



FY2014 Full-Year Results Presentation

BRAD LINGO
MANAGING DIRECTOR

IAN BUCKNELL
CHIEF FINANCIAL OFFICER

Drillsearch

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.
- 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 Slide 32.
- 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.

Competent Person's Statement

Notes to Reserves and Resources Disclosure:

- As a result of the arithmetic aggregation of the field totals, aggregate 1P and 1C estimates may be conservative and aggregate 3P and 3C estimates optimistic, as the arithmetic method does not account for 'portfolio effects'.
- Notes:
 - Reserves and contingent resources have been classified and categorised according to PRMS.
 - Reserves and contingent resources have been assessed using either probabilistic or deterministic methods, as appropriate. Aggregation beyond the field level has been arithmetic.
 - Reserves have been stated at the first point of custody transfer and are stated net of fuel and third party royalties.

Qualified Petroleum Reserves and Resource Evaluator Requirements - The information in this presentation that relates to Reserves and Contingent and 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.

RISC Consents

Information on the Reserves and Resources in this release relating to the PEL91, PRL14, 17, 18 and PEL101 assets is based on an independent review and audit conducted by RISC Operations Pty Ltd (RISC) and fairly represents the information and supporting documentation reviewed. The information is contained in our report entitled "June 2014 Reserve Audit (Western Flank Oil, Eastern Cooper Oil, Northern Cooper Wet Gas and Bass Basin for Drillsearch Energy Limited, August 2014". The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Geoffrey J Barker, a Partner of RISC, a leading independent petroleum advisory firm. Mr. Barker is a member of the SPE and his qualifications include a Master of Engineering Science (Petroleum Engineering) from Sydney University and more than 30 years of relevant experience. Mr. Barker meets the requirements of qualified petroleum reserve and resource evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this report.

About RISC

RISC is an independent advisory firm who works in partnership with companies to support their interests in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Drillsearch in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

DeGolyer and MacNaughton

The information contained in our report entitled "Report as of June 30, 2014 on Reserves and Contingent Resources of Certain Fields in Licenses 106A, 106B, 107, and ATP 924P of the Cooper Basin with interests licensed to Drillsearch Energy Limited" has been prepared under the supervision of R. Michael Shuck, Senior Vice President of DeGolyer and MacNaughton. Mr. Shuck holds a Bachelor of Science degree in Chemical Engineering from the University of Houston, has in excess of 36 years of relevant experience in the estimation of reserves and contingent resources, is a member of the Society of Petroleum Engineers, and is a Registered Professional Engineer in the State of Texas. Mr. Shuck is a qualified person as defined in the ASX Listing Rule 5.41.

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:

Focus



Execution



Collaboration



Integrity



Innovation



Fig.2: Weatherford 826 rig

FY2014 Operating Highlights

FY2014 Business Highlights

Health Safety & Environment

- ✓ Maintained a high standard of safety and environmental performance across all operated activities
- ✓ Achieved a TRIFR (Total Recordable Injury Frequency Rate) of 9.72 in FY2014 – 5.4% lower than in FY2013

Net Production

- ✓ 3.4 mmboe – in excess of guidance

Reserves and Resources

- ✓ Successful reserves replacement despite tripling in production
- ✓ 2P Western Flank oil reserves increase to 7.8 mmboe at 30 June 2014
- ✓ Overall 2P reserves little changed; 2C resources increased

Financial

- ✓ Significant improvement in profitability
- ✓ Cash of \$152 million

Appraisal and Development

- ✓ Successful Western Flank campaign delivers additions to oil reserves at 30 June
- ✓ New wells brought online from Eastern Margin drilling campaign

Exploration

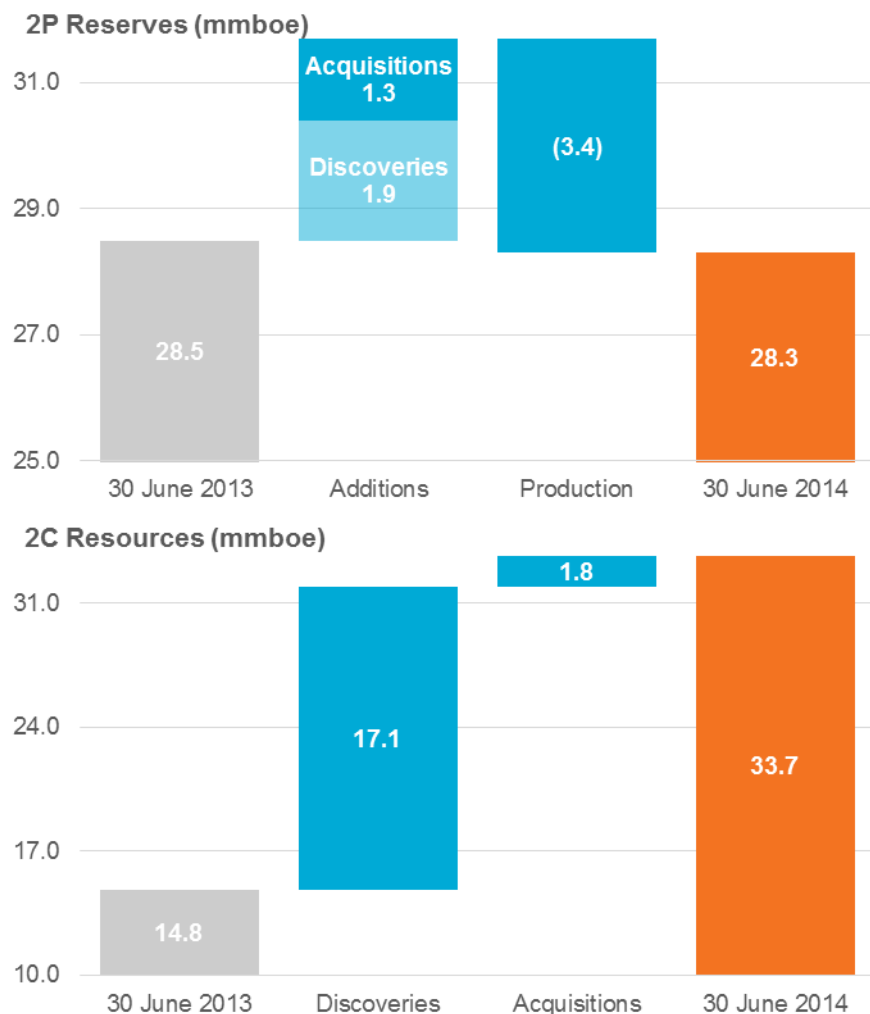
- ✓ Stunsail-1 and Pennington North-1 discoveries on the Western Flank (*Balgowan-1 post 30 June*)
- ✓ First wells drilled to target depth in Central Cooper Unconventional program
- ✓ 3D and 2D seismic on the Western Flank and Inland-Cook

