

**ASX ANNOUNCEMENT**

19 November 2014

## **Drillsearch 2014 Annual General Meeting**

Drillsearch is pleased to attach the AGM Presentations given today by Chairman Jim McKerlie and Managing Director Brad Lingo.

A copy of the presentation including the Managing Director's speaking notes will be lodged separately later today, and a video recording of the presentations will also be provided on the Drillsearch website.

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Or visit the website [www.drillsearch.com.au](http://www.drillsearch.com.au)

If you would like to register for email alerts, please register on the Home page of our website



19 NOVEMBER 2014

# Building Australia's leading independent oil and gas company

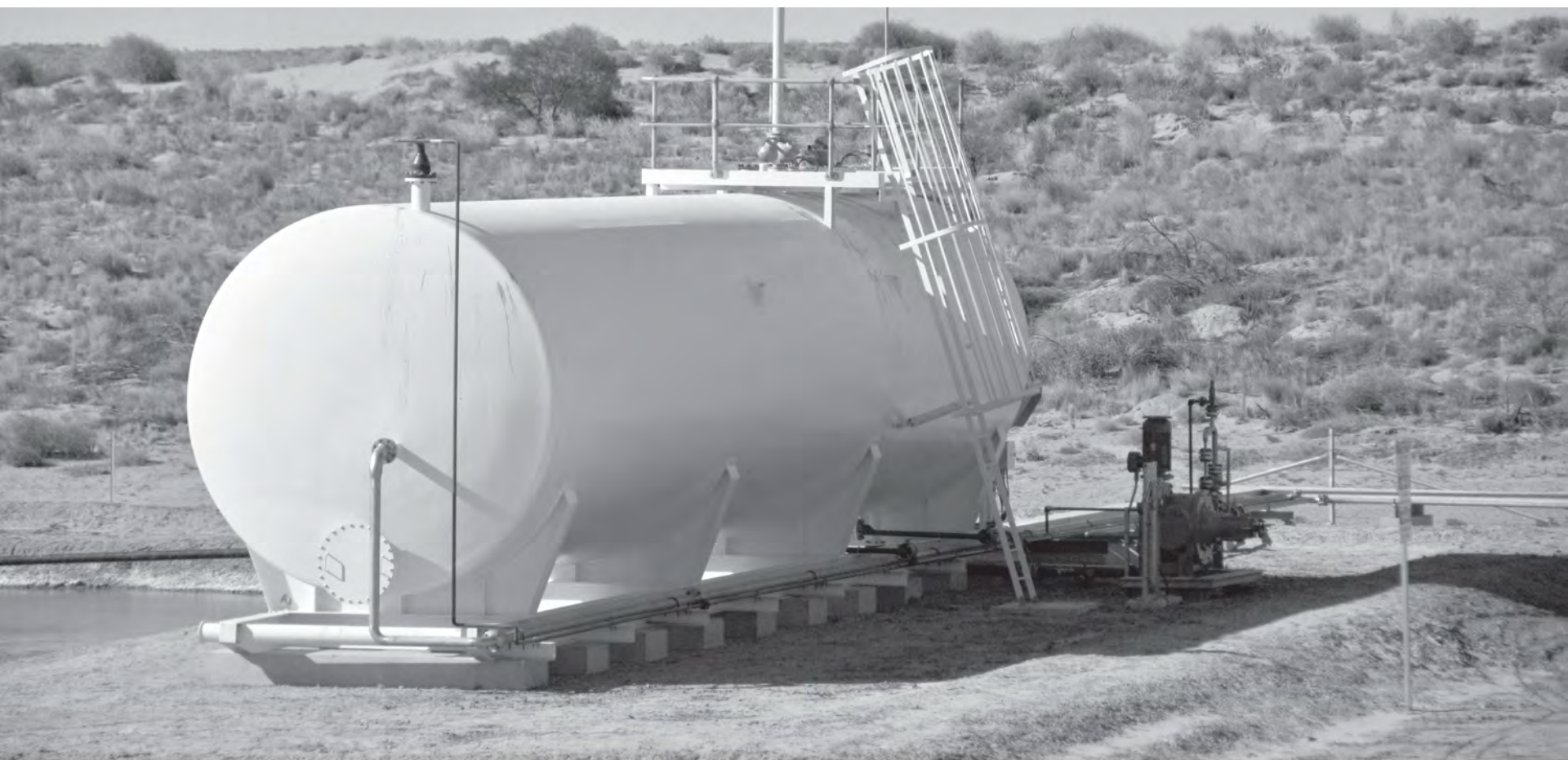
2014 AGM Presentation

Jim McKerlie - Chairman

**Drillsearch**

## Disclaimer and important notice

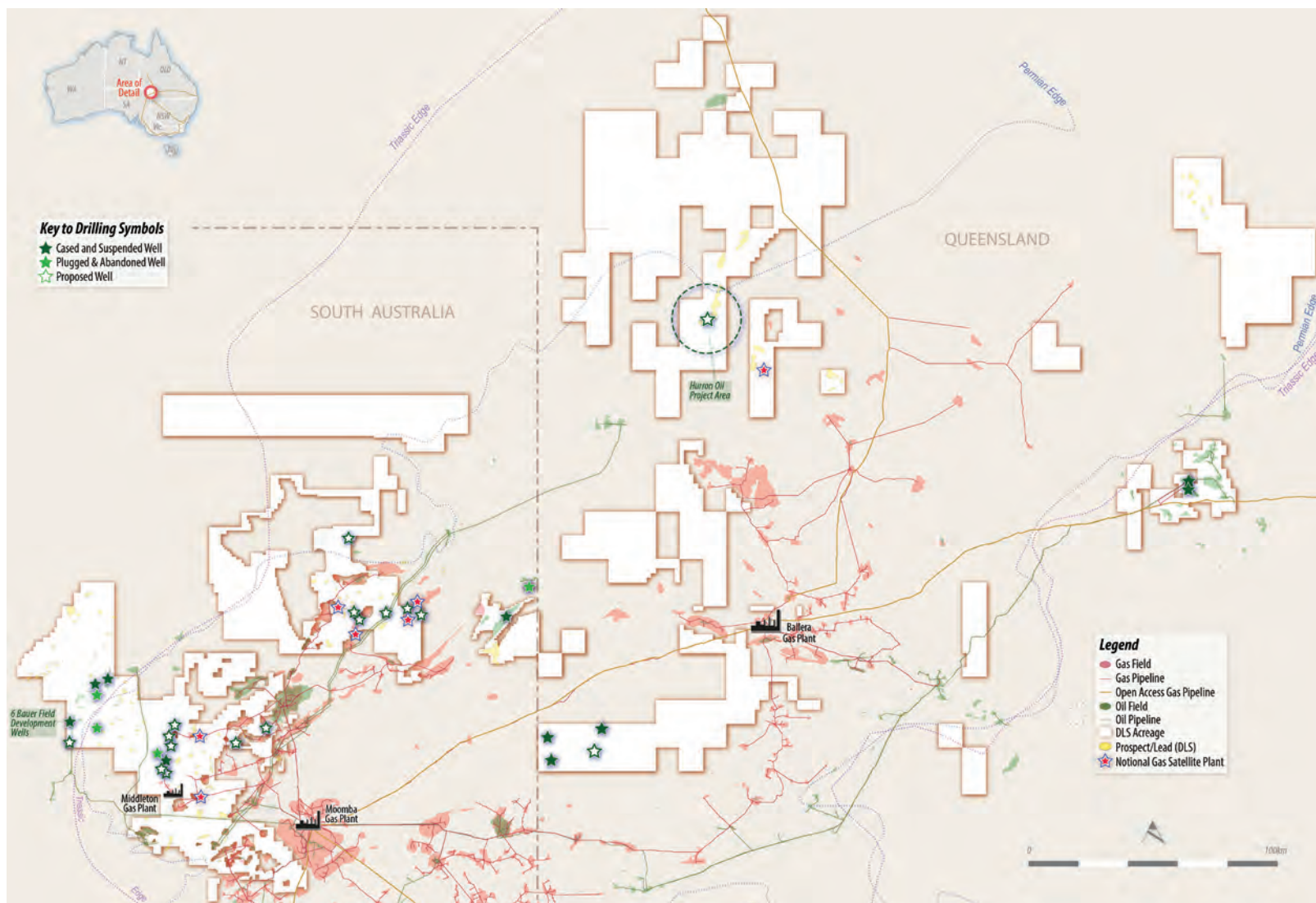
- This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas business. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or outcomes to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delay and advancement, approvals and cost estimates.
- All references to dollars, cents or \$ in this presentation are to AUD, unless otherwise stated.
- References to “Drillsearch” may be references to Drillsearch Energy Limited or its applicable subsidiaries.
- Qualified Petroleum Reserves and Resource Evaluator Requirements – References to Reserves and Contingent Resources in this presentation are based on information taken from the independent reserve auditor reports by RISC Operations and DeGolyer and MacNaughton and compiled by Mr Neil Thompson, General Manager Exploration and Development at Drillsearch. Mr Thompson is a Qualified Petroleum Reserves and Resources Evaluator and a Member of the American Association of Petroleum Geologists. Mr Thompson is a fulltime 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.
- Drillsearch’s financial statements for the year ended 30 June 2014 were prepared in accordance with IFRS and audited. A copy of Drillsearch’s Annual Financial Report, including Appendix 4E and Financial Statements, is available on the ASX platform and the Drillsearch Web site.
- A copy of this presentation is available on the ASX platform and on the Drillsearch website.



**We are Growing**



# Unprecedented Activity – More than 40 Wells Planned in FY2015



**Five rigs currently operating across our acreage\***

\*= Amidala well in ATP 940 currently rigging up. Five locations also include: Bauer pad drilling, Maupertuis, Varanus South and Sheerkhan.

## FY2014 – A Year of Significant Achievement

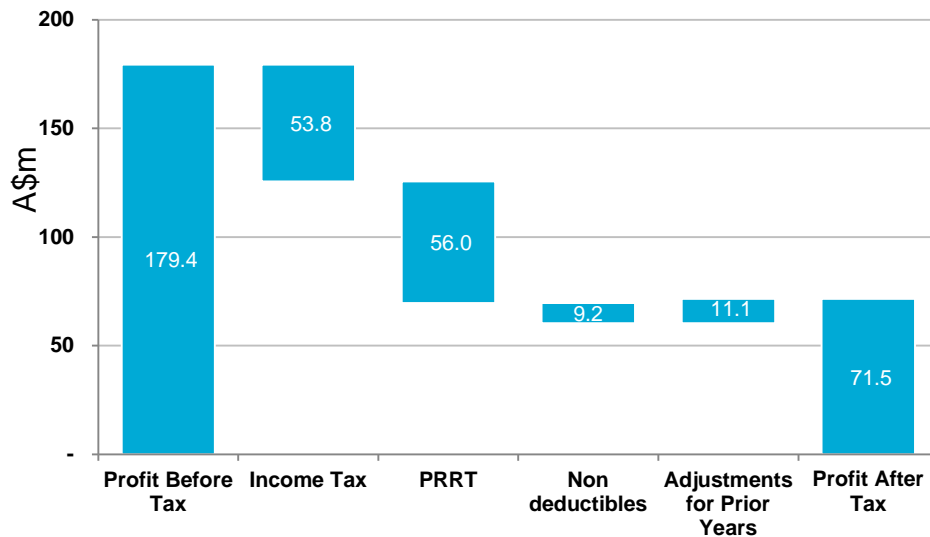
	FY2013	FY2014	Year-on-Year Change
<b>Production</b>	1.1 mmboe	3.4 mmboe	Ahead of guidance
<b>2P Reserves*</b>	28.5 mmboe	28.3 mmboe	Successfully replaced
<b>NPAT</b>	\$45.1 million	\$71.5 million	+59%
<b>Operating Cashflow</b>	\$19.2 million	\$246.4 million	More than twelve-fold increase
<b>Closing Cash</b>	\$36.1 million	\$152.4 million	More than four-fold increase

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

**Fourth best performer on the ASX200 Energy Index in FY2014**

# Tax Expense

Effective tax rate 60%



## FY2014 Tax Expense

- FY2014 Tax expense of \$107.9m (effective tax rate of ~60% on Profit).
- FY2014 PRRT expense was fully absorbed by PRRT Starting Base therefore no liability incurred for the year.
- Emphasises the importance of continuing investment in exploration.

