

Drillsearch Energy Limited
ABN 73 006 474 844

Notice of Annual General Meeting

NOTICE is given for the Annual General Meeting (AGM) of Drillsearch Energy Limited (ABN 73 006 474 844) ("**Company**").

DATE, TIME AND LOCATION

Date: Wednesday, 20 November 2013

Time: 10.00am

Location: Museum of Sydney, AGL Theatre, Level 2
Corner of Phillip and Bridge Streets
Sydney, New South Wales

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION

This document does not take into account your individual circumstances. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

CONTENTS OF THIS DOCUMENT

- 1) Notice of Annual General Meeting covering time, date, location, business, voting exclusions and management of proxies and where to access the 2013 Annual Report online.
- 2) Explanatory Statement for each resolution to be dealt with at the AGM.

Drillsearch

ITEMS OF BUSINESS

1) Receipt of the Company's Financial Report for the year ended 30 June 2013

To receive and consider the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2013.

2) Remuneration Report

To put the following Resolution to a non-binding advisory vote:

"That the Remuneration Report in the Company's Annual Report for the year ended 30 June 2013 be adopted."

3) Re-elect Ms Fiona Robertson as a Director of the Company

To consider and, if thought appropriate, pass the following ordinary resolution:

"That, Fiona Robertson, a Non-executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-executive Director of the Company."

4) Elect Mr Philip Bainbridge as a Director of the Company

To consider and, if thought appropriate, pass the following ordinary resolution:

"That, Philip Bainbridge, a Non-executive Director appointed by the Directors on 22 July 2013 pursuant to clause 46.2 of the Constitution and retiring in accordance with the Constitution, being eligible, is elected as a Non-executive Director of the Company."

5) Elect Mr Teik Seng Cheah as a Director of the Company

To consider and, if thought appropriate, pass the following ordinary resolution:

"That, Teik Seng Cheah, a Non-executive Director appointed by the Directors on 10 September 2013 pursuant to clause 46.2 of the Constitution and retiring in accordance with the Constitution, being eligible, is elected as a Non-executive Director of the Company."

6) Ratification of issue of convertible notes to institutional investors

a) To consider and, if thought appropriate, pass the following ordinary resolution:

"That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the ratification of the issue of convertible notes to institutional investors within the Company's 15% capacity under Listing Rule 7.1 be approved for all purposes."

b) To consider and, if thought appropriate, pass the following ordinary resolution:

"That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the conversion right of convertible notes issued to institutional investors which results in the issue of ordinary shares in excess of the Company's 15% capacity under Listing Rule 7.1 (as at the date of issue of the convertible notes) be approved for all purposes."

7) Renewal of proportional takeover approval provisions in Constitution

To consider and, if thought appropriate, pass the following special resolution:

"That, pursuant to sections 136(2) and 648G of the Corporations Act 2001 (Cth), the proportional takeover approval provisions in Part 13 (Articles 95 to 102) of the Company's Constitution are renewed for a period of three years from the date of this meeting."

8) Increasing the Fee Pool for Non-executive Directors

To consider and, if thought appropriate, pass the following ordinary resolution:

"That for the purpose of ASX Listing Rule 10.17, clause 50.1 of the Constitution of the Company and for all other purposes the aggregate maximum amount of remuneration of the Non-executive Directors be increased to an aggregate maximum sum of A\$1,200,000 per financial year with effect from 1 July 2013."

9) Approval of grant of rights to the Managing Director (Mr Bradley Lingo) under the Performance Rights Plan

a) To consider and, if thought appropriate, pass the following ordinary resolution:

"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the grant of 229,047 performance rights by the Company to Mr Bradley Lingo (or his permitted nominee) in accordance with the Performance Rights Plan and in accordance with the terms and conditions set out in the Explanatory Statement attached to this Notice of General Meeting."

b) To consider and, if thought appropriate, pass the following ordinary resolution:

"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the grant of 595,348 performance rights by the Company to Mr Bradley Lingo (or his permitted nominee) in accordance with the Performance Rights Plan and in accordance with the terms and conditions set out in the Explanatory Statement attached to this Notice of General Meeting."