Corporate

- ✓ Santos transactions advance Western Cooper Wet Gas program and deliver increased share of Tintaburra production
- ✓ Ambassador takeover announced to consolidate Northern Cooper position

Robust Revenue and Production Platform Created

Reserves and Resources: 30 June 2014*



FY2014 Reserves Additions

- Western Flank Oil reserves increase despite record production
- Offset by Western Wet Gas changes
- Acquisition of Eastern Margin reserves via Santos transaction
- Overall 2P reserves** little changed

FY2014 Resources Additions

- 2C resources** increase following study over Flax

H2 FY2014 Changes

- 2P oil reserves increase on Western Flank
- Overall 2P reserves little changed YOY

Reserves remain flat after year of record production

*Refer to **Cautionary Statement** and other important information on slide 3











** Reserves and Resources as at 30-June-2014 as released to the ASX on 27 August 2014



Fig.2: Bauer facility

FY2014 Financial Results

FY2014 Financial & Operating Headlines*

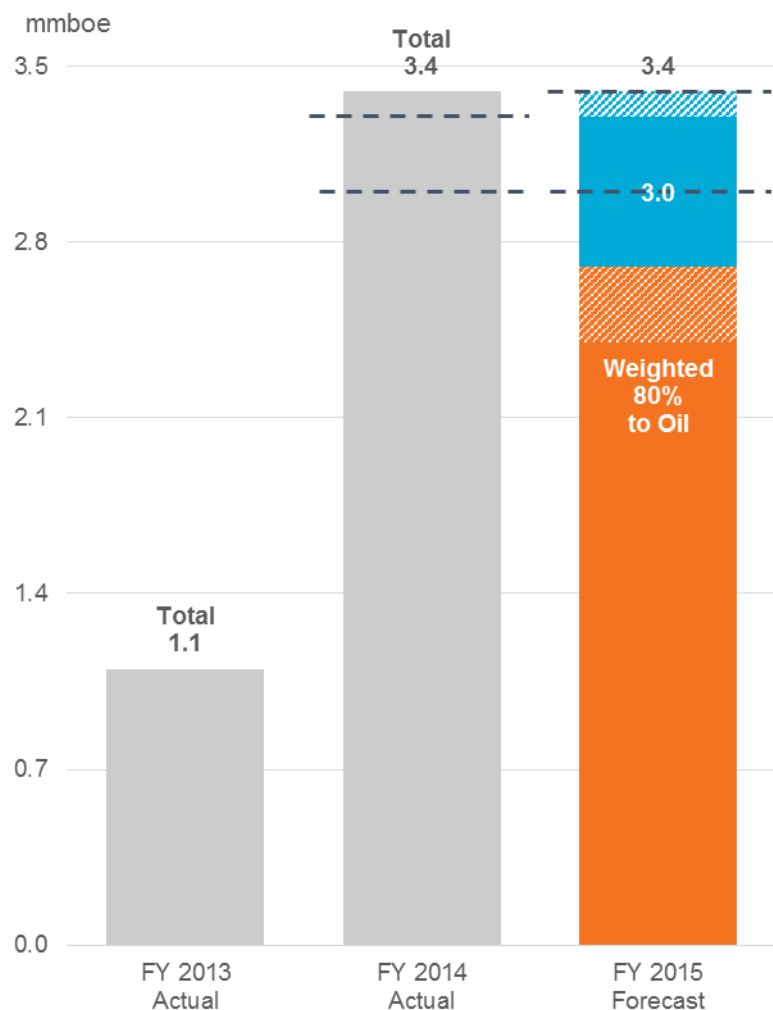
| | Unit | FY14 | FY13 | % Change |
|--------------------|-------|-------|-------|--|
| Production | mmboe | 3.4 | 1.1 | 209%  |
| Revenue | \$m | 387.0 | 102.2 | 279%  |
| NPAT | | | | |
| - Reported | \$m | 71.5 | 45.1 | 59%  |
| - Underlying | \$m | 94.6 | 60.6 | 56%  |
| Earnings per Share | cents | 16.6 | 11.1 | 50%  |
| Operating Cashflow | \$m | 246.4 | 19.2 | 1,183%  |
| Net Debt | \$m | 1.0 | 104.3 | (99%)  |
| Capital Spend | \$m | 95.7 | 143.4 | (33%)  |
| Reserves* | mmboe | 28.3 | 28.5 | (1)%  |
| EV/2P** | \$m | 24.2 | 11.7 | 107%  |

Performance delivers strong results in key financial metrics

*Refer to slide 2 regarding Non-IFRS financial information

**Reserves and Resources as at 30-June-2014 as released to the ASX on 27 August 2014; ** Share price as at 25 August 2014

FY2014 Production: Actual and Guidance



FY2014 Actual Production

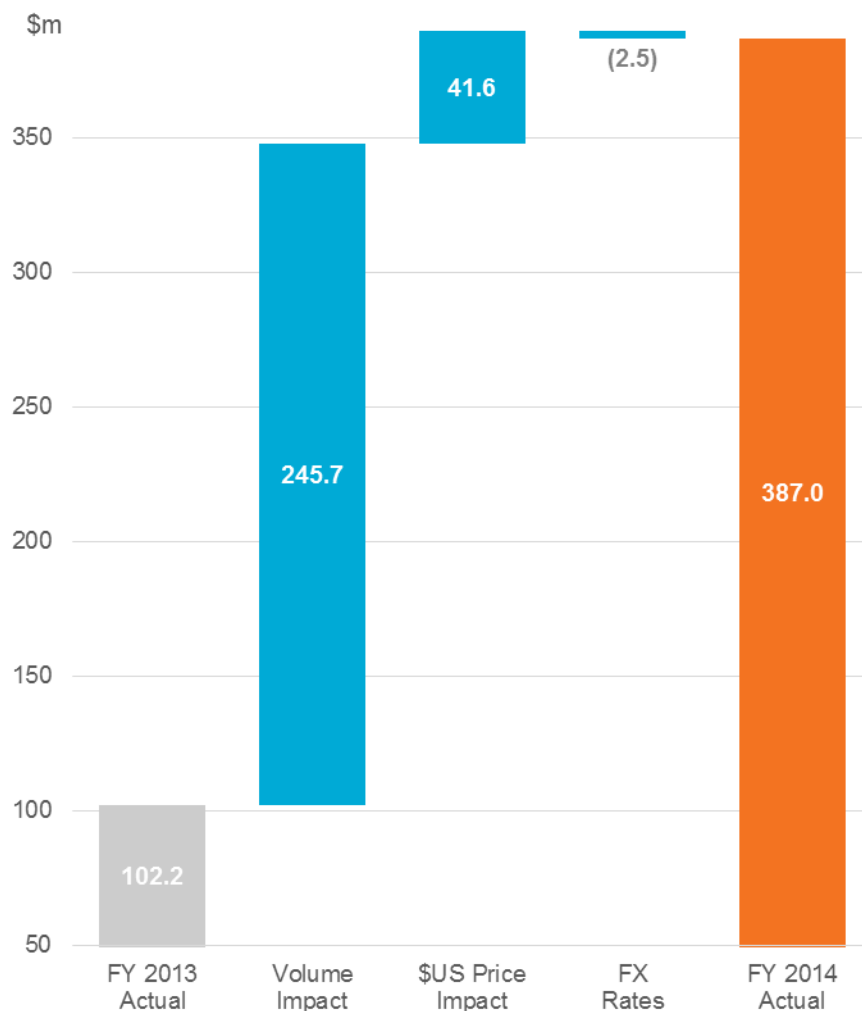
- Record production of 3.4 mmboe
 - Oil 2.9 mmboe
 - Wet Gas 0.5mmboe
- Exceeded guidance of 3.0 to 3.3 mmboe