\*Subject to finalisation of FY2014 income tax return due to ATO in 2015.

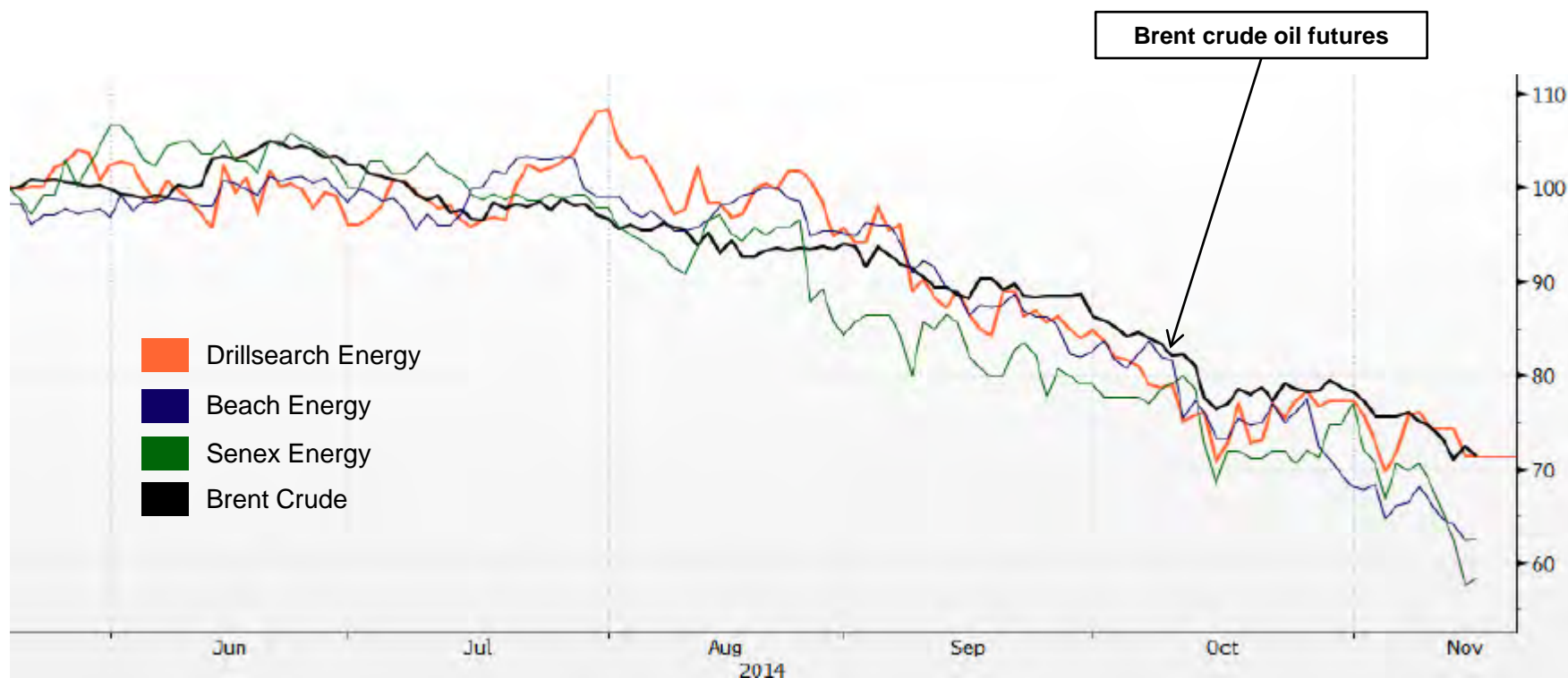
**FY2014 Tax Expense was non-cash item, reflects corporate tax and PRRT expense**



# The Energy Market



## Cooper Basin Peer Share Price v Brent Crude



**Weaker oil prices impact share price of Cooper Basin companies**

## Analysts Cut Oil Price Forecasts in Early FY2015

Average Brent crude price forecast	Forecast as of 30 June	Forecast as of 13 November
Q4 2014	US\$107.00	US\$92.50
Q1 2015	US\$106.50	US\$96.00
Q1 2016	US\$104.00	US\$105.00

- Prices in US dollars per barrel
- Source: Bloomberg LP
- Based on median forecasts of 42 analysts

**Continued volatility anticipated through early 2016**

## Weaker prices impacting the industry globally

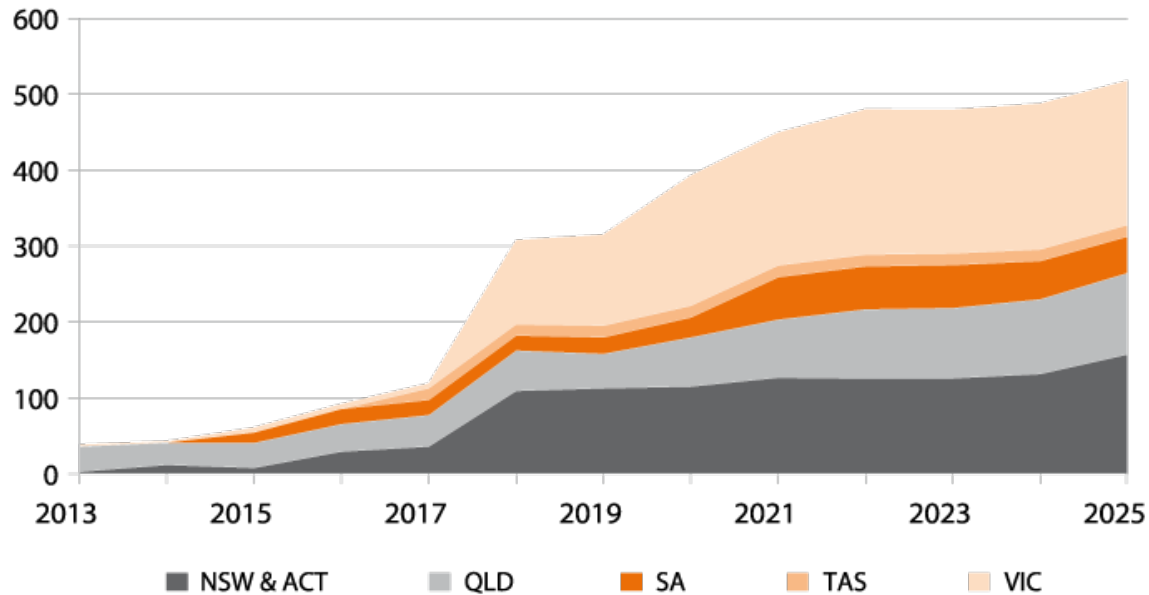
Country Pain Points*	Price Per Barrel	E&P Companies' Pain Point
Venezuela balance budget	US\$160	
Iran balance budget	US\$130	
	US\$115	Breakeven for higher cost US Shale
Iraq balance budget	US\$114	
Russia balance budget	US\$110	
	US\$100	Breakeven for Canadian oil sands
Saudi Arabia balance budget	US\$90	
	US\$80	Breakeven for deep water high cost in Angola, Brazil, Norway & UK
	US\$60	Median breakeven for US Shale
Kuwait balance budget	US\$50	
	US\$40	Breakeven for low cost Shale
	~US\$25	<b>Drillsearch</b> Cash Breakeven

\*Source: Financial Times article "How low can it go?" 8/11/2014.

# Gas Market Opportunity

Competition for gas expected to drive prices

Uncontracted Eastern Australian Gas Demand by State (PJ)



<sup>1</sup> Source: Core Energy Group, May 2013

Substantial market opportunity for Drillsearch



# Commitment to Corporate Social Responsibility



**Social Licence to Operate has never been more important**



# Strategy

## Our Path to Growth



**Drillsearch**



Historically an aggregator in the Cooper Basin



It is not the rate of new technology that matters

...but the ability of an organisation to adopt new technologies



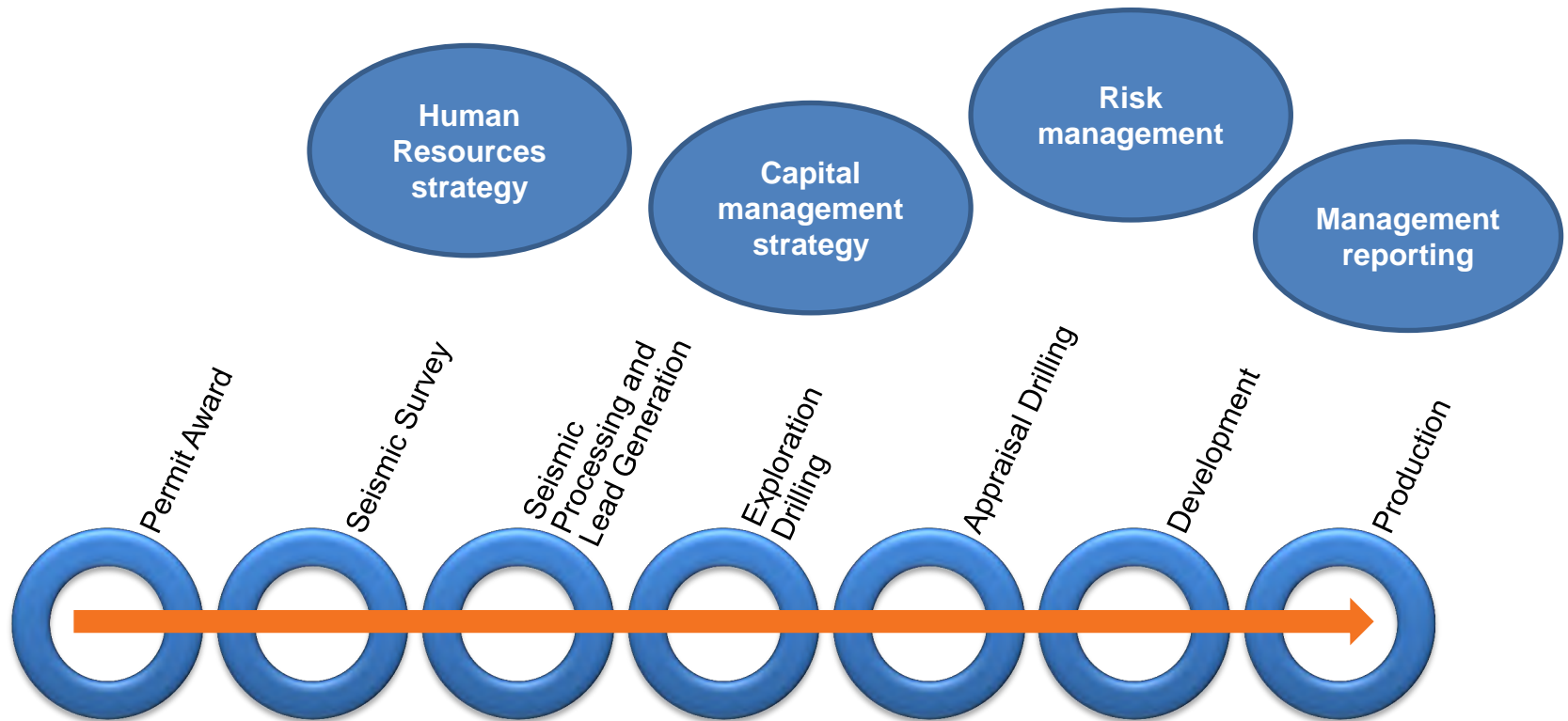
One of our core disciplines





## Building Capability

# Building Operational Capability



Building operational capability to meet the demands of the E&P cycle

Optimise capital structure and allocate appropriate forms of capital to deliver superior growth and value creation to shareholders over the medium and long-term.