Attached to and forming part of this Notice of Meeting is an Explanatory Statement which provides shareholders with background information and further details of the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and effect of the resolutions, if passed.

WHO IS EXCLUDED FROM VOTING

For certain resolutions there are shareholders who are excluded from voting. Accordingly, the Company will disregard any votes cast on the following Resolutions by the following persons with exceptions being where:

- The vote is cast by a proxy for a shareholder, in accordance with the directions on the proxy form who is entitled to vote; or
- The vote is cast by the meeting Chair, in accordance with a direction on the proxy form, as proxy for a shareholder who is entitled to vote.

RESOLUTION	PERSONS EXCLUDED FROM VOTING
Resolution 2 Adoption of the Remuneration Report	<ul style="list-style-type: none"> • A member of the Key Management Personnel ("KMP") whose remuneration details are included in the Remuneration Report or that KMP's closely related party. <p>This restriction does not apply if the person chairing the meeting has been appointed as a proxy by writing where the proxy appointment expressly authorises the person chairing the meeting to exercise an undirected proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP of the Company.</p>
Resolution 6(a) and 6(b) Convertible notes	<ul style="list-style-type: none"> • Any person who participated in the issue of the convertible notes and any associate of such person.
Resolution 8 Increasing the Fee Pool for Non-executive Directors	<ul style="list-style-type: none"> • All Directors and their associates. • KMP or a KMP's closely related party where the vote is cast as a proxy unless the vote is cast as a proxy for a person entitled to vote in accordance with a direction on the proxy form or by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.
Resolution 9(a) and 9(b) Approval of grant of rights to the Managing Director (Mr Bradley Lingo) under the Performance Rights Plan	<ul style="list-style-type: none"> • Any Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company), and any associates of any such person. • KMP or a KMP's closely related party where the vote is cast as a proxy unless the vote is cast as a proxy for a person entitled to vote in accordance with a direction on the proxy form or by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

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DEALING WITH PROXIES

The following rules apply to the treatment of proxies during the meeting.

- 1) A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
- 2) Where two proxies are appointed:
 - i) a separate Proxy Form, should be used to appoint each proxy; and
 - ii) the Proxy Form may specify the proportion or number of votes that the proxy may exercise, and if it does not do so, the proxy may exercise half of the votes.
- 3) A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held e.g. "the Chair of the Meeting".
- 4) In the case of shareholders who are individuals, the Proxy Form must be signed:
 - i) if the shares are held by one individual, by that shareholder; or
 - ii) if the shares are held in joint names, by any one of them.
- 5) In the case of shareholders who are companies, the Proxy Form must be signed:
 - i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form); or
 - ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

- 6) If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place specified below.
- 7) A Proxy Form accompanies this Notice of Meeting and contains additional information. To be valid, duly completed Proxy Forms and any proxy appointment authorities under which a Proxy Form is signed, such as a power of attorney, must be received by the Company no later than 48 hours before the time in Sydney of the commencement of the meeting and must be lodged with the Company either:
 - in person at the Registered Office at Level 16, 55 Clarence Street Sydney NSW 2000 Australia or at the Share Registry at Computershare Investor Services Pty Ltd, Level 4, 60 Carrington Street Sydney NSW 2000 Australia; or
 - by mail to the Registered Office at Level 16, 55 Clarence Street Sydney NSW 2000 Australia or to the Share Registry at Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001, Australia; or
 - by facsimile to + 61 2 9249 9630 (Registered Office) or 1800 783 447 or + 61 3 9473 2555 (Share Registry).

- 8) For the purpose of the meeting, shares in the Company will be taken to be held by those persons who are registered holders at 7.00pm (Sydney time) on Monday 18 November 2013. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the meeting.
- 9) A quorum for a general meeting of the Company is three shareholders.
- 10) The Key Management Personnel ("KMP") of the Company (which includes each of the Directors) and their closely related parties (such as spouse, dependent and certain other close family members as well as any companies controlled by the KMP) will not be able to vote a proxy on Item 2, Item 8 and Item 9 unless directed how to vote. If shareholders intend to appoint a member of the KMP as a proxy, shareholders should ensure that they direct them how to vote on Item 2, Item 8 and Item 9. If shareholders intend to appoint the Chairman of the Meeting as their proxy, shareholders can direct him or her to vote by either marking the boxes for Item 2, Item 8 and Items 9, or by marking the Chairman's box on the proxy form (in which case the Chairman of the Meeting will vote in favour of these items of business).

