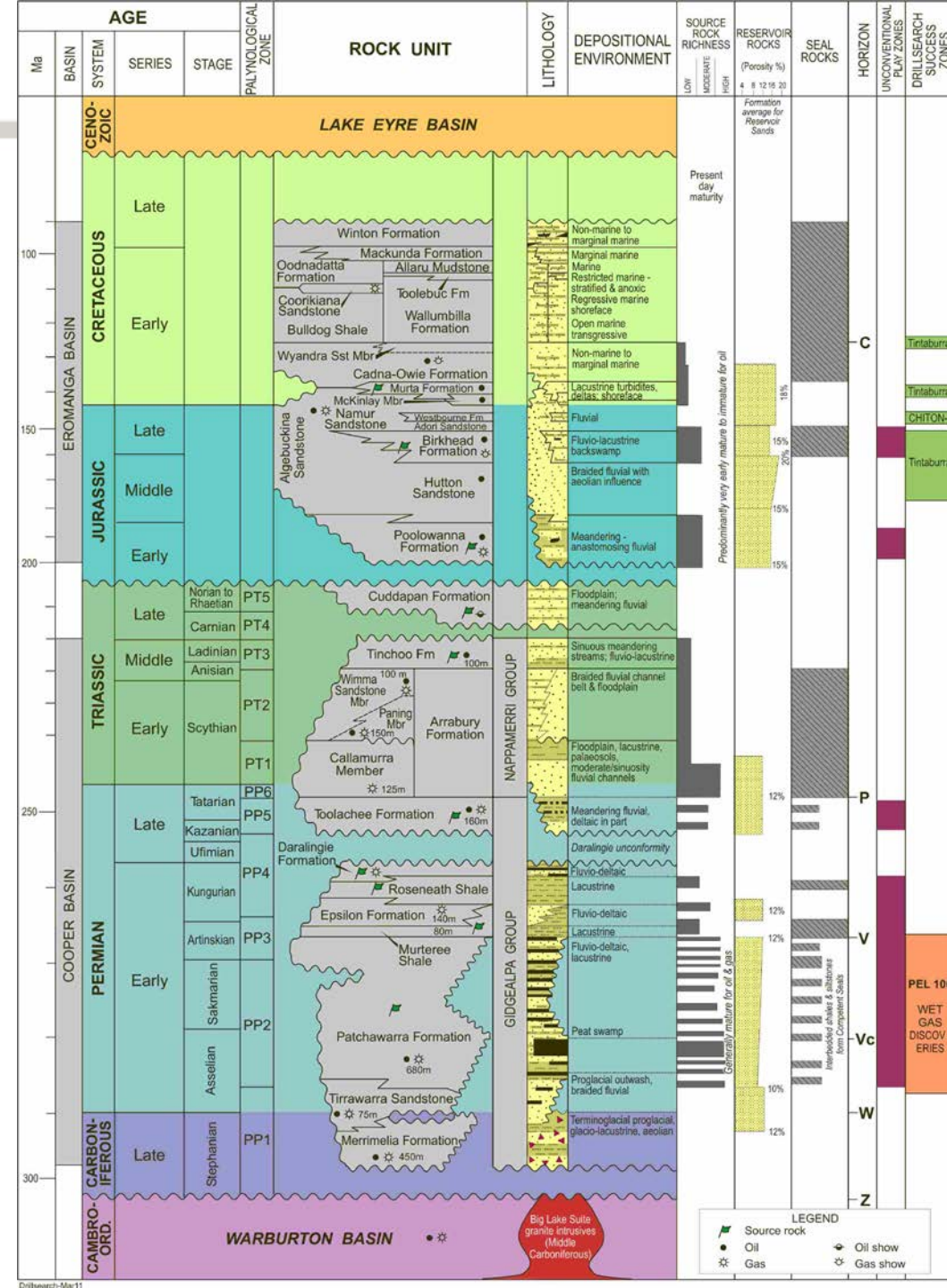
- Temperature Gradient – 3.8C°/100m
- Pressure gradient from 0.45 to 0.55 psi/feet
- BCG Maturity of Play – no wells drilled yet
- Murteree and Patchawarra is shallower and therefore easier to develop
- Lower maturity, Murteree Shale Gas Play Fairway – Patchawarra Trough: Murteree Shale > 30m thick, base Murteree in wet gas window (> 0.95)
- Liquids-rich: average 26 bbls/MMscf of condensate and 37 bbls/MMscf of LPG
- Lower CO₂ (average 22%) – reduces the development costs
- Lower pressure and temperatures offer easier operations