Capital management strategy under continuous review

# Thank You

**Fellow Directors  
Managing Director  
Executives  
Team  
Joint venture partners  
Advisers  
Suppliers**





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# Continuing Strength in Performance and Execution

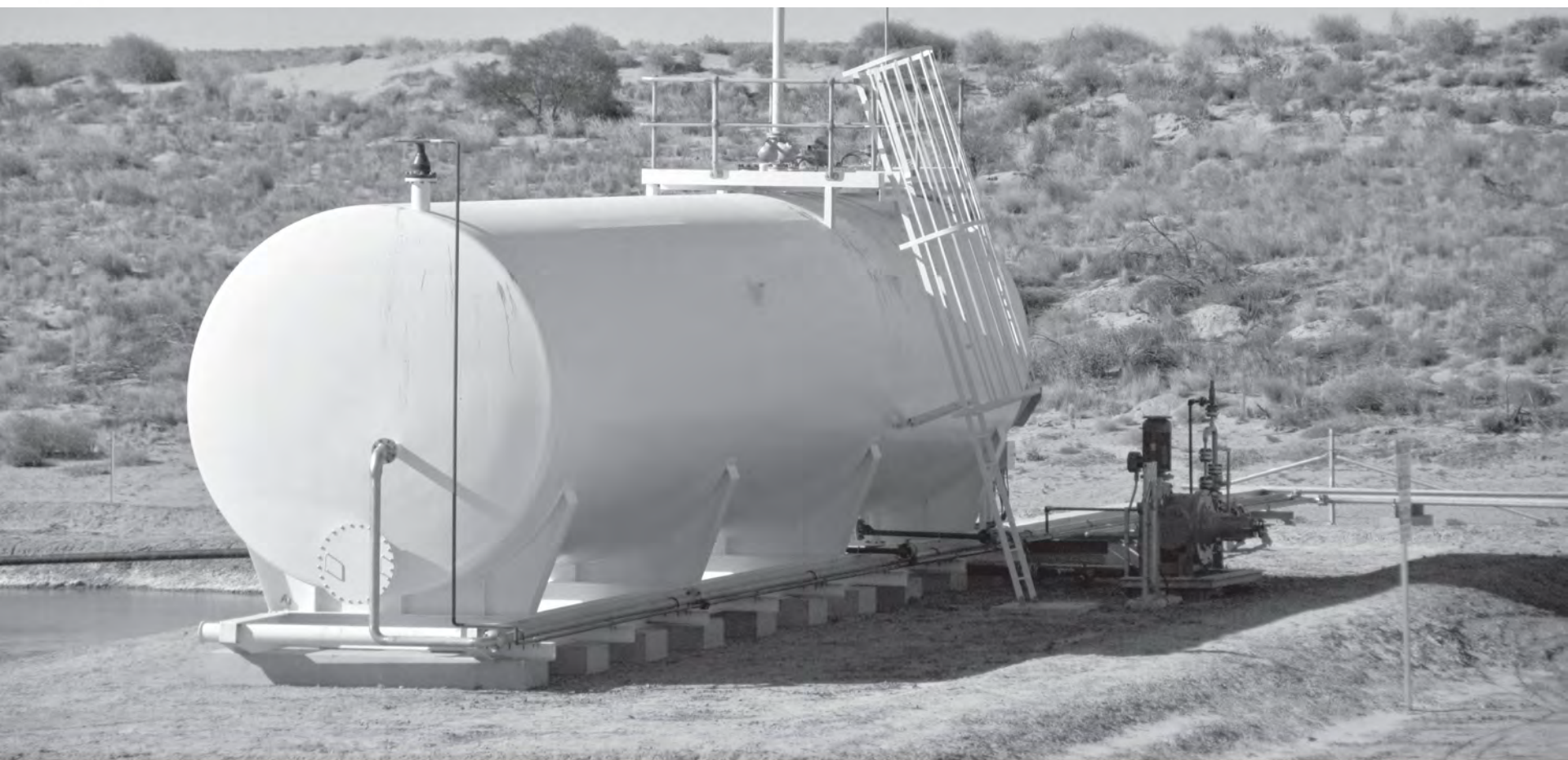
2014 AGM Presentation

Brad Lingo – Managing Director

**Drillsearch**

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- This presentation 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 29.
- Drillsearch’s financial statements for the year ended 30 June 2014 were prepared in accordance with IFRS and audited. A copy of Drillsearch’s Annual Financial Report, including Appendix 4E and Financial Statements, is available on the ASX platform and the Drillsearch website.
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**Track Record Through FY2014**

## 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)%

\*Refer to slide 29 regarding Non-IFRS financial information

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

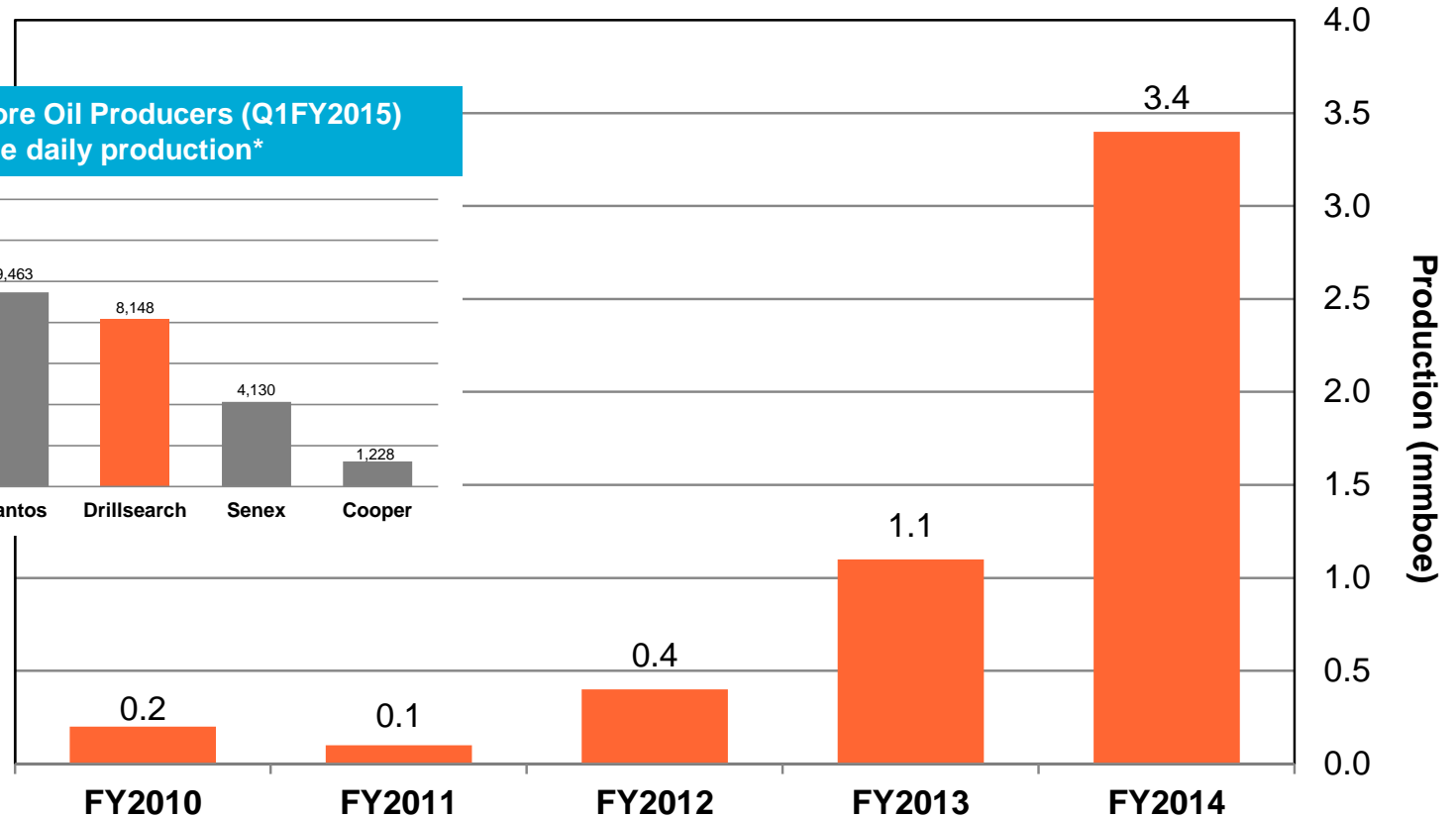
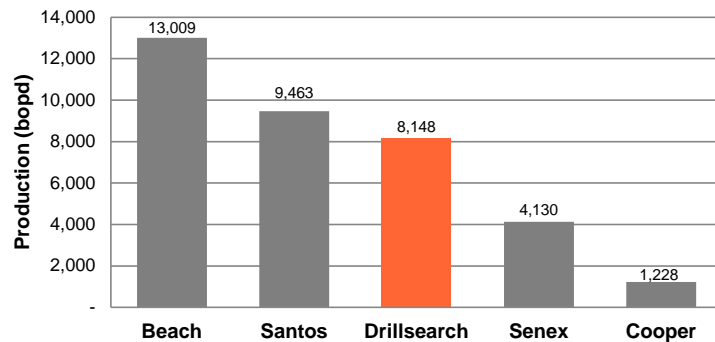
**Performance delivers strong results in key financial metrics**



# History of Production Growth

## Production Growth

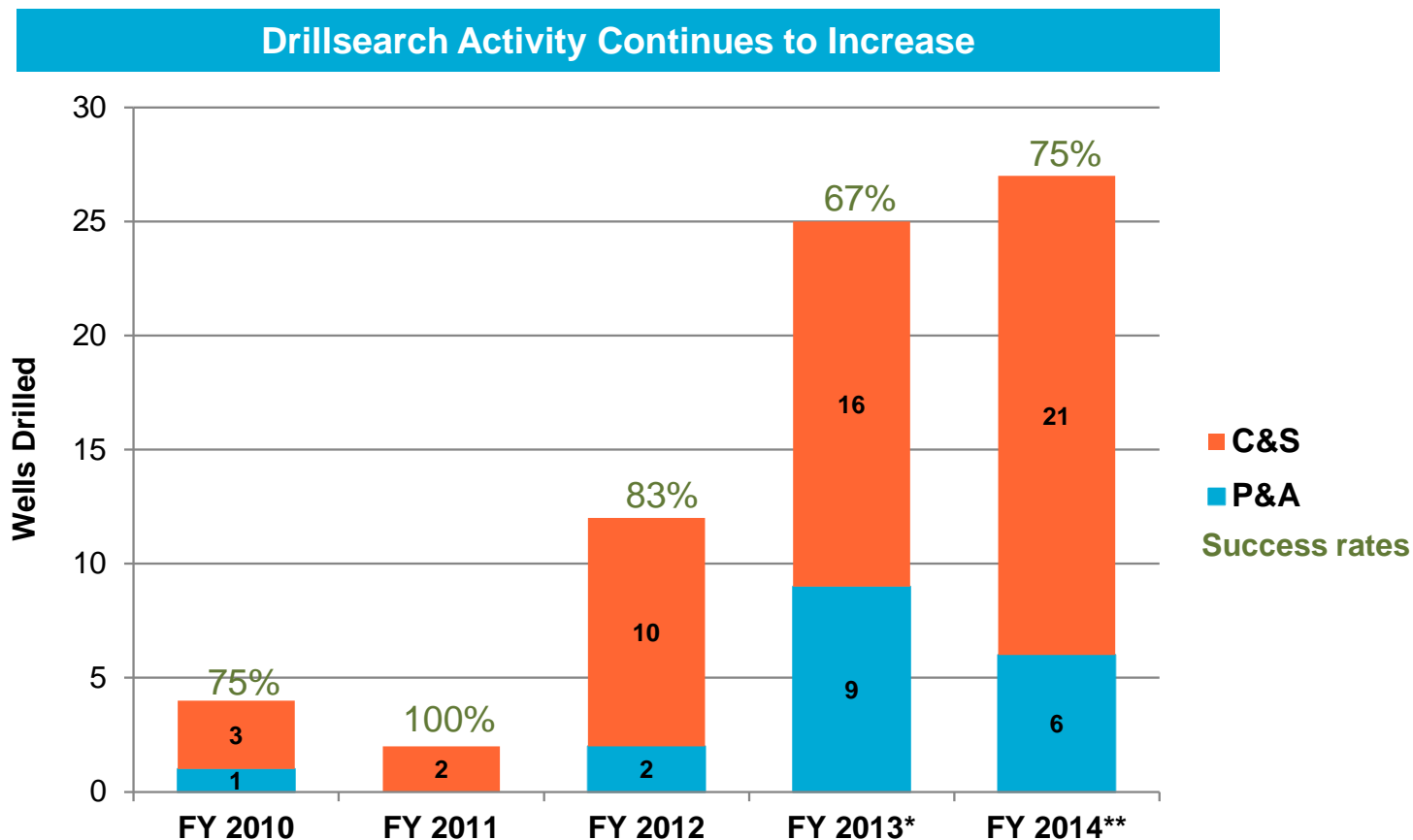
Australian Onshore Oil Producers (Q1FY2015)  
Average daily production\*



