

26 July 2012

## Drillsearch Energy Announces \$40 million capital raising

Drillsearch Energy Limited (ABN 73 006 474 844) (**Drillsearch**) is pleased to announce an equity capital raising of approximately \$40 million:

- A fully underwritten placement to qualified sophisticated and institutional investors of 39.2 million fully paid ordinary shares (**New Shares**) at an offer price of \$1.02 per New Share (**Placement Price**) to raise \$40 million (**Placement**).
- The Placement Price of \$1.02 per New Share represents:
  - a 11.3% discount to the last closing price of Drillsearch shares (\$1.15) prior to entering a trading halt; and
  - a 11.8% discount to the five-day volume weighted average price (\$1.1570) prior to entering a trading halt.

Funds raised under the Placement will be used to:

- **Accelerate** Western Flank Oil production from existing oil discoveries through construction of crude oil export pipelines and central production facilities and drilling additional development wells
- **Expand** the Wet Gas Pilot Project with the connection of Canunda Gas Field and installation of Middleton Gas Plant compression and testing and development of new wet gas discoveries
- **Commence** Wet Gas appraisal and development program for existing undeveloped Wet Gas discoveries with the aim of installing a 2nd Wet Gas Production Pilot Plant

Further details of the use of proceeds from the Placement are contained in Drillsearch's presentation lodged with the ASX on 26 July 2012.

UBS AG, Australia Branch (**UBS**) is the Sole Lead Manager and Sole Underwriter pursuant to an underwriting agreement entered into between Drillsearch and UBS. RBC Capital Markets has been engaged as Co-Lead Manager.

Drillsearch's major shareholder, QGC Pty Ltd, a BG Group business (**BG**) currently has a 9.4% shareholding in Drillsearch. BG is supportive of the Placement and has committed to take up its pro-rata amount of 3.7 million shares under the Placement.

New Shares issued under the Placement will rank equally from allotment in all respects with existing fully paid ordinary Drillsearch shares.

Settlement of the Placement is expected on Wednesday 1 August 2012, with allotment expected on Thursday 2 August 2012. The Placement will be made within Drillsearch's placement capacity and accordingly shareholder approval will not be required.

Yours faithfully



**Jim McKerlie**

Chairman

61 2 9249 9600

[admin@drillsearch.com.au](mailto:admin@drillsearch.com.au)

Or visit the website [www.drillsearch.com.au](http://www.drillsearch.com.au) and register for email alerts

Media enquiries to: David Greer, Chief Executive Officer, Mercury Consulting, P+612 8256 3307, [david.greer@mercuryconsulting.com.au](mailto:david.greer@mercuryconsulting.com.au)

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**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.

**Forward looking statements**

Certain statements in this announcement, including those statements in relation to the use of proceeds raised from the Placement, are forward looking statements. Forward looking statements are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied by such statements. There can be no guarantee that such statements will be realised.

**Not an offer**

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