Nappamerri Trough

Nappamerri Trough

- Temperature Gradient – 5.5C°/100m
- Proven Overpressure below Murteree Shale – pressure gradient 0.75 psi/feet
- BCG Maturity of Play – Appraisal wells drilled by Beach, Santos and Drillsearch
- Murteree and Patchawarra are deeper, increasing development costs
- Higher maturity, Roseneath-Epsilon-Murteree (REM): Murteree Shale > 30m thick, base Murteree in wet gas window (0.95 – 1.7% Ro) or dry gas window (>1.7% Ro)
- Drier gas – less liquids content 1-10 bbl/MMscf of condensate
- Higher CO₂ (> 30%) – increases development costs
- Higher pressure and temperature creating additional operational difficulties and costs



Drillsearch Presenters



Brad Lingo
Managing Director

Brad has more than 25 years of oil & gas experience ranging from frontier deepwater exploration offshore West Africa to commercialisation of major gas projects in Australia. He has been involved in all phases of the oil & gas business and project development, mergers and acquisitions, financing and equity capital raising for both listed and private companies both in Australia and internationally.



Ian Bucknell
Chief Financial Officer

Ian is an experienced CFO with over 15 years International upstream oil and gas financial experience. Originally trained as an accountant, he has been extensively involved in financial reporting, corporate governance, mergers and acquisitions, debt financing and equity capital raisings. Ian's resources sector career began with a number of financial management roles at Oil Search Limited.



David Evans
Acting Chief Operating Officer

David is a geoscientist with 27 years oil and gas exploration, development and production experience. David has held managerial and senior oil and gas exploration and development positions with several leading international independent oil and gas and technical service companies.



Peter Fox
Chief Commercial Officer

Peter has qualifications in chemical and petroleum engineering and has over 20 years' experience in the oil and gas industry, with a particular focus on the upstream and infrastructure sectors of the gas industry. Through a series of senior executive roles in Australian corporates including APA Group, Mosaic Oil and Eastern Star Gas, and as an industry consultant, he has led multiple successful acquisitions, developed, negotiated and maintained major contracts, and been responsible for developing and sustaining key external relationships.



Duncan Lockhart
Acting Chief Technical Officer

Dr. Duncan Lockhart is a Geologist by training with 24 years' experience in the Upstream oil and gas business. Duncan has worked for BHP Billiton, Woodside, Origin, OMV, Origin and Galp Energia in roles predominantly in the exploration. He has worked in nearly every productive basin in Australia and has also exploration experience in the Middle East, North Africa, Brazil, Angola, Mozambique, Norway and Portugal.



Dudley White
GM – Corporate Communications

Dudley has more than 17 years of experience in communications and the media in Australia, Asia and the UK. He has developed investor and media relations programs for numerous companies in the natural resources sector including working on listed company communications, mergers and acquisitions, equity capital markets transactions and a major debt restructuring.

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.
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HEAD OFFICE

Level 16

55 Clarence Street

Sydney NSW 2000

P: +61 2 9249 9600

F: + 61 2 9249 9630

E: admin@drillsearch.com.au

W: drillsearch.com.au

Please contact for further information

Dudley White

General Manager – Corporate Communications

Drillsearch