\* Source: September Quarterly Production Reports/ASX Announcements

**Australia's third-largest onshore oil producer**

# Active Explorers



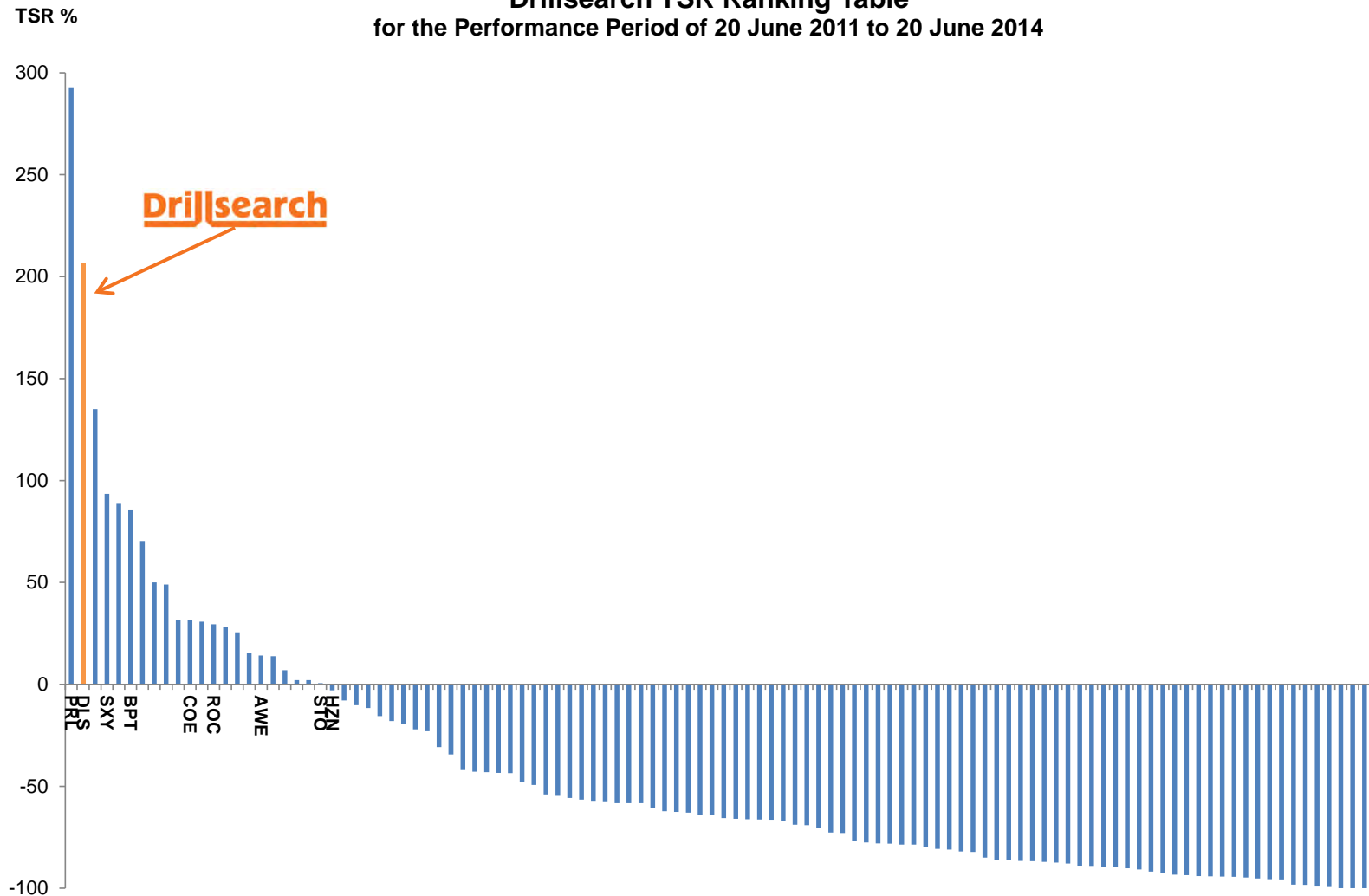
\*Cypress-1 operation suspended thus not included in success rate

\*\*Anakin-1, Charal-1 and Padme-1 excluded from success rate as ongoing

**More than 40 wells planned in FY2015**

# Outperformance Against Our Peers

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

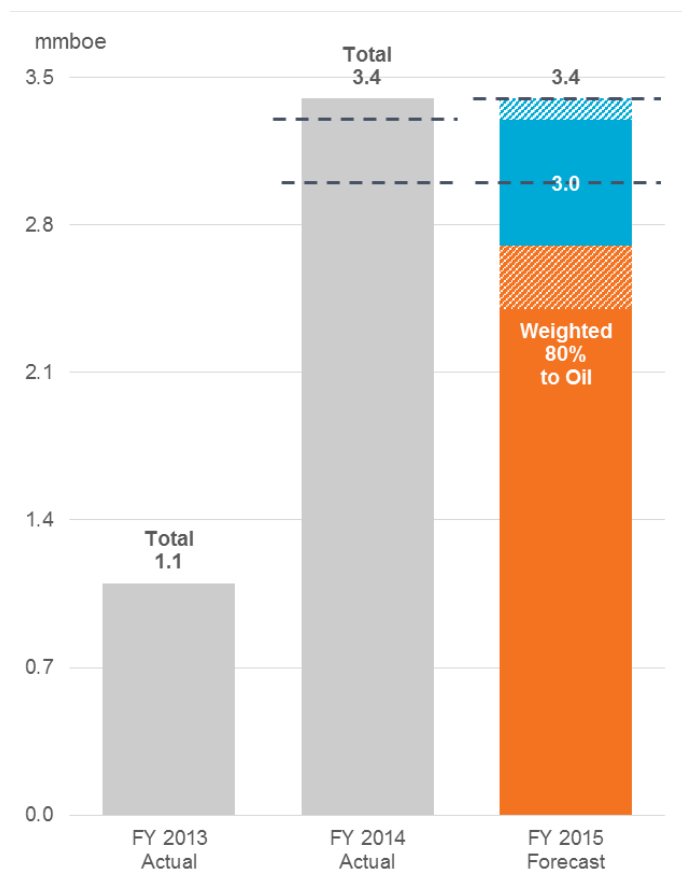


Source: Orient Capital

**Ranked No. 2 against our ASX Energy Peer Group over past three years**



## Continued Strength in FY2015

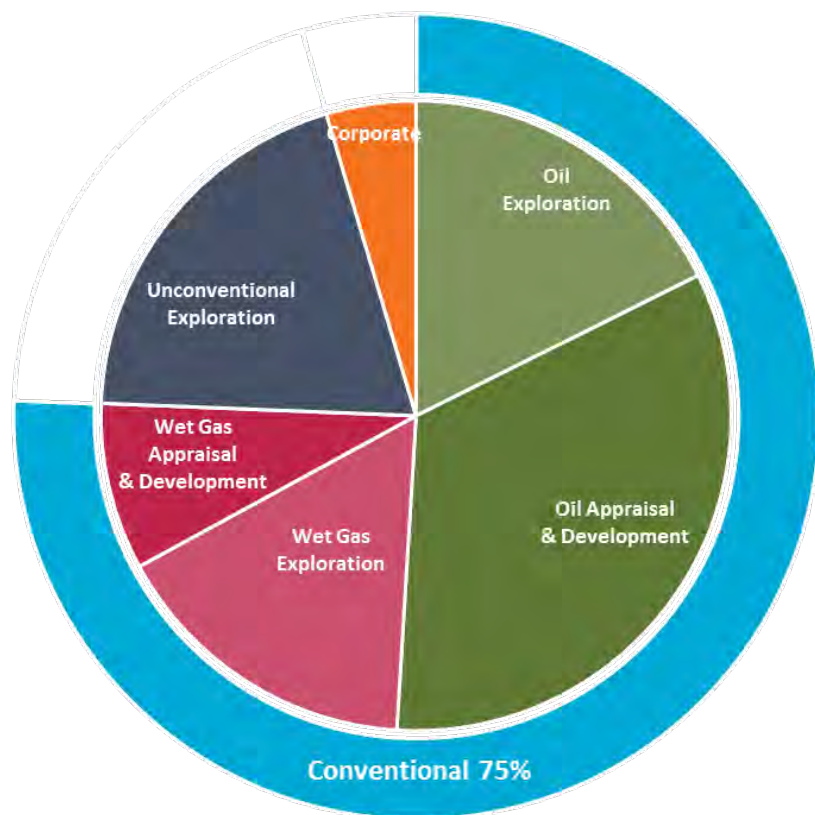


## FY2015 Production Outlook

- Guidance of 3.0 to 3.4 mmboe in FY2015
- Consolidation after threefold increase in FY2014
- Q1 performance solid – 0.75 mmboe – on plan
- PEL 91 connections and field tie-ins to support production through remainder of FY2015
- Producing from 19-22 fields across the Western Flank, Western Cooper and Eastern Margin by end Q2 FY2015

**Continuing solid production performance**

## FY2015 Guidance: Capital Spend Activities



### FY2015 Capital Spend Activities













- FY2015 Guidance of \$130m - \$170m
- Approximately 75% of capital spend directed to conventional business
- Greater share of investment in the Oil Business
- Capital program supported by work program carries from Santos and Beach
- Continue to be disciplined in Unconventional investment