FY 2015 Forecast Production

- Guidance 3.0 to 3.4 mmboe
- Western Flank output to remain strong as new wells and facilities come online
- Eastern Margin and Western Wet Gas production seen relatively flat
- Potential additions from Western Wet Gas (PELs 513 and 632), Vanessa and Flax

FY2014 production beats guidance – FY2015 production expected to be strong

FY2014 Revenues



FY2014 Revenue

- \$387 million of annual revenue, more than triple FY2013 result
- Robust production from the Bauer field and increased input from Wet Gas
- Bolstered by strength in commodity prices
 - Avg. realised oil price of A\$126/bbl
 - Avg. realised wet gas basket of A\$45/boe
- Offset by unfavourable A\$ environment
- Oil comprised 95% of total revenues (2013: 89%)

Step change in financial performance achieved

FY2014 Net Profit After Tax

| | FY 2014 \$m | FY 2013 \$m |
|---|----------------|----------------|
| Revenue | 387.0 | 102.2 |
| Cost of Sales | (110.8) | (31.8) |
| Other Costs* | (44.3) | (35.3) |
| EBITDAX** | 231.9 | 35.1 |
| Net Finance Costs | (9.8) | (3.6) |
| Exploration & Evaluation costs expensed | (2.1) | (2.2) |
| Impairment | (0.2) | 0.0 |
| Depletion, Depreciation & Amortisation | (40.4) | (11.5) |
| Income Tax (Expense) / Benefit | (107.9) | 27.3 |
| NPAT | 71.5 | 45.1 |
| <i>Adjusted for</i> | | |
| Change in Fair Value - Convertible Note | 23.0 | 9.3 |
| Acer Acquisition Costs | 0.0 | 6.2 |
| Underlying NPAT*** | 94.6 | 60.6 |

* Includes Change in Fair Value of Convertible Notes & Acer acquisition costs

** Disclosure of comparative exploration & evaluation costs have been adjusted

*** Underlying NPAT represents net profit after tax excluding Change in Fair Value of Convertible Notes & Acer acquisition costs

FY2014 NPAT

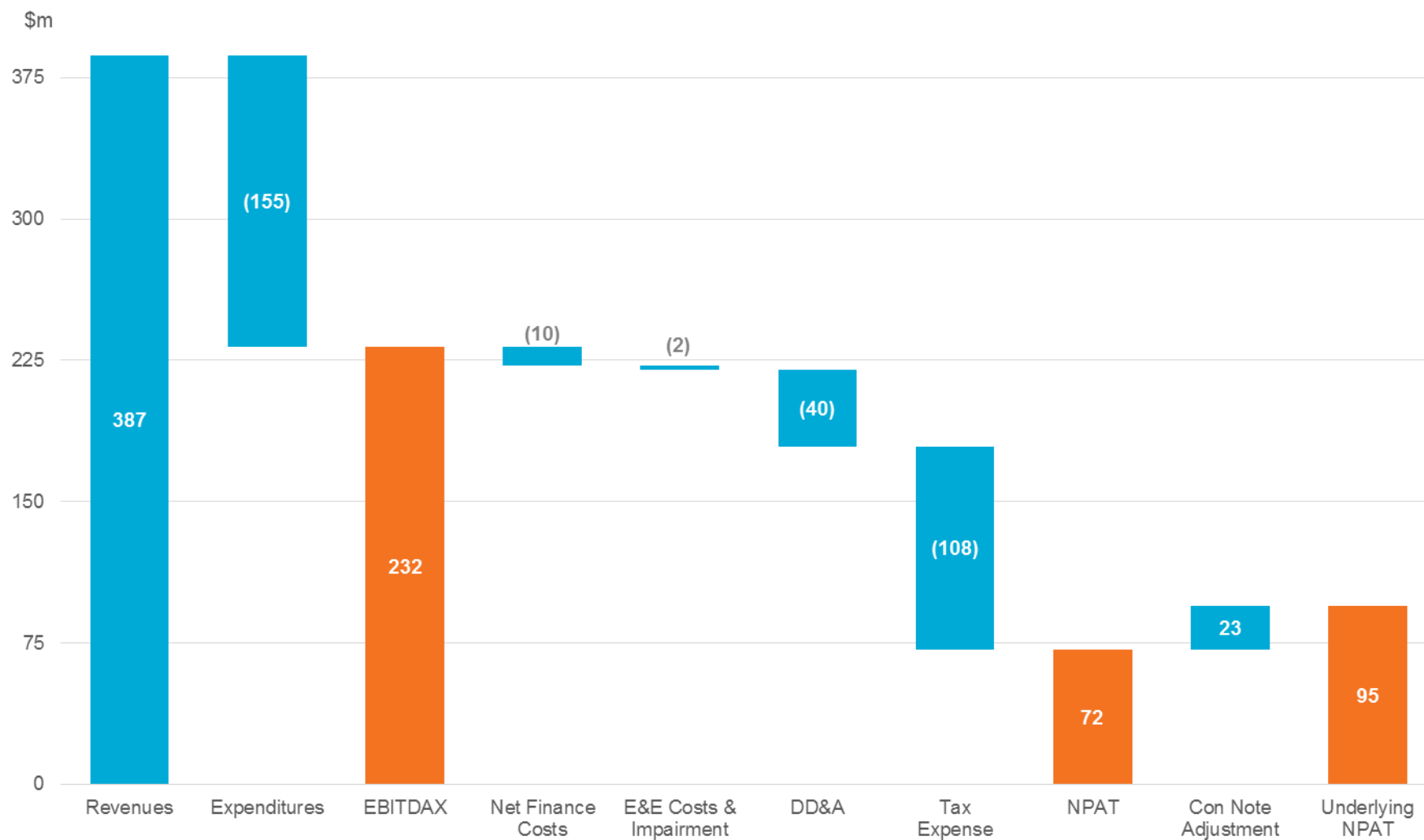
- EBITDAX result driven by
 - Strong revenue and production results
 - Sound control of operating and corporate costs
- FY2014 effective tax rate of 60%
 - Reflects corporate tax and PRRT
 - Fully non-cash item
 - Cash flow tax shield forecast to FY2016