2013 ANNUAL REPORT

The 2013 Annual Report is available on the Company's website:

www.drillsearch.com.au

or

<http://www.drillsearch.com.au/presentations-reports>

This notice of meeting is dated at Sydney, on the 18 October 2013.

By order of the Board



Jean Moore
Company Secretary

Explanatory Statement

IMPORTANT NOTICE

This Explanatory Statement contains an explanation of, and information about, each of the resolutions to be considered at the Annual General Meeting. It is given to Drillsearch Energy Limited's Shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Statement in full, because individual Sections may not give a comprehensive review of the proposals contemplated. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If in doubt about how you should vote, consult your financial or other professional adviser.

ITEMS OF BUSINESS

1) Receipt of the Company's Financial Report for the year ended 30 June 2013

The Corporations Act 2001 (Cth) ("Corporations Act") requires the Financial Report (which includes the Financial Statements and the Directors' Declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Financial Report.

The Auditor will be attending the Annual General Meeting.

Shareholders are entitled to submit a written question to the Auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Annual Financial Report.

The Auditor will answer written questions submitted prior to the Annual General Meeting. All written questions must be received by the Company no later than 7.00pm (Sydney time) on Wednesday, 13 November 2013. All questions must be sent to the Company and may not be sent directly to the Auditor. The Company will then forward all questions to the Auditor.

The Auditor will also answer questions at the meeting from Shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- the independence of the Auditor in relation to the conduct of the audit.

2) Remuneration Report

The Directors' Report for the year ended 30 June 2013 contains a Remuneration Report which sets out the policy on remuneration of the Directors of the Company and specified executives of the Company.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to a vote. The Corporations Act expressly provides that the vote is advisory and does not bind the Directors or the Company. However, if more than 25% of the votes are cast against two consecutive Remuneration Report resolutions, Drillsearch will be required to put to shareholders a resolution proposing that an extraordinary general meeting (EGM) be called to consider the election of directors (spill resolution). If a spill resolution is passed (i.e., more than 50% of the votes cast are in favour of it), all of the directors (other than the Managing Director) will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

The Drillsearch Board will take the outcome of the vote into consideration when reviewing the Company's remuneration practices and policies.

Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Board urges Shareholders to study the Remuneration Report which is the result of extensive research and deliberation by the Board and the Company. The Board unanimously recommends that Shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution.

3) Re-elect Ms Fiona Robertson as a Director of the Company

Ms Fiona Robertson first joined the Drillsearch Board in October 2009 and was re-elected by Shareholders at the 2011 Annual General Meeting. In accordance with the Company's Constitution, Ms Robertson is required to stand for re-election and offers herself for re-election.

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Ms Robertson has a background of more than 35 years in corporate finance and the resources sector. As a former CFO and banker, she has extensive experience in financial reporting, corporate governance, risk management, international corporate finance and working with emerging resource companies. Her career includes roles with Delta Gold and Chase Manhattan Bank. Ms Robertson is also a Non-executive director of One Asia Resources Limited and a member of the National Committee for WIMnet, the Australasian Institute of Mining and Metallurgy (AusIMM)'s Women in Mining Network. She holds a degree in Geology, is a Fellow of the Australian Institute of Directors and a Member of AusIMM.

Ms Robertson chairs the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.

The Board believes that Ms Robertson's significant experience in finance, accounting and corporate governance enables her to make a valuable contribution as an Independent Non-executive Director, in particular as Chair of the Audit and Risk Committee.

Chairman Jim McKerlie says "Fiona is an extremely hardworking Director and her experience in the finance and resources sectors has been invaluable to Board and Committee deliberations"

The Board (with Ms Robertson abstaining) unanimously recommends that Shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution.