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



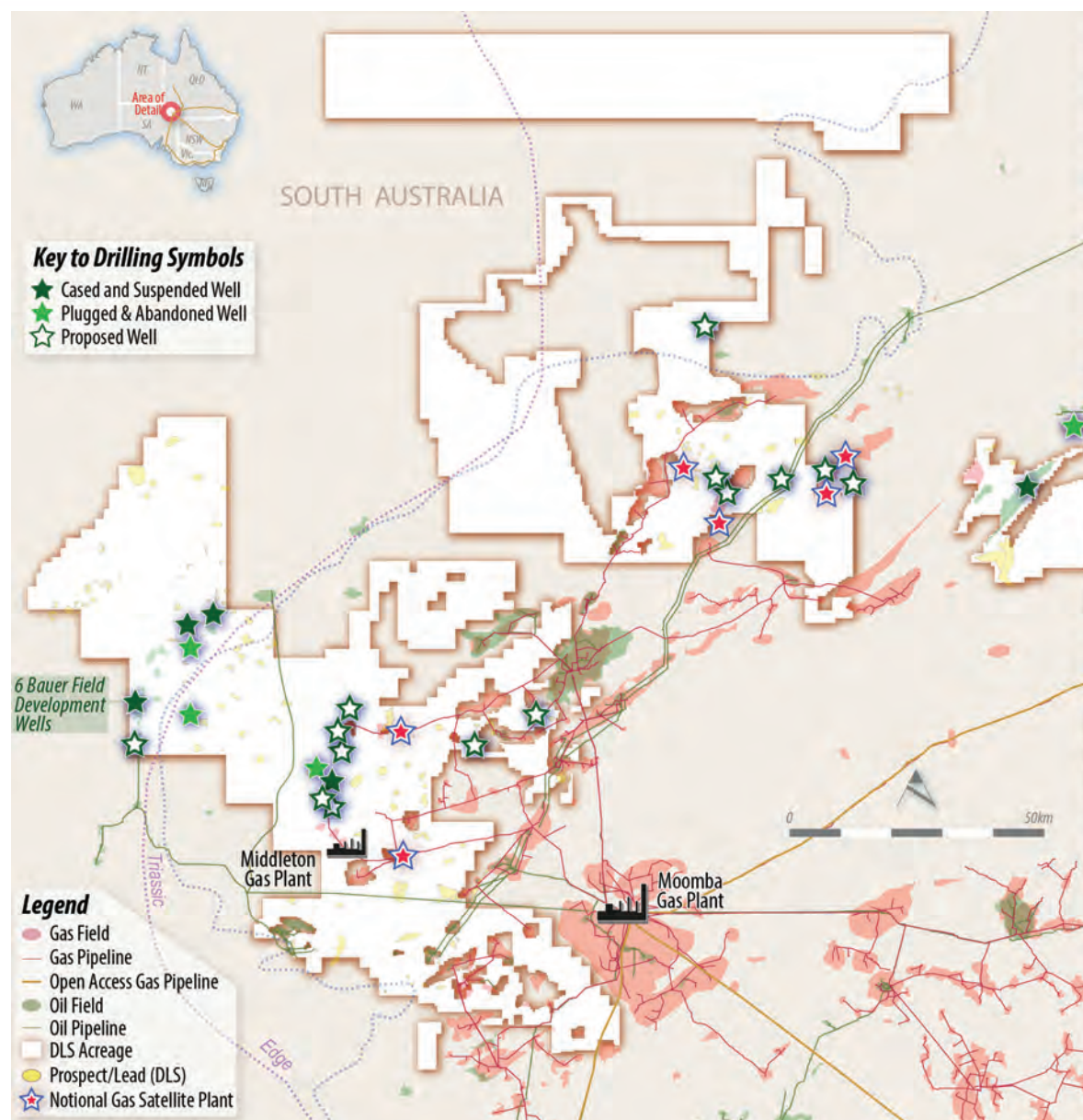
# Record Work Program in FY2015

Updated from the version first released on 1/8/2014

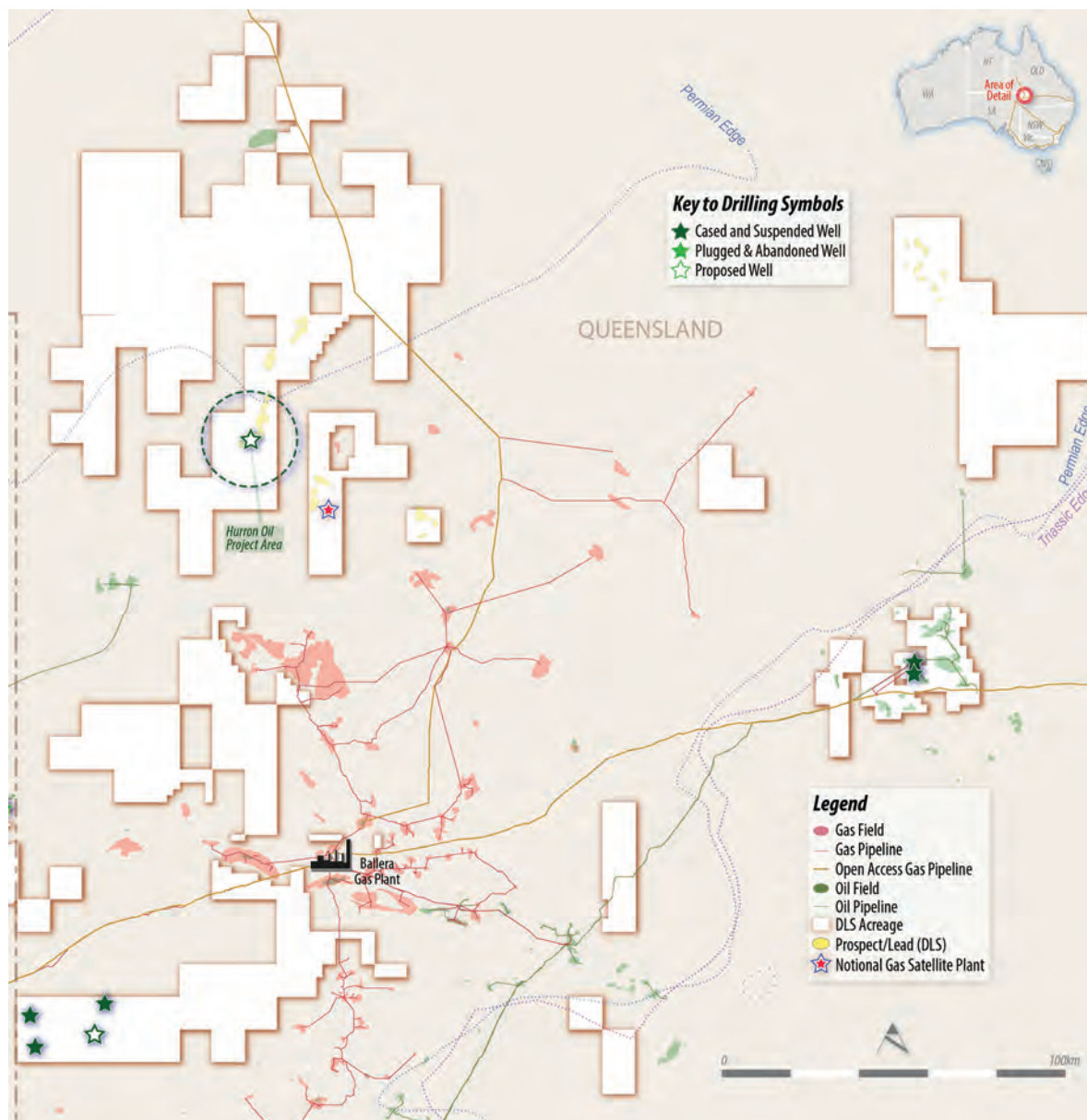
Permit	Operator	FY2015					Total		
		Sept Q	Dec Q	Mar Q	Jun Q	Sept Q			
OIL									
Western Flank - PELs 91 & 182	BPT/SXY						20	23	
Seismic acquisition and processing		500km <sup>2</sup> Solidus 3D (PEL 91)					815km <sup>2</sup>		
		315km <sup>2</sup> Jasmine 3D (PEL 182)							
Facilities upgrades and pipeline installation		Additional connections ongoing including Stunsail, CKS, Pennington and Bauer upgrade							
Northern Oil - PEL 103	DLS						2		
Hydraulic stimulation and production testing				Flax-1					
Inland-Cook - ATP 924P	DLS	Hurron & Taj 3D, George 2D					1		
WET GAS									
Western – PELs 91, 106 & 107	BPT							5	18
Hydraulic stimulation and production testing				Udacha-1					
Western - PEL 513 & 632	STO							8	
Seismic acquisition and processing		329km <sup>2</sup> Jacenza 3D acquisition and processing					329km <sup>2</sup>		
Northern - PEL 101	DLS							5	
UNCONVENTIONAL									
Central Cooper - ATP 940P	DLS				Legislative changes provide opportunity to optimise program		3	3	
Stimulation and testing		All wells to be hydraulically stimulated and production tested							

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

# Record Work Program in FY2015



# Record Work Program in FY2015

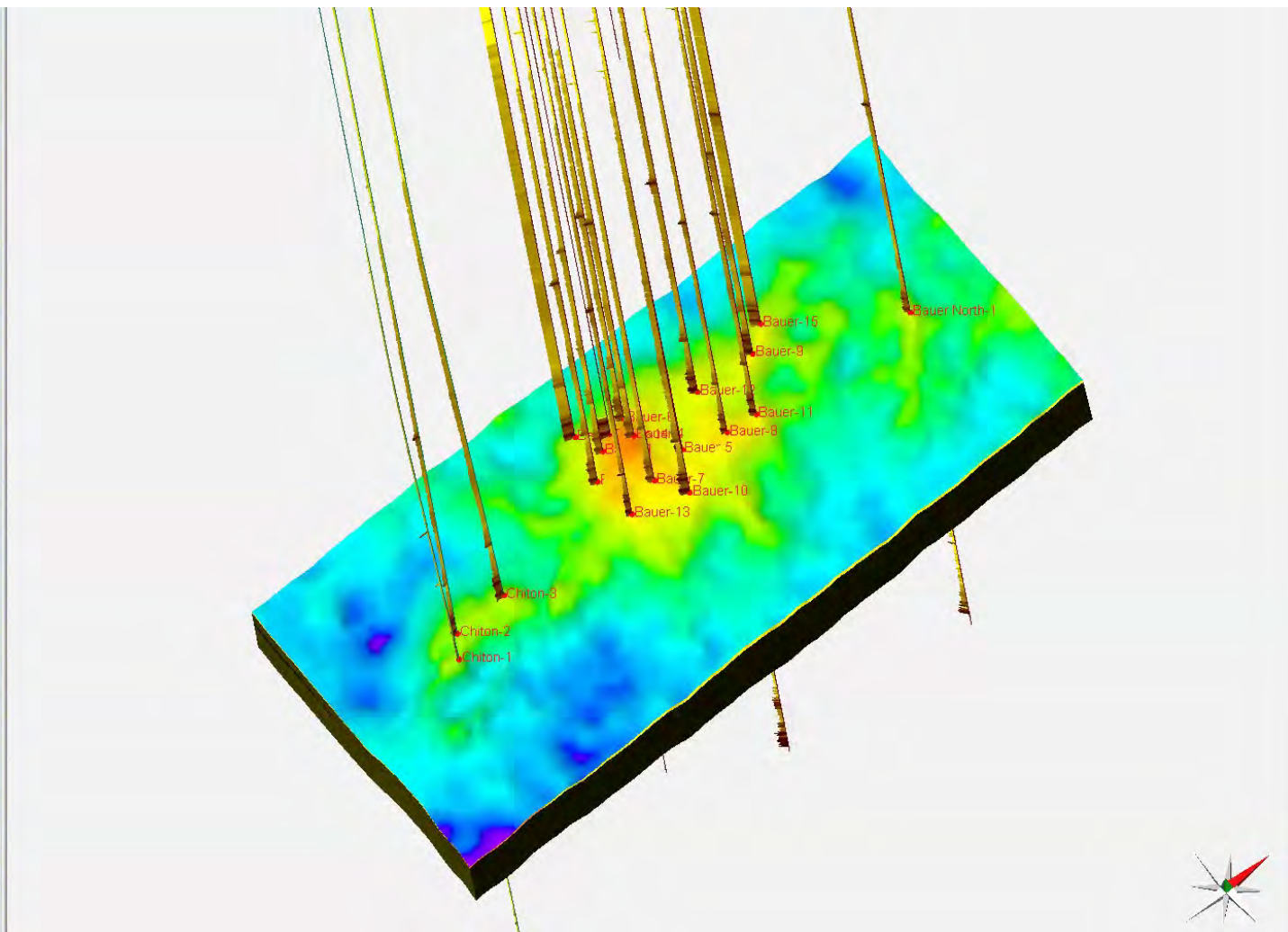
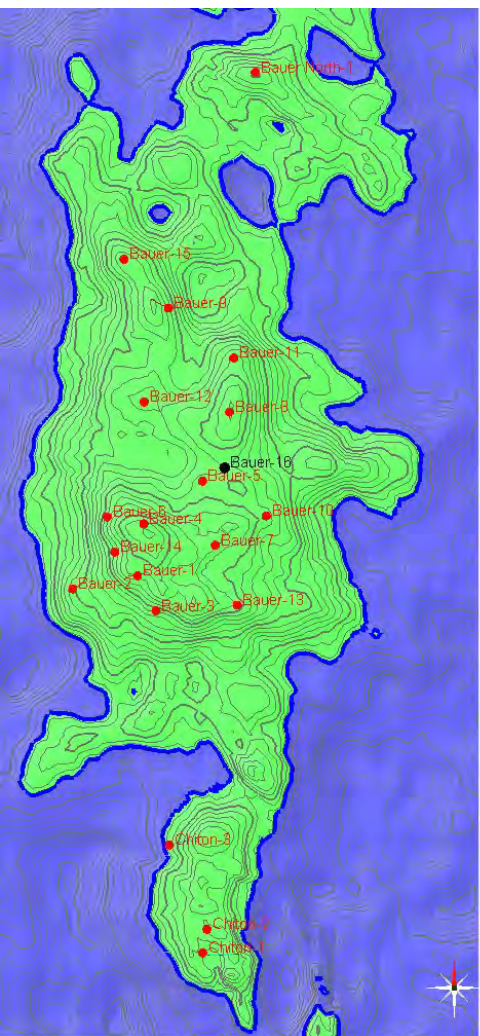