FY2014 NPAT Adjustments

- Adjustment to convertible note reflects change in fair value and \$AUD conversion
 - Fully non-cash item

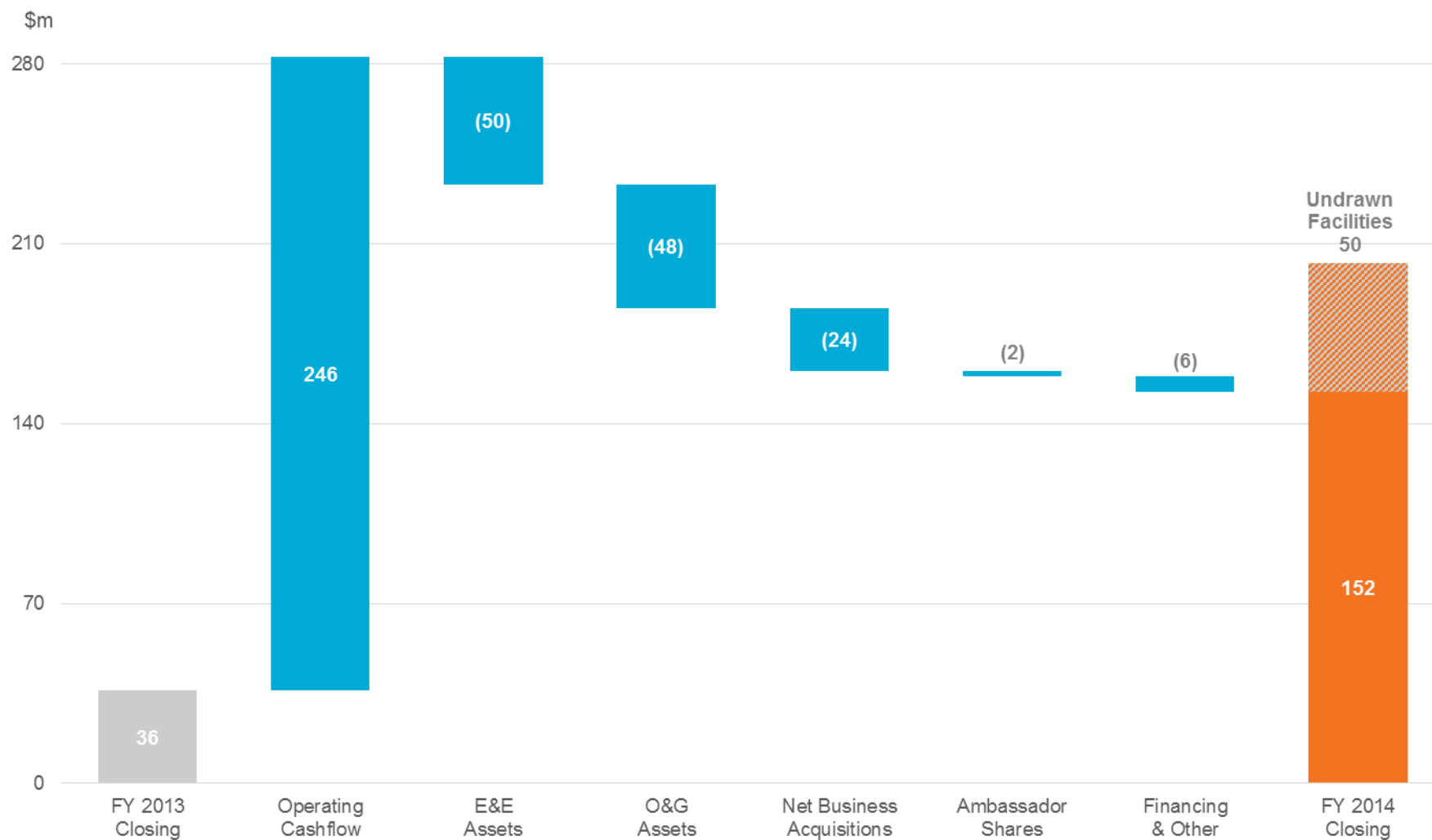
Reported NPAT of \$71.5 million

FY2014 Net Profit After Tax



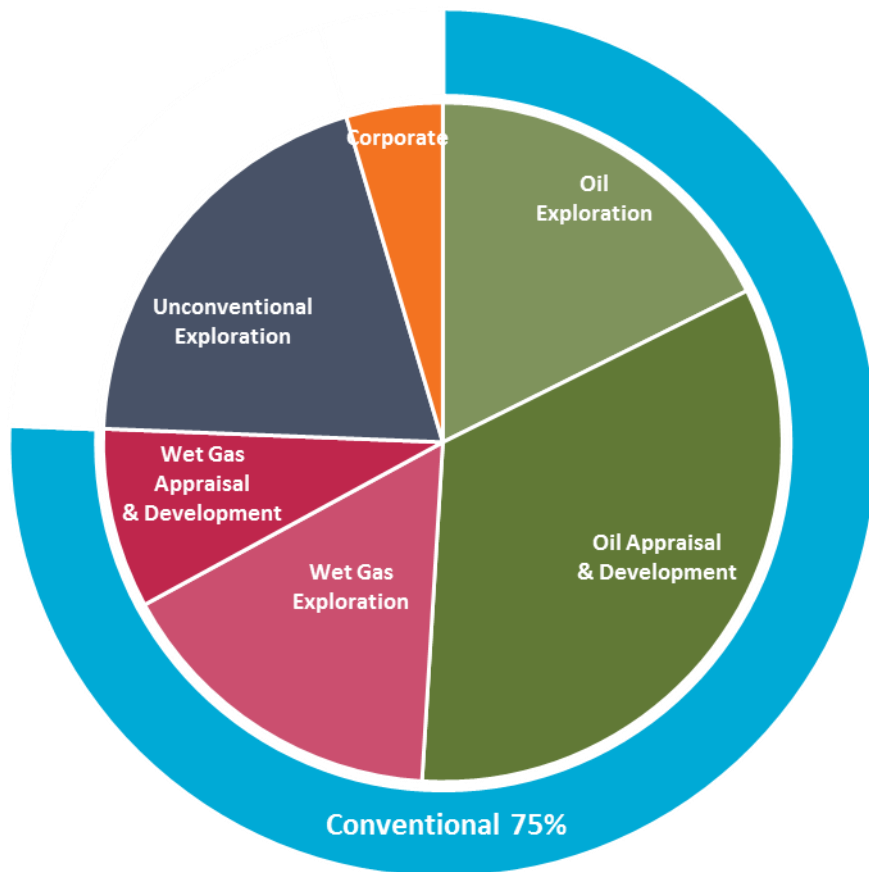
Underlying NPAT of \$95 million

FY2014 Cash Flow, Cash Balance & Liquidity



Strengthened balance sheet with strong cash position

FY2015 Guidance: Capital Spend Activities



FY2015 Capital Spend Activities

- FY15 Guidance of \$130 - \$170m
- 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