4) Elect Mr Philip Bainbridge as a Director of the Company

Mr Philip Bainbridge was appointed by the Directors as an Independent Non-executive Director on 22 July 2013. The Company's constitution and the ASX Listing Rules require a Director (other than the Managing Director) who is newly appointed by the Board to stand for election at the next annual general meeting after their appointment. Accordingly Mr Bainbridge offers himself for election.

Mr Bainbridge has a BSc (Hons) in Engineering and worked for the BP Group for 23 years in a range of petroleum engineering, development, commercial and senior management roles in the UK, Australia and USA. He joined Oil Search in 2006 as Chief Operating Officer responsible for safety, operational and financial performance of all company assets in PNG and overseas, and then moved to Executive General Manager LNG, responsible for all aspects of Oil Search's interests in the US\$19 billion PNG LNG project and EGM Growth, where he was also responsible for gas growth and exploration. Mr Bainbridge is currently a member of the Board of the PNG Sustainable Development Program. He completed the International Executive Programme at INSEAD and is a Graduate of the Australian Institute of Company Directors.

Mr Bainbridge is a member of the Technical Committee and the Remuneration and Nomination Committee.

The Board believes that as a result of his exceptional oil and gas career, Mr Bainbridge brings a strong skill set to the Board which will bolster its technical and operational capability.

Mr McKerlie says "Phil brings extensive technical and operational experience to Drillsearch and this experience, along with his insight, are very necessary for Drillsearch at this stage of its development."

The Board (with Mr Bainbridge abstaining) unanimously recommends that Shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution.

5) Elect Mr Teik Seng Cheah as a Director of the Company

Mr Teik Seng (TS) Cheah was appointed by the Directors as an Independent Non-executive Director on 10 September 2013. The Company's constitution and the ASX Listing Rules require a Director (other than the Managing Director) who is newly appointed by the Board to stand for election at the next annual general meeting after their appointment. Accordingly Mr Cheah offers himself for election.

Mr Cheah is a finance and banking executive based in Singapore. He is currently Chief Executive Officer and Director of Aktis Capital Singapore Pte Ltd, a private equity fund manager. In that capacity he holds directorships in various private non-listed operating companies which are controlled by Aktis Capital in China. Mr Cheah also holds various Non-executive directorships with Maybank Group and is also an independent, Non-executive Director of publicly-listed MJIC Investments Corporation in Philippines.

He has previous experience working for leading financial institutions such as Public Bank, Chase Manhattan Bank, Merrill Lynch, Goldman Sachs, UBS and BNP Paribas in Malaysia, Singapore, Hong Kong and London over a 25-year period. He worked in the Malaysian civil service before joining the banking and financial services industry. Mr Cheah has a Bachelor of Science from the University of Manchester in the United Kingdom and is qualified as a member and a fellow of Institute of Chartered Accountants in England and Wales.

The Board believes that Mr Cheah's extensive experience in the banking and finance industry in Asia will strengthen Drillsearch's relationships and capacity throughout Asia.

Mr McKerlie says "TS brings extensive international finance skills and experience to the Board. He is an experienced director who reflects our significant Asian shareholder base."

The Board (with Mr Cheah abstaining) unanimously recommends that Shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution

6) Convertible Notes

Background

On 3 May 2013 and 13 May 2013, Drillsearch (Finance) Pty Limited, a wholly owned subsidiary of the Company, issued US\$125 million (1250 convertible notes) of senior, unsecured guaranteed convertible notes (**Notes**) due to expire in September 2018 (unless previously purchased, cancelled, redeemed or converted). The Notes carry a fixed coupon of 6.00% per annum, paid semi-annually, for a term of approximately five years and are convertible into the Company's shares at an initial conversion price (subject to adjustments) of US\$1.66 per share, representing a conversion premium of approximately 35% above A\$1.19, being the closing price of the Company's ordinary shares on the ASX on 26 April 2013.

