

ASX ANNOUNCEMENT
27 August 2014

Drillsearch Reports Record Full-Year Profit for FY2014

Drillsearch has released its Financial Report for the 12 months to 30 June 2014. This market release is a summary document and readers are directed to the full text of the release.

Financial Year Highlights¹:

- **Sales Revenue up 279% to \$387 million**
- **Net Profit After Tax up 59% to \$72 million**
- **EBITDAX rises 561% to \$232 million**
- **Underlying Net Profit After Tax up 56% to \$95 million**
- **Operating cashflow of \$246 million, more than a tenfold increase on FY2013**
- **Production of 3.4 million barrels of oil equivalent (mmboe), beating guidance**
- **Strong balance sheet, including a cash position of \$152 million at 30 June 2014**

Outlook²:

- **Record year of activity expected in FY2015 – capital expenditure guidance of \$130-\$170 million**
- **Capex weighted to conventional business units – Oil and Wet Gas**
- **FY2015 production guidance of 3.0-3.4 mmboe**
- **Active work programs across all business units - fully funded through FY2016**

Drillsearch Energy Limited (ASX: DLS) today announced its results for the 2014 financial year, delivering a record financial performance for the second successive period. Net Profit After Tax (NPAT) for the year ended 30 June 2014 was \$72 million, an increase of 59% on the previous year.

FY2014 Underlying NPAT of \$95 million represents a strong operational performance, after removing the impact of a change in the fair value of Drillsearch's convertible notes. Earnings before interest, tax, depreciation, amortisation and exploration expenses rose 561% to \$232 million from \$35 million. The post-tax result includes a non-cash income tax expense of \$108 million. Tax remains a non-cash item as a result of applying carried forward company tax losses.

Sales revenue rose 279% to \$387 million, supported by record production coupled with continuing strength in oil prices.

¹ The company's financial statements for the year ended 30 June 2014 have been prepared in accordance with IFRS and subject to external audit. This market release contains non-IFRS financial information that is not subject to external audit. For definitions, reconciliations and the rationale of use of the non-IFRS information refer to the notes on Page 4. All references to \$ are to Australian dollars, unless otherwise indicated.

² Refer to Forward Looking Statements disclaimer on page 4 of this release .

The robust financial performance was underpinned by production of 3.4 million barrels of oil equivalent (mmboe) during FY2014, more than triple the output of the previous 12-month period, and in excess of published guidance of 3.0 to 3.3 mmboe.

Operating cashflow increased more than tenfold, driven by record sales volumes. Following a net increase in cash across the period of \$116 million, the group's cash balance increased to \$152 million at 30 June 2014, compared with \$36 million a year earlier.

The three-year \$50 million working capital facility announced by Drillsearch on 1 July 2013 was undrawn as at 30 June 2014, leaving the company with a strong liquidity position of \$202 million at financial year-end. Drillsearch's work programs remain fully funded through FY2016 based on internal cashflow from the current asset portfolio.

	FY2014	FY2013	% Change
Production (mmboe)	3.4	1.1	+209%
Revenue (\$000)	387.0	102.2	+279%
Statutory Net Profit attributable to owners of parent (\$000)	71.5	45.1	+59%
Underlying Net Profit After Tax	94.6	60.6	+56%
EBITDAX	231.9	35.1	+561%
Basic Earnings per Share (cents per share)	16.6	11.1	+50%
Diluted Earnings per Share (cents per share)	16.3	11.0	+48%
Operating Cashflow	246.4	19.2	+1183%
Net Cashflow	116.3	(9.6)	N/A
Cash position as at 30 June	152.4	36.1	+322%

“Strong Stable Production Cashflows”

Drillsearch Managing Director Brad Lingo said the standout result demonstrated the successful execution of a step change in financial and production performance.

“A successful 2014 has positioned the group with strong stable production cashflows from the Western Flank Oil Fairway that enable us to focus on medium term growth opportunities in Oil and Wet Gas, and also to advance our program with our highly prospective acreage in the Unconventional.

“All this Drillsearch activity is occurring against a backdrop of an anticipated increase in East Coast gas demand, with the Cooper Basin expected to be a key source of supply to meet this demand.

“We continue to remain focused on our strategy of increasing reserves, production and cashflow and we begin FY2015 in a strong financial position from which to pursue that strategy.”

Guidance & Outlook³

At the company's Corporate Briefing on 1 August 2014, Drillsearch provided FY2015 production guidance of 3.0 to 3.4 mmboe, compared with the 3.4 mmboe produced in FY2014. The Company continues to invest in future growth across all its business units, with a record year of activity anticipated across Oil, Wet Gas and Unconventional in FY2015. Capital expenditure in the current financial year is forecast to be between \$130 million and \$170 million.

Approximately 75% of capital expenditure will be directed to the Conventional business units – Oil and Wet Gas – with around half of the total in Oil. The Company will continue to be disciplined in investment in the Unconventional business, which it sees providing significant upside potential in the longer term. The FY2015 work program includes more than 40 wells and has commenced strongly with the announcement on 13 August 2014 of a new oil discovery at the Balgowan-1 exploration well on the Western Flank Oil Fairway of the Cooper Basin.

Mr Lingo said:

"We expect to maintain our strong production performance again in FY2015, while making investments across the business that will keep us on track to meet the goals set out in our five-year roadmap.

"Our Oil Business continues to provide the cashflow horsepower to fund our other business units, with increased investment in Oil this year aimed at maintaining and growing production, while at the same time replacing reserves.

"In Wet Gas, our work programs across the Western and Northern Cooper are aimed at growing reserves and production, and at commercialising new and existing discoveries across our acreage.

"In Unconventional, we are continuing to drive a deliberate, science-led campaign aimed at delivering the value drivers that are necessary to progress to successful commercialisation, with the anticipated start of hydraulic stimulation a crucial phase for the program overall."

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³ Refer to Forward Looking Statements disclaimer on page 4 of this release .

If you would like to register for email alerts please go to the Register Page on our website:
www.drillsearch.com.au

Conference call:

Managing Director Brad Lingo and Chief Financial Officer Ian Bucknell will host a conference call at 11am today. Please find the details below. A replay facility will be also be available on the Web site:
<http://www.drillsearch.com.au/>

Time	11:00am EST, Wednesday 27 August 2014	
Dial-in number	Attendee Access code: 769553	
	Australia: 1800 041 303 or +61 2 9001 2114	
Overseas	Hong Kong	800 901 436
	Japan	0066 3381 2710
	New Zealand	0800 264 316
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Forward looking statement:

This announcement 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.

Notes:

Reconciliation of Statutory Profit to Underlying Profit

Underlying net profit after tax and EBITDAX* are both non-IFRS financial measures reported by Drillsearch to provide greater understanding of the underlying business performance of the company's operations. Underlying profit excludes significant items of income or expense which are, either individually or in aggregate, material to Drillsearch or to the relevant business segment and are either outside the ordinary course of business or are part of the ordinary activities of the business but unusual due to their size or nature. Underlying profit and Statutory Profit are attributable to Drillsearch shareholders.

	FY 2014	FY2013
Net profit after tax	71.5	45.1
Addback:		
Change in fair value of convertible note	23.0	9.3
Transaction expenses	-	6.2
Underlying net profit after tax	94.5	60.6

Statutory Net Profit/(loss) is profit/(loss) after tax attributable to owners of the parent.

EBITDAX is earnings before interest, tax, depletion, exploration and evaluation costs and impairments

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.