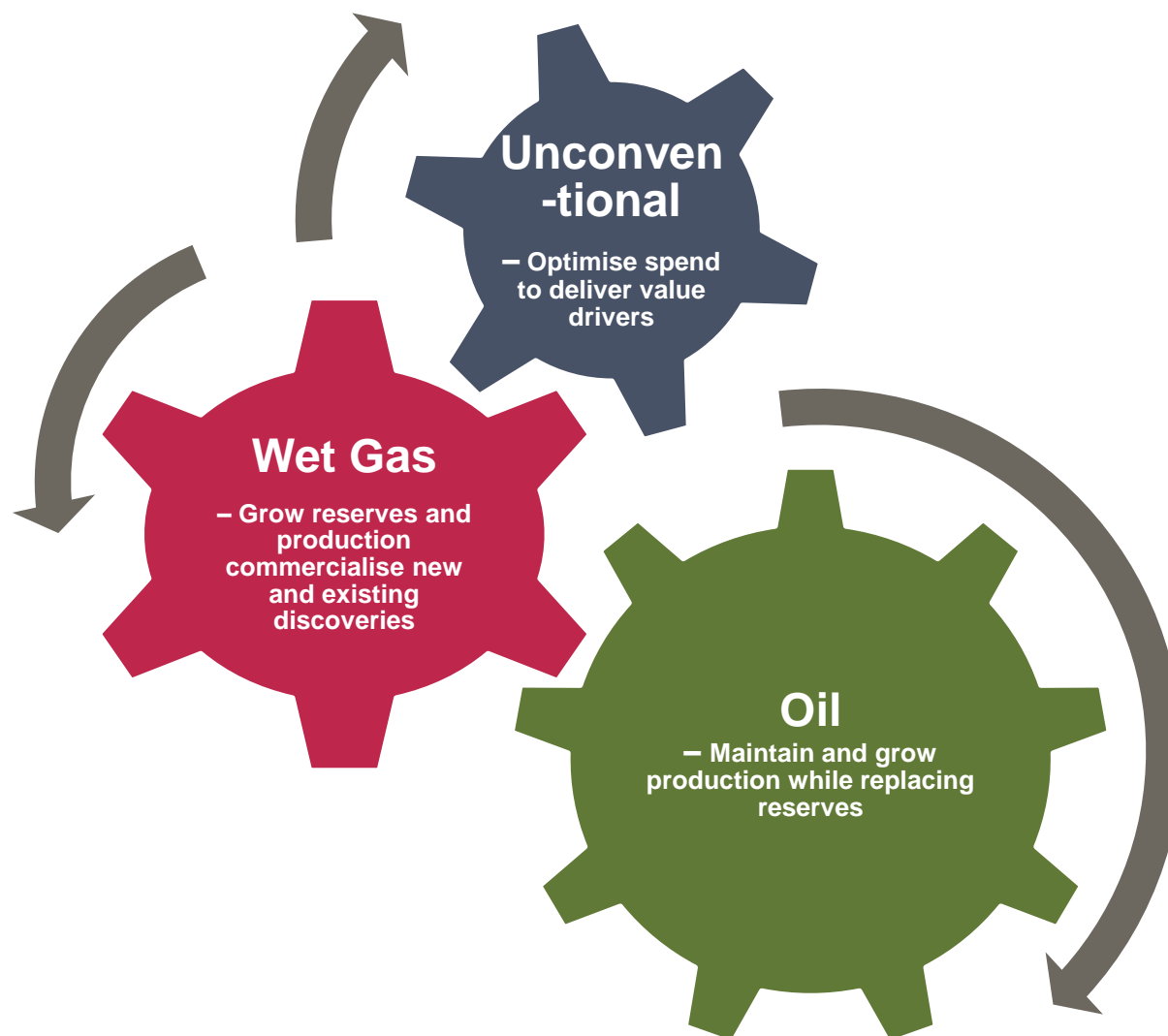
Capex weighted towards Oil as we seek to maintain and increase production



Fig.3: Wellhead

FY2015 Outlook

Self-sustaining business model



Oil provides the horsepower for Wet Gas and Unconventional in the near term

Key Drivers in FY2015: Oil Business

Vision – Oil

- To explore, develop and produce conventional oil in proven fairways within the Cooper Basin.

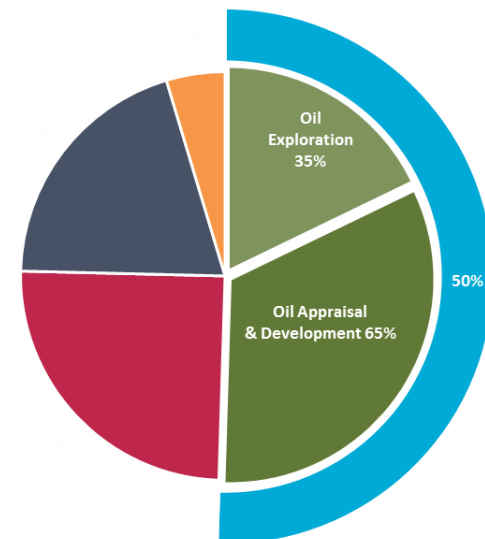
Strategy

- Maintain and grow production
- Replace and increase reserves

Key drivers for FY2015

- Active campaign of exploration, appraisal and development across the Western Flank
 - PEL 91 - 18 wells – Balgowan-1 discovery announced
 - PEL 182 seismic and drilling
- Connection of new Western Flank facilities – Stunsail, Pennington, KCS – to offset anticipated decline from Bauer
- Pursue new opportunities in other fairways – Inland-Cook, Northern Cooper Gas & Liquids
- New wells connected on the Eastern Margin and opportunities sought to increase production and extend longevity

FY2015 Capex
Overall Guidance of \$130m - \$170m



Oil accounts for half of anticipated capex in FY2015

Key Drivers in FY2015: Wet Gas Business

Vision – Wet Gas

- To explore, develop and produce conventional Wet Gas in proven fairways within the Cooper Basin.