The proceeds of the Notes were used as follows:

- to replace a A\$100 million bridge facility provided by the Commonwealth Bank of Australia to fund its acquisition of Acer Energy Limited;
- to partially fund capital expenditure requirement over the next 12-24 months; and
- for general corporate purposes.

Resolution 6(a)

Broadly speaking, Listing Rule 7.1 provides that a listed company may issue or agree to issue shares or other equity securities (such as convertible notes) in aggregate up to 15% of its fully paid ordinary shares within a 12 month period without shareholder approval.

The Company issued 1064 out of a total of 1250 Notes to raise approximately US\$106.4 million within the Company's 15% capacity without shareholder approval.

Pursuant to Listing Rule 7.4, Resolution 6(a) seeks shareholder approval to ratify the issue of that number of convertible notes to "refresh" the Company's ability and flexibility to issue new securities up to the 15% capacity specified by Listing Rule 7.1.

Resolution 6(b)

The Company issued 186 out of a total of 1250 Notes to raise approximately US\$18.6 million in excess of the Company's 15% capacity (at that time) on the basis that that this number of Notes could only be converted into ordinary shares (assuming that all other Notes had been converted into ordinary shares) if approved by Shareholders under Listing Rule 7.1 (**Additional Note Conversions**).

Accordingly, Resolution 6(b) seeks shareholder approval for Additional Note Conversions for the purpose of Listing Rule 7.1. If Resolution 6(b) is not approved, Additional Note Conversions will be mandatorily cash settled in accordance with the terms and conditions of the Notes.

Information provided for the purposes of Resolution 6(a) and 6(b)

The following information in relation to the Notes is provided to shareholders under ASX Listing Rule 7.3 and 7.5.

Listing rule 7.3.1 and 7.5.1	The number of securities issued	The total number of securities issued was 1250 Notes in denominations of US\$200,000 and integral multiples of US\$100,000 in excess thereof which are convertible to the Company's ordinary shares at an initial conversion price of US\$1.66 (subject to adjustments in the conversion price). Assuming no adjustments to the initial conversion price, the number of Drillsearch ordinary shares to be issued on full conversion of the Notes is 75,301,203.
Listing rule 7.3.2 and 7.3.7	The date of issue	The Notes were issued on 3 May 2013 and 13 May 2013. Issues of ordinary shares on conversion of the Notes will occur progressively depending on when and if the Notes are converted by note holders.
Listing rule 7.3.3 and 7.5.2	The price at which the securities were issued	The Notes were issued for a subscription price of US\$200,000 and integral multiples of US\$100,000 in excess thereof for a total issue size of US\$125,000,000.
Listing rule 7.3.4 and 7.5.4	The names of the persons to whom Drillsearch's wholly owned subsidiary, Drillsearch (Finance) Pty Limited (ACN 163 170 536) issued the securities or the basis on which those persons were determined	The Notes were sold primarily to European and Asian institutions, being clients of Goldman Sachs International (lead manager) and UBS AG, Australia Branch (co-manager) or their affiliates.
Listing rule 7.3.5 and 7.5.3	The terms of the securities	The key terms and conditions of the Notes are summarised above. For further information, please see the Company's announcements released to the ASX on 3 May 2013 and 13 May 2013.
Listing rule 7.3.6 and 7.5.5	The use (or intended use) of the funds raised	The proceeds of the funds were used to: <ul style="list-style-type: none"> • to replace a A\$100 million bridge facility provided by the Commonwealth Bank of Australia to fund its acquisition of Acer Energy Limited; • to partially fund capital expenditure requirement over the next 12-24 months; and • for general corporate purposes.
Listing rule 7.3.8 and 7.5.6	A voting exclusion statement	Any person who participated in the issue of the convertible notes and any associate of such person.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 6(a) and 6(b). The Chairman of the meeting intends to vote available proxies in favour of these resolutions.

NOTICE OF MEETING

7) Renewal of Proportional Takeover Approval Provisions in Constitution

Background

Proportional takeover approval provisions are designed to assist and ensure shareholders receive proper value for their shares if a proportional takeover bid is made for the Company. The provisions (existing Articles 95 to 102 of the Constitution) prohibit the registration of a transfer of securities resulting from a proportional takeover bid, unless shareholders in a meeting approve the bid.