# Executing the FY2015 Work Program



# Oil Business – Bauer Development Campaign



This slide contains a 3D animation of the Bauer Oil Field which can be viewed via the video link on the Drillsearch website.

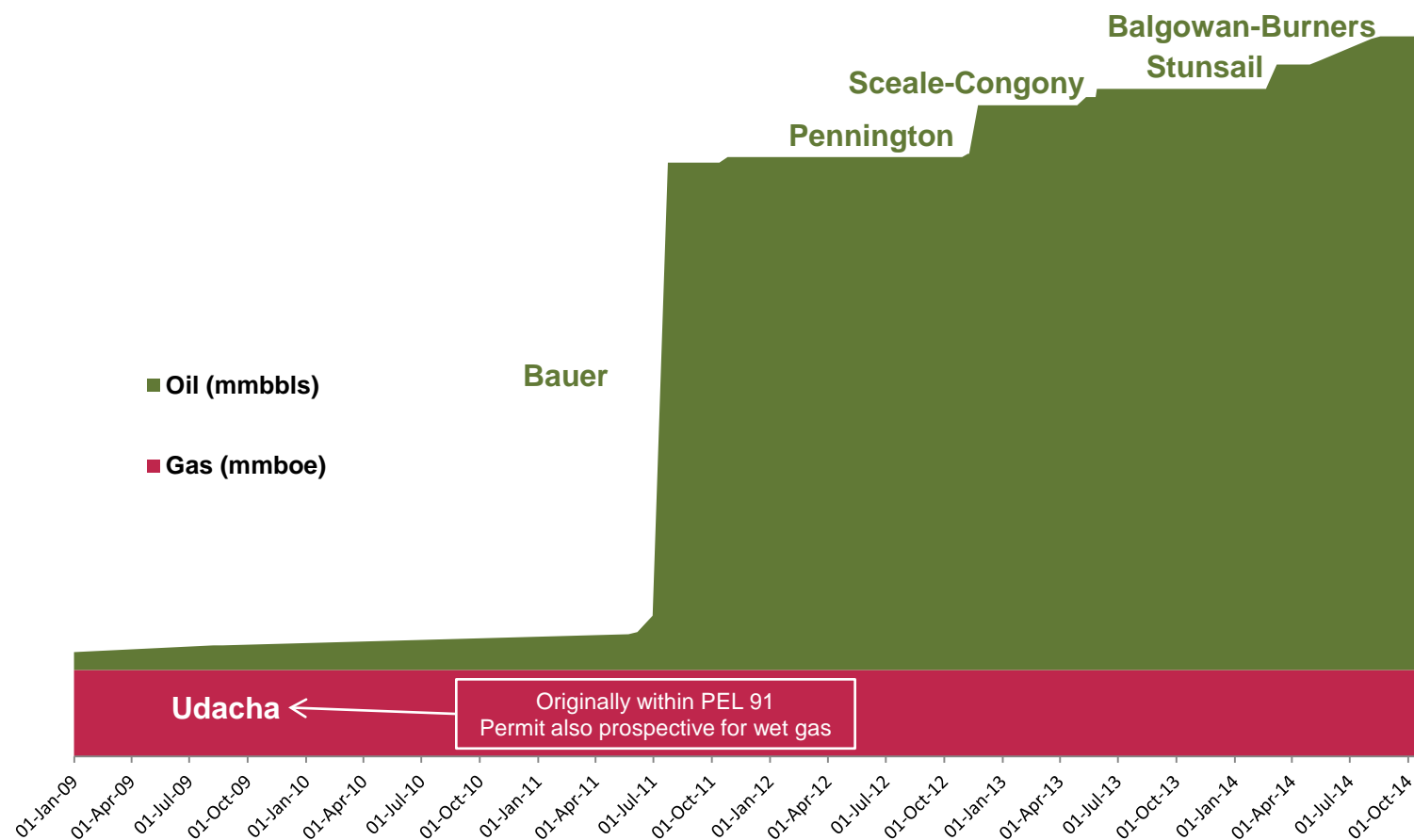


# Oil Business - Bauer Activity in Mid-November 2014

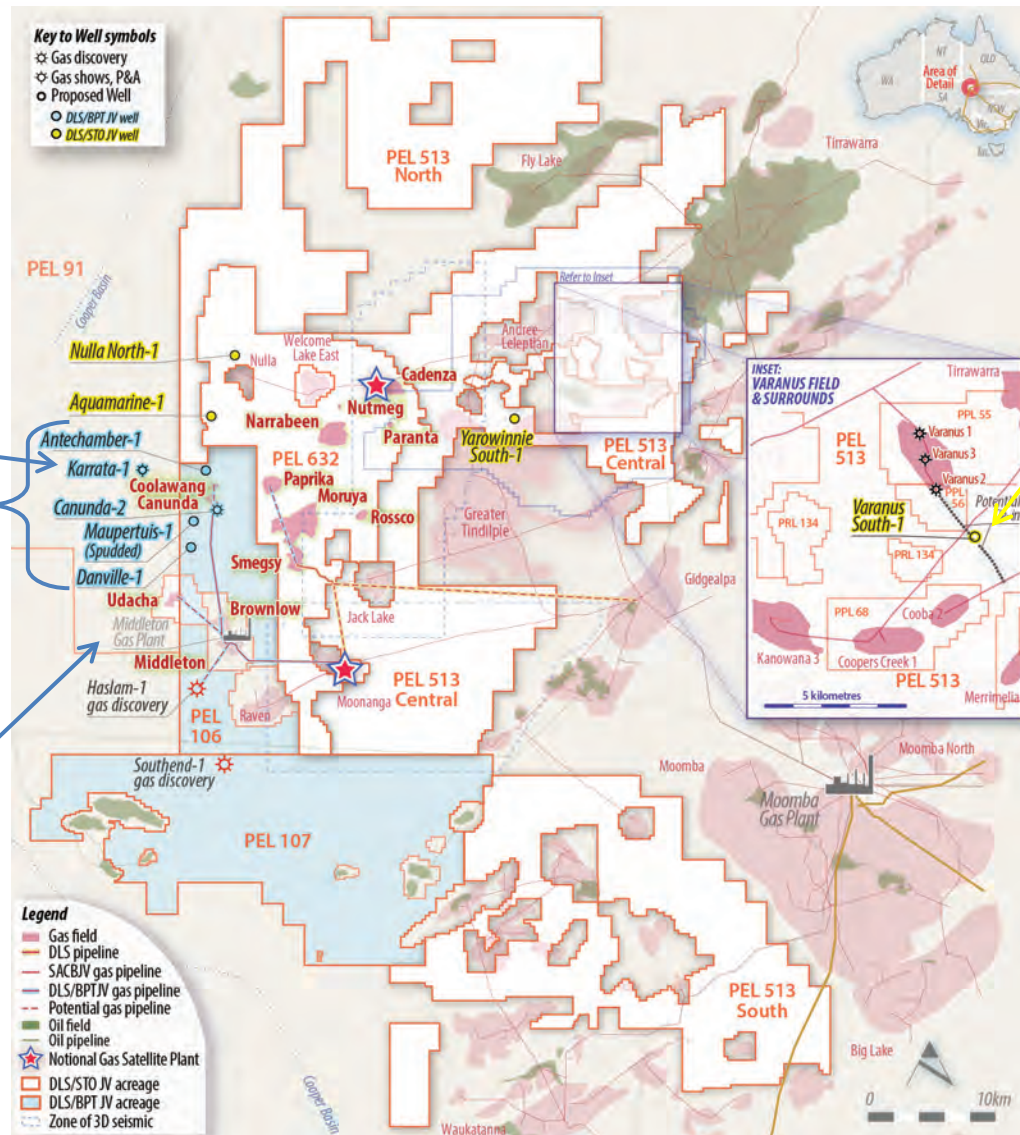




## Oil Business – Continuing Exploration Success in PEL 91



# Wet Gas – Western Cooper Program



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

Most active work program ever undertaken by the PEL 106 joint venture with Beach

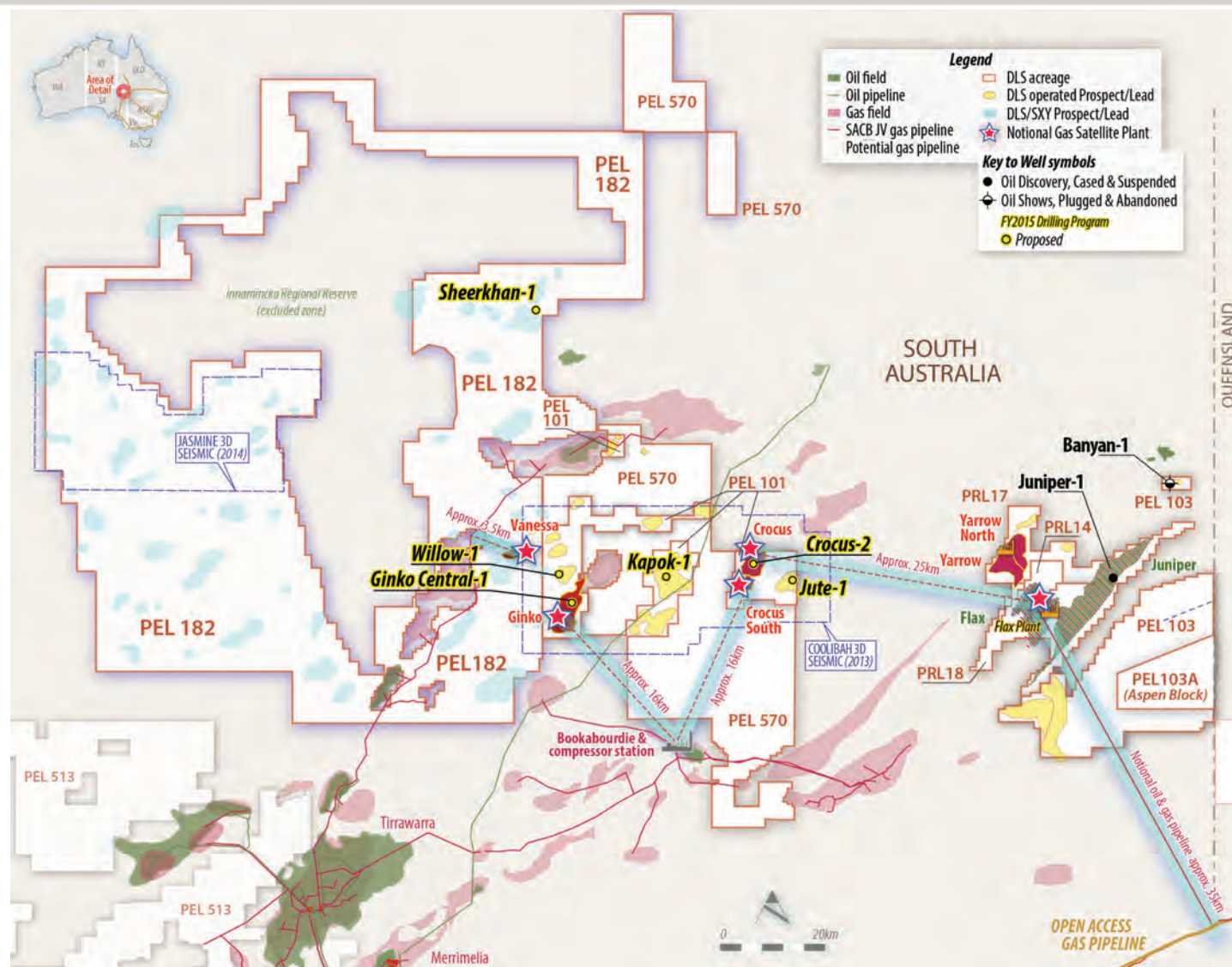
Existing production from Brownlow/Middleton /Canunda