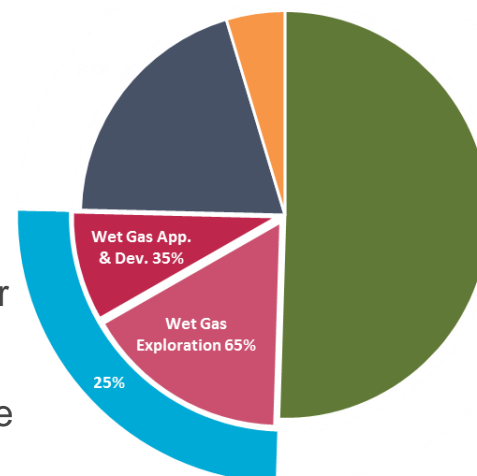
Strategy

- Commercialise new and existing discoveries
- Grow reserves and production

Key drivers for FY2015

- Consolidation of position in Northern Cooper through Ambassador acquisition
- Western Cooper Wet Gas (Beach Joint Venture) plans most active campaign since inception
- Santos spending \$120 million across PELs 513 and 632; Drillsearch remains fully carried for the farm-in period
- Northern Cooper campaign gaining momentum
 - Five wells to be drilled in PEL 101
 - Vanessa extended production test being planned in PEL 182

FY2015 Capex
Overall Guidance of \$130m - \$170m



Targeting Wet Gas production of 50-70 mmscf/d from 4-5 satellites

Key Drivers in FY2015: Unconventional Business

Vision – Unconventional

- To build off existing conventional acreage positions, to fully assess, explore and appraise previously identified Unconventional Resources.

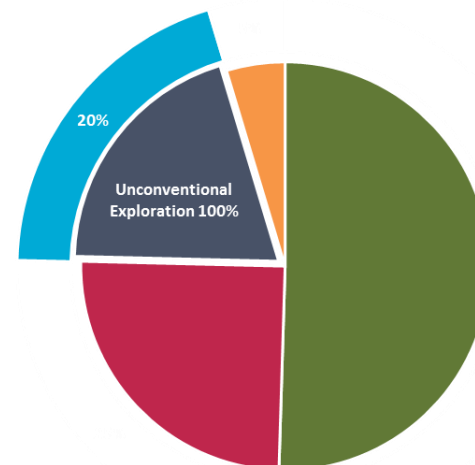
Strategy

- Targeting identified shale, tight gas and basin centred gas as well as liquids rich Unconventional resource plays
- Optimise spend to deliver value drivers on the path to commercialisation

Key drivers for FY2015

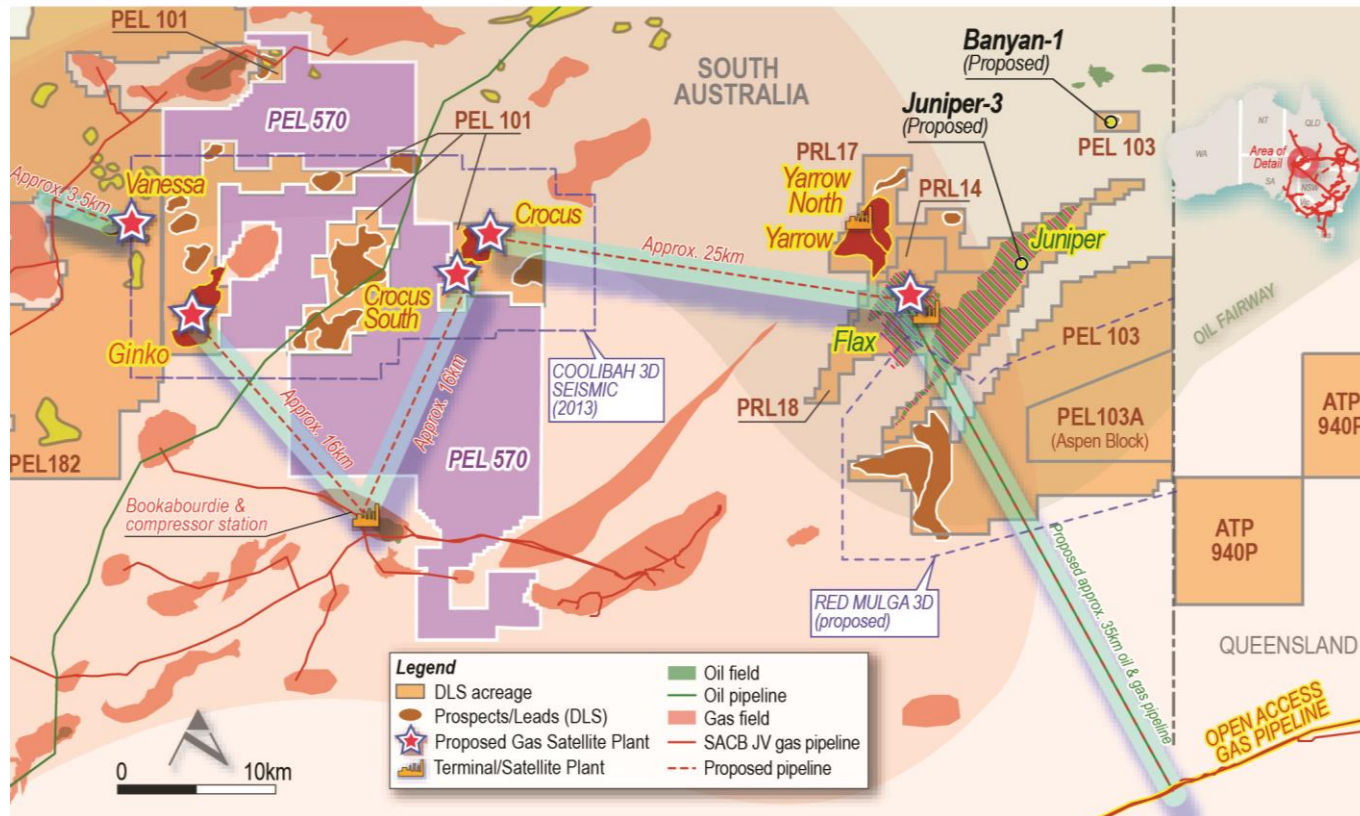
- Hydraulic stimulation to begin in September
- Complete drilling remaining two wells from initial four –
 - Padme and Amidala
- Target delivery of 2C contingent resource
- Queensland legislation changes provide opportunity to optimise work program

2015 Capital Expenditure Guidance of \$130m - \$170m



Continue with disciplined use of shareholder funds









Proposed Acquisition of Ambassador: Update



- Acceptances from holders of 60% of Ambassador shares as of 26 August 2014
- Active work program in PEL 101 to demonstrate prospectivity of broader region, including Ambassador's 47.5%-owned PEL 570

Consolidation of our dominant position in Northern Cooper Wet Gas

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 | 24 | |
| 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 | | | | | | | | |
| Inland-Cook - ATP 924P | 50 | DLS | Hurrion and Taj 3D along with George 2D acquisition and processing | | | | |  | 1 | |
| WET GAS | | | | | | | | | | |
| Western - PELs 106 & 107 | 50 | BPT |  | | | | | 4 | 17 | |
| Hydraulic stimulation and production testing | | Udacha-1 | | | | | | | | |
| Western - PEL 513 & 632 | 40 | STO |  | | |  | | 8 | | |
| Hydraulic stimulation and production testing | | Moruya-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 |  | Legislative changes provide opportunity to optimise program | | | | | 3 | 3 |
| Hydraulic stimulation and testing | | All wells to be hydraulically stimulated and production tested | | | | | | | | |