It is a requirement of the Corporations Act that those provisions apply for a maximum period of three years, unless they have been renewed. In the case of Drillsearch, the proportional takeover bid approval provisions were adopted by shareholders in 2010. Those provisions will therefore expire on 23 November 2013 unless renewed.

The Directors consider that it is in the best interests of shareholders to renew these provisions in their existing form. Accordingly, a special resolution is being put to shareholders under section 648G of the Corporations Act to renew Articles 95 to 102 of the Constitution.

If renewed by shareholders at the meeting, Articles 95 to 102 will continue to be in place for a further three years (i.e. until 20 November 2016). They can subsequently be renewed if required.

Section 648G(5) of the Corporations Act requires the Company to provide shareholders with an explanation of the provisions so that they can make an informed decision on whether to support or oppose the resolution. The explanation is set out below.

Effect of proportional takeover provisions

The effect of Articles 95 to 102 is that if a proportional takeover bid is made, the Directors must ensure that shareholders vote on a resolution to approve the bid more than 14 days before the bid period closes.

A proportional takeover bid is defined to be an off-market bid for a specified proportion of each shareholder's shares.

The vote is decided by a simple majority. Each person who, at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and its associates are not allowed to vote.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn.

The bid will be taken to have been approved if the resolution is not voted on prior to the 14th day before the end of the bid period.

Articles 95 to 102 will not apply to full takeover bids.

Reasons for renewing the provisions

A proportional takeover bid is one where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Without the renewal of the proportional takeover provisions, a proportional takeover bid may enable control of the Company to pass without shareholders having the chance to sell all of their shares to the bidder. Shareholders may be exposed to the risk of being left as a minority shareholder in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares.

The Directors consider that the renewal of the proportional takeover provisions is in the interests of all shareholders of the Company.

The Directors consider that shareholders should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without shareholders being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid shareholders feeling pressure to accept the bid even if they do not want it to succeed.

The advantages of the proportional takeover provisions for shareholders are:

- they provide shareholders with the opportunity to study a proportional bid proposal and decide by majority vote whether it should proceed (this is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of shareholders, including appropriate pricing);
- they may assist shareholders avoid being locked in as a minority interest in the Company or feeling compelled to accept an offer (which they believe is inadequate) to avoid becoming a part of a minority interest;
- they increase shareholders' bargaining power and may assist in ensuring that any proportional bid is adequately priced; and
- knowing the view of the majority of shareholders assists each individual shareholder to assess the likely outcome of the proportional takeover bid and whether to approve or reject the offer for a proportion of their shares.

There are disadvantages of the proportional takeover provisions for shareholders. The provisions may:

- discourage the making of proportional takeover bids in respect of the Company and this may have an adverse effect on the market value of the Company's securities;
- prevent an individual shareholder who wishes to accept a proportional takeover offer from accepting a particular offer; and
- reduce the likelihood of a proportional takeover bid being successful.

Advantages and disadvantages of the provisions to the Directors

The Directors do not consider that there are any advantages or disadvantages that are specific to the Directors in relation to the proposed renewal of Articles 95 to 102, or that have been applicable during the period that those Articles have already been in effect. The Directors will continue to remain free to make a recommendation to shareholders as to whether a proportional takeover bid should be accepted.

No awareness of any proposal to acquire or to increase the extent of a substantial interest in the Company

As at the date of this notice, none of the Directors is/are aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

The Board unanimously recommends that Shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution.

8) Increasing the Fee Pool for Non-executive Directors

The intention of this resolution is to provide an adequate pool for the Board, given the expansion in size this year, the possibility of further expansion and the move to fully remunerate directors using cash fees (ie not make use of options or performance rights).

Over the last five years, the Company has transformed from a small undercapitalised junior explorer to an established exploration and production company that is in the ASX 200 Index.

In the past, as the Company was capital constrained, it offered a stipend level of fees to Non-executive Directors plus options which were granted at a premium to the then share price. Those options had no real cost to Drillsearch at the time but if the Company was successful, and the shareholders enjoyed capital growth, the options would come into the money and provide a reward to Directors.