**Varanus South-1**  
First well drilled by the joint venture with Santos announced in mid-2013

Eight wells to be drilled across the Santos JV

Program gathering momentum in Q2 FY2015

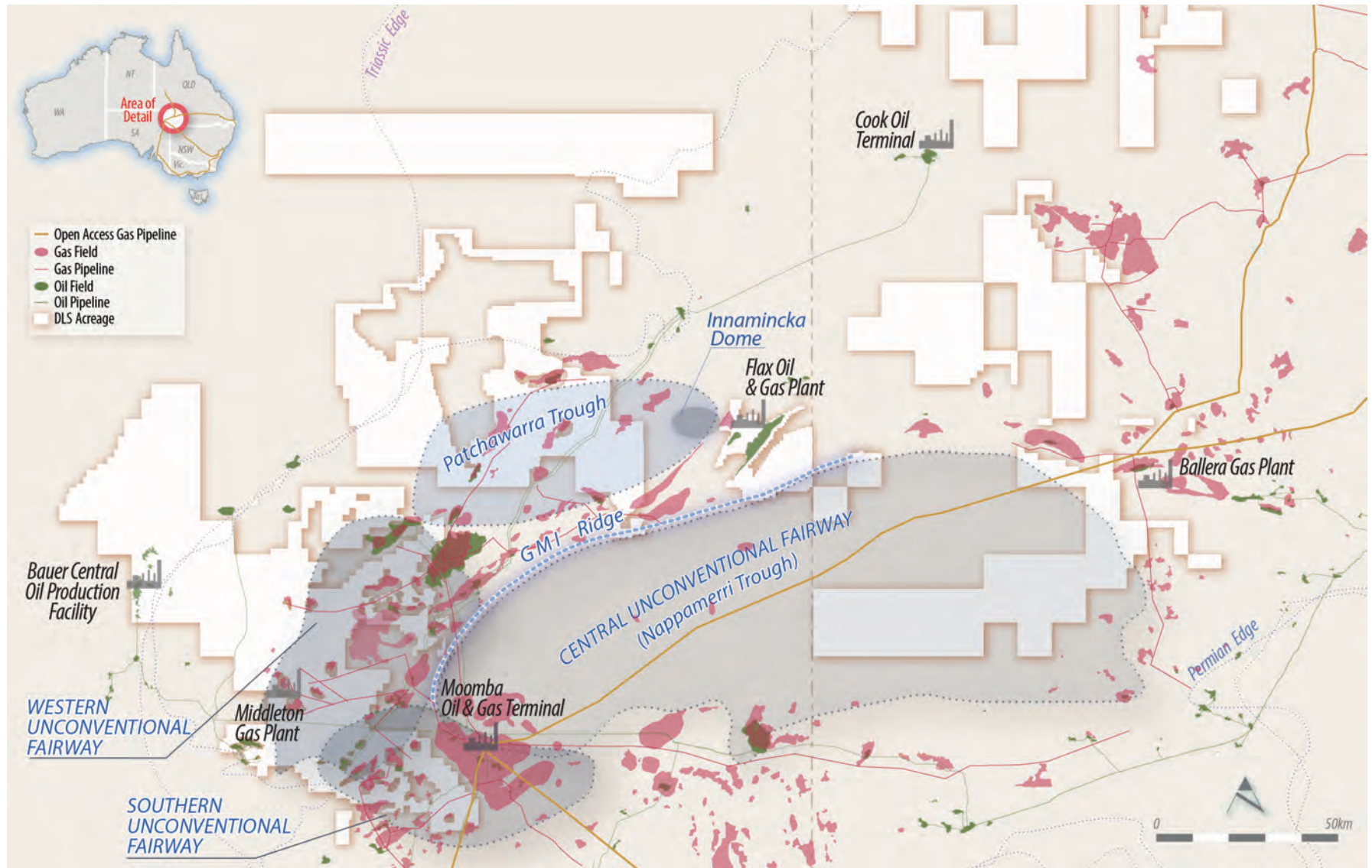
# Wet Gas – Northern Cooper



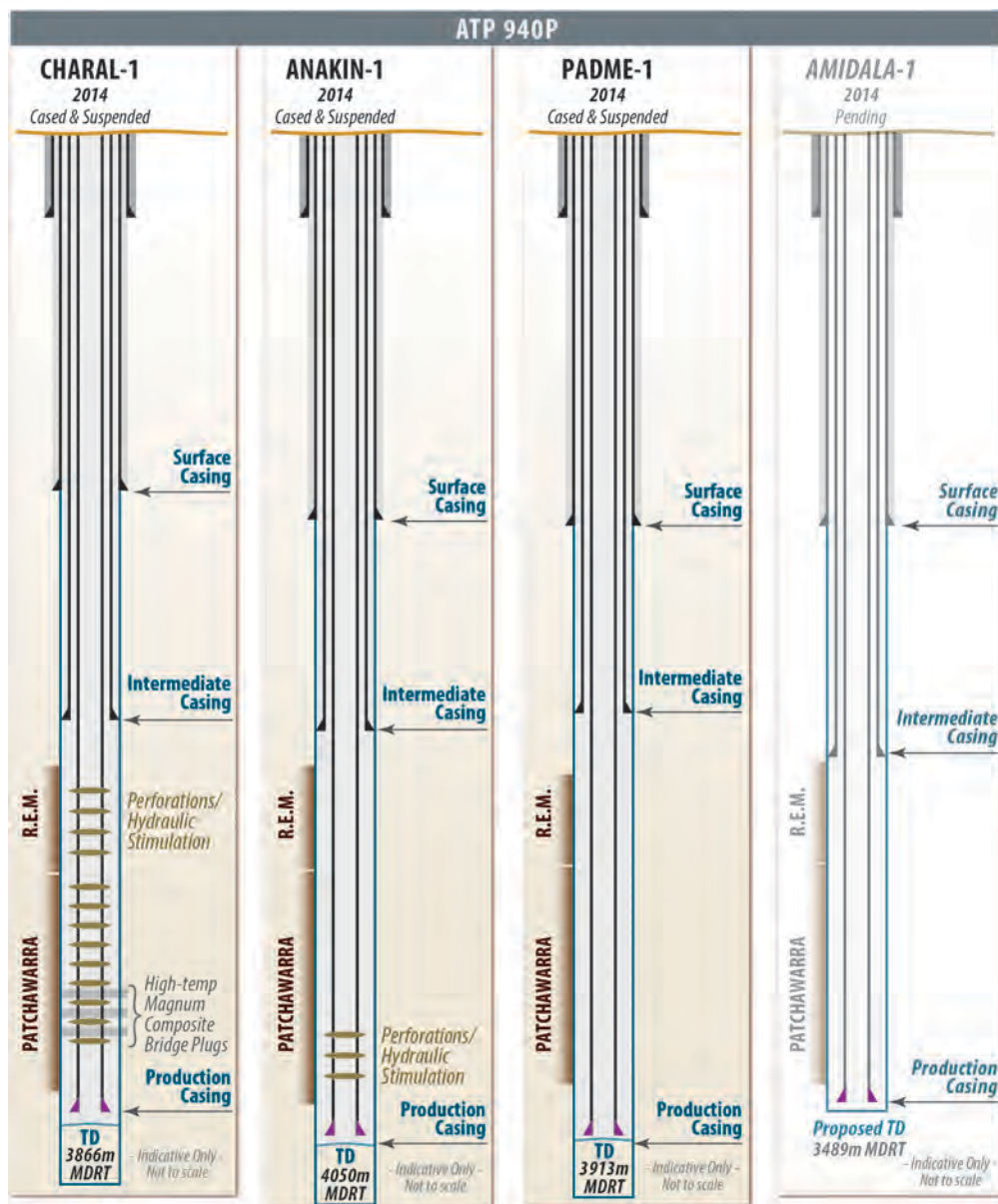
Five-well campaign in PEL 101 – major focus for DLS as an Operator



# Unconventional – A Portfolio Approach



# Unconventional – Charal Testing to Begin Shortly



Cudd Hydraulic Workover Unit



Composite Bridge Plug (CBP)