Karrata-1 gas well being drilled in PEL 91 as part of Western Wet Gas program

Key Takeaways

- **Maintain robust production performance**
 - Guidance of 3.0 to 3.4 mmboe for FY2015
- **Record activity planned**
 - More than 40 wells
 - Capex guidance of \$130m - \$170m
 - Weighted towards Oil and Wet Gas
- **On track to achieve five-year plan**
- **Maintain discipline in using shareholder capital**
- **Long-term growth underpinned/projects to watch**
 - Western Flank, Northern Cooper, Flax, Inland-Cook and ATP 940P

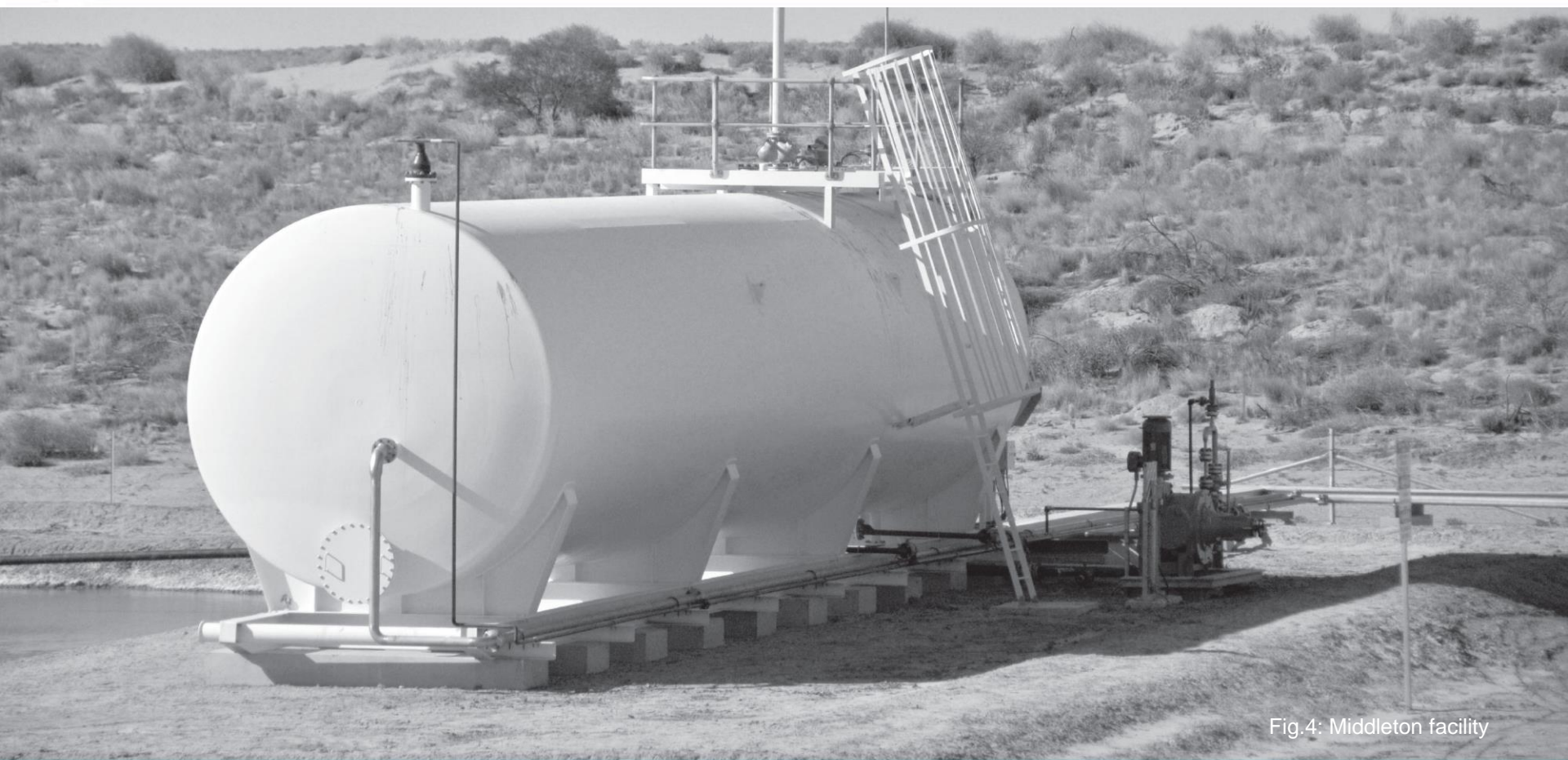


Fig.4: Middleton facility

Questions



Appendices

Reserves and Resources: 30 June 2014

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 30 June 2014*

| Reserves by Business Segment | 1P mmboe | 2P mmboe | 3P mmboe |
|--|-------------|-------------|-------------|
| Western Flank Oil | 4.7 | 7.8 | 12.4 |
| Western Cooper Wet Gas – Middleton Project | 5.6 | 14.1 | 24.8 |
| 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 | 0.1 | 1.7 | 4.4 |
| South West Queensland Wet Gas | 0.0 | 0.0 | 0.0 |
| Total Reserves | 11.9 | 28.3 | 54.7 |
| Contingent Resources by Business Segment | 1C mmboe | 2C mmboe | 3C mmboe |
| Western Flank Oil | 0.9 | 1.3 | 1.9 |
| 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 | 11.2 | 23.5 | 44.8 |
| Eastern Cooper Oil | 0.0 | 2.5 | 6.8 |
| South West Queensland Wet Gas | 0.9 | 3.1 | 7.5 |
| Total Contingent Resources | 13.4 | 33.7 | 71.0 |

* 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

FY2014 Balance Sheet

| | FY 2014 | FY 2013 |
|-----------------------------|----------------|----------------|
| | \$m | \$m |
| Cash | 152.4 | 36.1 |
| Trade Debtors | 83.2 | 51.3 |
| Ambassador Shares | 25.2 | 0.0 |
| E&E Assets | 229.0 | 217.9 |
| O&G Assets | 184.1 | 108.6 |
| Deferred Tax Asset | 0.0 | 63.2 |
| Other Assets | 6.6 | 8.1 |
| Total Assets | 682.8 | 485.2 |
| Trade Creditors | (74.6) | (42.5) |
| Ambassador Contra Liability | (25.2) | 0.0 |
| Provisions | (39.2) | (15.7) |
| Borrowings | 0.0 | (10.0) |
| Convertible Bond | (153.4) | (130.4) |
| Deferred Tax Liability | (23.2) | 0.0 |
| Total Liabilities | (319.4) | (198.6) |
| Net Assets | 363.4 | 286.6 |
| Net Debt | (1.0) | (104.3) |

