

ASX Announcement
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Circumpacific Energy Update – No. 2

Drillsearch takes action to Joint Venture assets

Drillsearch Energy Limited (**ASX: DLS**) has taken further action to protect the interests of all shareholders in its 79.5% owned Canadian subsidiary Circumpacific Energy Corporation (TSX.V: CER) and in particular to protect assets held in 50/50 joint venture by Drillsearch and Circumpacific and to protect confidential information.

On 28 October 2009, Drillsearch served a Notice of Dispute on Circumpacific to prevent the disposal of joint venture assets.

As previously advised on 19 October 2009, Drillsearch has commenced a legal action as majority shareholder of Circumpacific against Mr Simpson and two other Circumpacific directors, Roger Tidmarsh and Paul Johns, following their attempt to dispose of material assets of Circumpacific.

This action was taken by Drillsearch upon learning from industry sources that Circumpacific was actively attempting to farm out or dispose of its interests in Circumpacific's SW Queensland Cooper & Eromanga Basins interests (the "SWQ Blocks") to other Australian oil & gas companies.

In those court proceedings Drillsearch has alleged that following Mr Simpson's resignation, the three directors have sought to enter into material transactions that involve the attempted disposal or farmout of interests in the SWQ Blocks.

The attempt to dispose or farmout of the SWQ Blocks and other assets of Circumpacific commenced after Drillsearch was forced in July 2009 to requisition a Circumpacific shareholders meeting to seek to remove Simpson, Tidmarsh and Johns from the Circumpacific board.

Drillsearch has now also served a Notice of Dispute under the Joint Venture agreement on Circumpacific requiring Circumpacific to:

- provide Drillsearch with full details of all parties that they have approached to dispose or farmout the SWQ Blocks,
- and to recover all confidential information that has been provided to these parties and to discontinue any efforts to dispose or farm out the SWQ Blocks.

Under the Joint Venture agreement, failure to comply with this request may result in the forfeiture of Circumpacific's interest in the SWQ Blocks.

The SWQ Blocks are held jointly by Drillsearch and Circumpacific on a 50/50 basis under a joint venture agreement. Under the Joint Venture agreement neither party is entitled to farmout or dispose of the SWQ Blocks or disclose any confidential information related to the SWQ Blocks without the prior written consent of the other party.

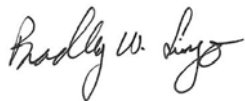
Drillsearch has formally advised Circumpacific that under no condition does it consent to the farmout or disposal on any interest in the SWQ Blocks at this time until the native title clearance process and technical evaluation of the SWQ Blocks are complete.

Drillsearch has advised Circumpacific that several of the SWQ Blocks have been sought after by multiple parties and are located in areas that are the focus of significant farmout activity focusing on newly identified plays in the Cooper Basin. Most notably Drillsearch has been approached about ATP 940P (see attached map) which lies immediately adjacent to PEL 218 to the west and ATP 855P to the north which Beach Petroleum has farmed into with Adelaide Energy and Icon Energy respectively.

Beach Petroleum has reported that acquisition of interests in PEL 218 and ATP 855 consolidates Beach's position in the Cooper Basin targeting highly prospective unconventional gas. With respect to ATP 855P, Icon Energy has reported that the farmin targets deep shale gas deposits. ATPs 855P and 940P are traversed by the Moomba to Ballera Gas Pipeline and ATP 940 is located within 80km of the Moomba to Sydney Gas Pipeline providing potential access to markets. PEL 218 and ATPs 855P and 940P are located over the center of the Nappamerri Trough straddling the Queensland/South Australia border and are believed to contain a major new unconventional gas resource play in the Cooper Basin.

Drillsearch has advised the TSX Venture Exchange, the British Columbia Securities Commission and the Alberta Securities Commission of the concerns referred to above.

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About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional oil and gas projects. The company 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, as well as offshore exploration in the Carnarvon and Gippsland Basins. Drillsearch also has interests in PNG and Canada. 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

Drillsearch SW Queensland Permits Including Circumpacific Joint Venture Blocks