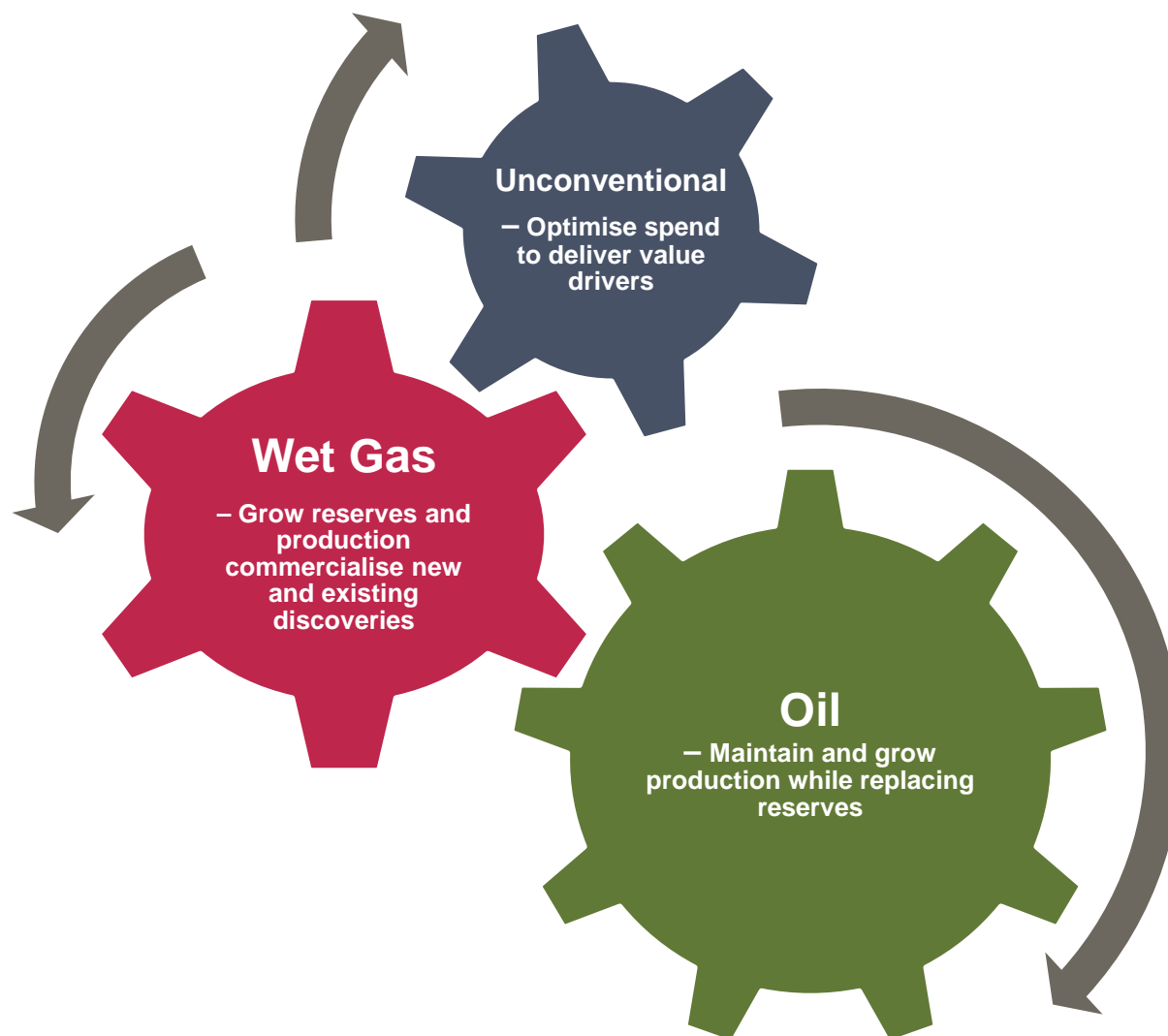




# Targeting Sustainable Growth

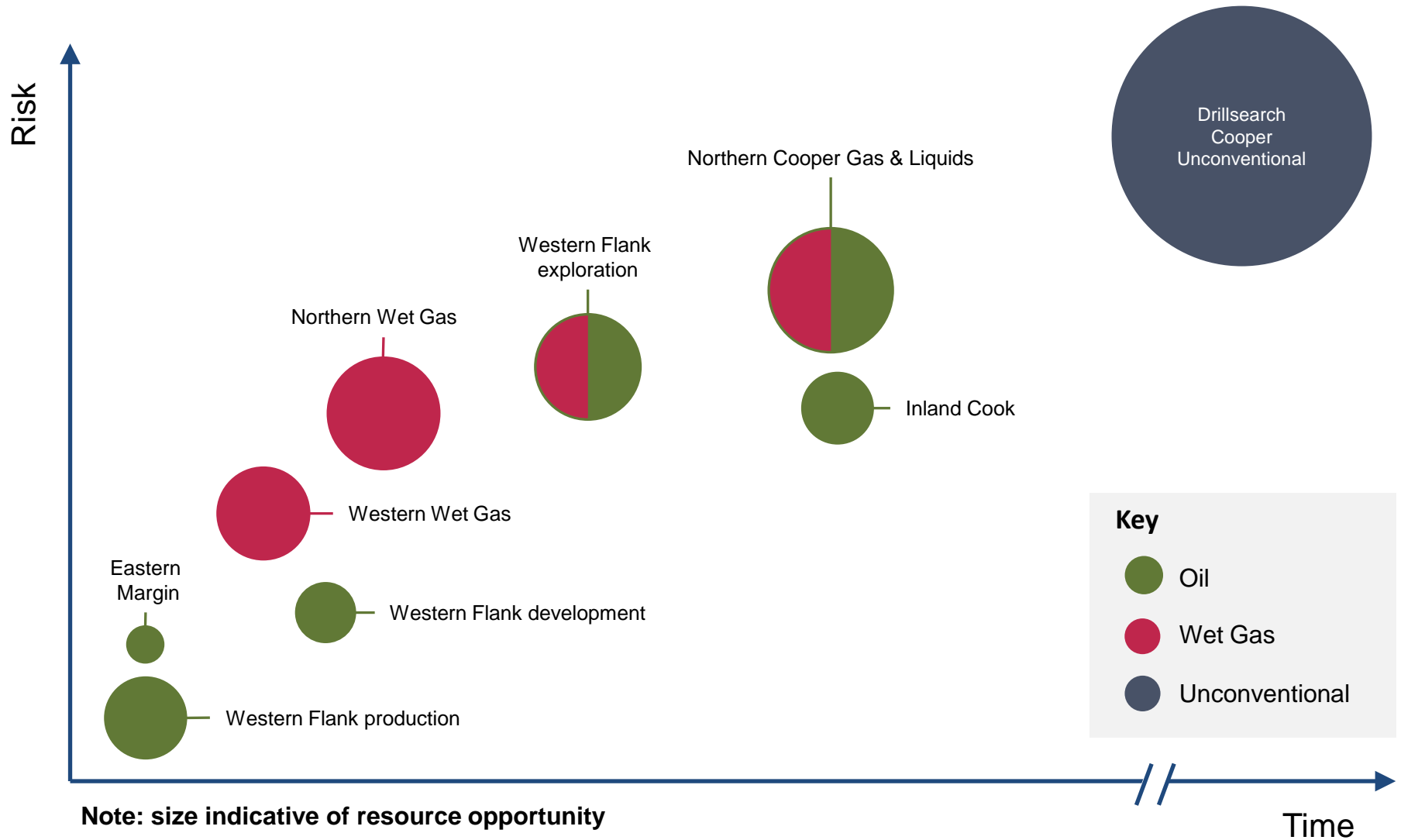


## Self-sustaining business model



**Oil remains the near-term cash flow engine**

# Asset pipeline



Assets spread across business streams, relative risks and time frames

## Plan: Five-Year Roadmap

	FY2009	FY2014	FY2019
<b>Production</b>	0.2 mmboe	3.4 mmboe	Targeted to double
<b>Revenue source</b>	85% oil and 15% gas	95% oil and 5% Gas and NGLs	Highly leveraged to oil, gas and NGLs
<b>Capital Spend</b>	\$5 million	\$95.7 million	Capex scaled to rate of success
<b>2P Reserves</b>	1.19 mmboe	28.3 mmboe	Reserve growth and replacement across all three business units
<b>Exploration</b>	Deep exploration pipeline of more than 250 oil and gas leads		
<b>Development</b>	Significant pipeline of discoveries in appraisal and development		

Targeting sustainable growth over five years based on conventional assets

# Key Takeaways

- **Performance continues to remain strong in FY2015**
  - Production guidance of 3.0 to 3.4 mmboe remains unchanged
  - Q1 production of 0.75 mmboe on plan
- **Executing to plan**
  - Record activity in FY2015
    - » 14 wells drilled through mid-November
    - » New oil discoveries at Balgowan-1 and Burners-1
    - » Bauer development program to deliver new production in FY2015
    - » Other fields coming online: KCS (Kalladeina Congony and Sceale) Pennington, Stunsail
- **Business remains robust, despite weaker oil prices**
- **Strong balance sheet - \$169.5 million of cash at 30 September\***

\* = Unaudited



# Thank you

# Reserves and Resources Information

- Drillsearch's revised Oil and Gas Reserves and Resources as at 30 June 2014 are available on the ASX platform and on the Drillsearch website.
- The following notes apply to information included in this presentation regarding Drillsearch's Oil and Gas Resources and Reserves.
- 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'.
- 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** – References to Reserves and Contingent Resources in this presentation are based on information taken from the independent reserve auditor reports by RISC Operations and DeGolyer and MacNaughton and compiled by Mr Neil Thompson, General Manager Exploration and Development at Drillsearch. Mr Thompson is a Qualified Petroleum Reserves and Resources Evaluator and a Member of the American Association of Petroleum Geologists. Mr Thompson is a fulltime 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.



# Notes to the Financial Statement

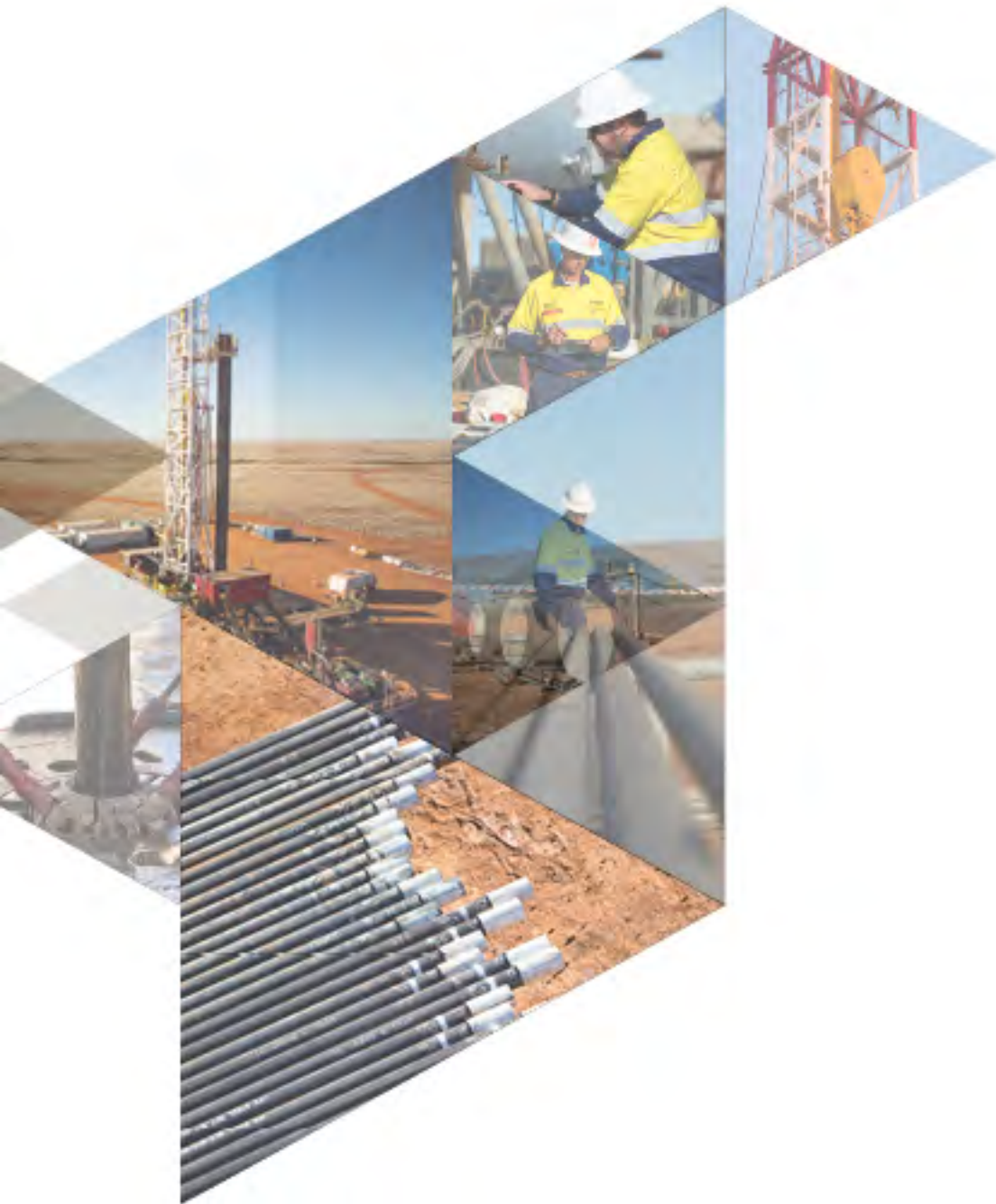
## Reconciliation of Statutory Net Profit to Underlying Profit

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
<b>Net profit after tax</b>	71.5	45.1
<b>Add back:</b>		
<b>Change in fair value of convertible note</b>	23.1	9.3
<b>Transaction expenses</b>	-	6.2
<b>Underlying net profit after tax</b>	94.6	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



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**Please contact for further information**

**DUDLEY WHITE**

GM – CORPORATE COMMUNICATIONS

# **Drillsearch**