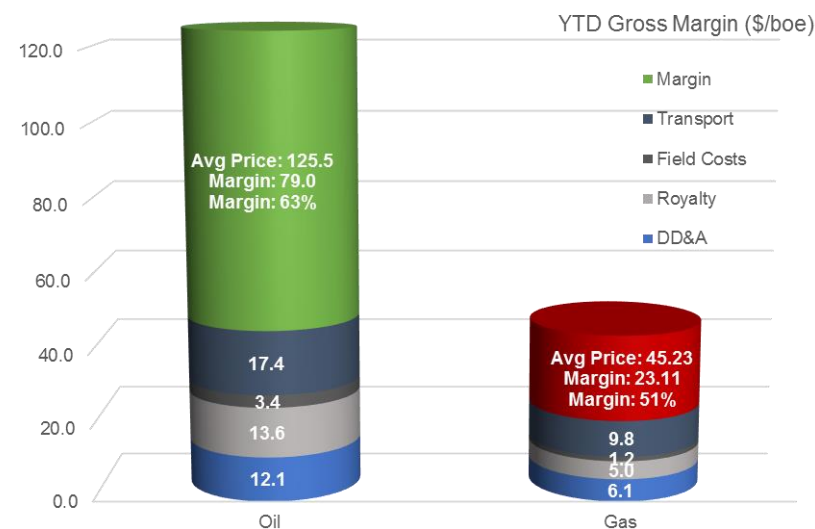
FY2014 Balance Sheet

- Trade Debtors reflect period-end billed and accrued oil sales
 - Fully received subsequent to period end
- Trade Creditors reflect period end capital spend payments accrued and to be paid for in the unconventional and oil assets
 - Fully paid subsequent to period end
- Increase in Provisions reflect the larger interest held in ATP 299P and associated decommissioning obligation
- Change to a Deferred Tax Liability position reflects FY 2014 utilisation of carry forward tax losses

Drillsearch continues to maintain a robust balance sheet position

FY2014 Financial Ratios and Metrics

| | | FY 2014 | FY 2013 |
|---------------------------------|----------------|--------------|-------------|
| Average realised oil price | \$A/bbl | 125.5 | 116.0 |
| Average realised wet gas basket | \$A/boe | 45.2 | 37.7 |
| Average realised price | \$A/boe | 114.4 | 94.9 |
| Oil Field Net Back | \$A/bbl | 79.0 | 71.6 |
| Gas Field Net Back | \$A/boe | 23.1 | 18.8 |
| Total Field Net Back | \$A/boe | 73.8 | 61.3 |
| Oil Operating Margins | % | 63% | 62% |
| Gas Operating Margins | % | 51% | 50% |
| Total Operating Margins | % | 64% | 65% |
| Oil FD&A Costs / 2P | \$A/bbl | 16.0 | 17.4 |
| Gas FD&A Costs / 2P | \$A/boe | 1.9 | 1.9 |
| Total FD&A / 2P | \$A/boe | 6.6 | 6.3 |
| Oil Recycle Ratio | [x] | 4.9 | 4.1 |
| Gas Recycle Ratio | [x] | 12.5 | 10.0 |
| Total Recycle Ratio | [x] | 11.2 | 9.7 |



Ratio and Metrics

- Realised Price = Sales / BOE
- Field Net Back = Gross Profit / BOE
- Operating Margins = Gross Profit / Realised Price
- Find, Development and Appraisal ('FD&A') Costs = Historic and future capital spend to develop 2P reserves*
- Recycle Ratio = Field Net Back / FD&A Costs

*Based on latest available audited reserve reports

Strengthened results across key financial ratios and metrics

| | | FY2014 \$m |
|-------------------------------------|------------|---------------|
| Profit before tax | | 179.4 |
| Prima-facie tax expense | | 53.8 |
| PRRT (net of income tax deduction) | | 56.0 |
| | 61% | 109.8 |
| <i>Adjusted for:</i> | | |
| Mark to Market on Convertible Notes | | 7.9 |
| Mark to Market on Oil Hedges | | 0.5 |
| Other Permanent Differences | | 0.8 |
| Adjustments for prior years | | (11.1) |
| | (1%) | (1.9) |
| Total Tax Expense | 60% | 107.9 |

Current Year Tax Expense

- FY2014 Tax expense of \$107.9m (FY2013: \$27.2m credit)
- FY2014 taxable income fully absorbed by carried forward losses and non-refundable R&D credits
- FY2013 \$27.2m tax credit was largely effected by the recognition of PRRT deferred tax balances

Rule of thumb for future tax expense ~ 58%

FY 2015 Guidance: Company Tax

- Past losses (group & transfer-in) remain available
- Transfer-in losses are subject to available-fraction utilisation, resulting in a lagged realisation of the benefit
- Potential for minor tax payable positions in FY2015 and FY2016

FY 2015 Guidance: PRRT

- Ability to treat all Cooper Basin production licences as a single project*
- Eastern Margin interests provide substantial starting base value; increase in the period as a result of acquisition
- Profit in the Western Flank has resulted in partial use of combined PRRT starting bases.
- Substantial PRRT cost base remains available
- No PRRT cash flow impact forecast for FY2015 and FY2016

** Subject to approval of the PEL 91 combination*

No tax paid during the period

Notes to the Financial Statements

Reconciliation of Statutory Net 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 |
| Add back: | | |
| 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

“2P” means the Sum of Proved Reserves plus Probable Reserves

“Aggregation method” Reserves and Contingent Resources in this ASX Announcement have been estimated probabilistically at field level but combined arithmetically to provide the portfolio number. The aggregate 1P and 1C figures may be a very conservative estimate and the aggregate 3P and 3C figures may be a very optimistic estimate due to the portfolio effects of arithmetic summation.

“Commercial” is defined as a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances but, in general, should be limited to around 5 years.

“Contingent Resources” means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

“Conversion factors” 5.816 PJ/mmboe, 6 mscf/boe and 11.5 boe/metric tonne of LPG

“EUR” Estimated ultimate recovery. Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.

“Proved Reserves” means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved Reserves can be categorized as development or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

“Probable Reserves” means unproved Reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable Reserves.

“Possible Reserves” means unproved Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable Reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved, plus probable, plus possible Reserves. In general, possible Reserves may include (1) Reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) Reserves in formations that appear to be petroleum bearing, based on log and core analysis but may not be productive at commercial rates, (3) incremental Reserves attributed to infill drilling that are subject to technical uncertainty, (4) Reserves attributed to improved recovery methods when (a) a project or pilot is planned, but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) Reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

“Reserves” means those quantities of hydrocarbons which are anticipated to be commercially recovered from known accumulations from a given date forward.



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