Whilst there remains a legacy of options granted several years ago still in place today, the inclusion of options in Director's remuneration was discontinued two years ago. For the 30 June 2013 financial year, Directors received Performance Rights as part of their remuneration with service continuity being the performance hurdle for vesting. They were considered by governance commentators as an acceptable alternative to options.

When determining the fees for the 30 June 2014 financial year, the Board was cognisant of the current view that as an ASX 200 company, the market expects directors to be remunerated in cash and not receive any securities as part of their remuneration package. As a result, a decision was made by the Board to adopt a cash only remuneration model from 1st July 2013.

With the move to cash only remuneration, the Board believes Non-executive Director remuneration levels are only partly guided by directors' fees being paid. In reality many directors have significant equity in the company and they serve as directors in order to oversee their shareholding in the company. The payment of director's fees is not critical to their decision to serve. We therefore believe that professional fee levels and fixed salaries being paid to MDs, CEOs and senior management are also relevant. In reality this is the talent pool that Non-executive Directors must be drawn from.

Drillsearch Directors have all invested in the Company as they believe in it. However, the ongoing Board does not have a sufficient equity stake to make them benevolent directors. Just as the Company wants a very competent executive team,

very competent lawyers, very competent financial auditors, very competent technical auditors, very competent corporate advisors and others, it needs the Board to be very competent, hardworking and passionate about the future of the Company. The "market" indicates strongly that holding options and performance rights puts directors out of alignment with shareholders and potentially creates a conflict of motive, so your Directors have only one remuneration avenue ie the cash fees they are paid.

The work rate for Directors for Drillsearch is very high. The Board is small and last year there were a total of 41 formal Board and Committee meetings. As one Non-executive Director sits on all Board Committees and three Non-executive Directors sit on two Board Committees, those particular Directors attend the vast majority of all meetings. Further, Drillsearch has an overseas Director who is required to make the trip from Asia several times a year to physically attend meetings.

The last financial year was also particularly onerous as Non-executive Directors were required to spend a great deal of time on Drillsearch matters outside of the formal Board and Committee meetings. Last year, the Company:

- Successfully completed two capital raises of A\$50 million each;
- Undertook a successful takeover bid for Acer Energy Limited;
- Put in place a A\$100 million acquisition bridge with the Commonwealth Bank of Australia;
- Executed a US\$125 million Convertible Bond;
- Established a long term A\$50 million working capital facility; and
- In early July, announced a series of binding farm in, sale and purchase transactions with Santos Limited.

This year has continued with this momentum. Drillsearch is a growing and dynamic company with many opportunities before it that require active Board consideration.

The fees for Non-executive Directors are reviewed against a pool of comparable companies. There was also consultation with two "big 4" accounting firms, an international recruitment consultant specialising in director appointments and a well respected Board consultancy assisting the Board with Board evaluation and performance. The Board takes into consideration the need to obtain and retain appropriately qualified independent directors given the time commitment, legal and reputational risk, number of Board meetings and workload.

The Board believes that the execution of the corporate strategy is dependent upon having the right people in place across all positions, including the Board.

In addition to allowing the Company to appropriately compensate the Non-executive Directors and to attract the most appropriate Directors, the increase in the fee pool will also provide the Board with the flexibility to increase the number of Non-executive Directors in the future, should the increased size and complexity of the Company require it.

NOTICE OF MEETING

In 2012, Shareholders were asked to approve an increase in the aggregate limit of Non-executive Directors' fees to the present level of A\$700,000 per annum. Approval is sought to increase the maximum aggregate sum that may be paid as fees to the Non-executive Directors by A\$500,000 per annum to A\$1,200,000 per annum.

It should be noted that the proposed increase in the Non-executive Directors' remuneration pool does not relate to the salary paid to the Managing Director in his capacity as an executive of the Company. The Managing Director does not receive remuneration in the form of directors' fees in addition to his remuneration package.

As the Directors have an interest in the outcome of this resolution, they consider it would not be appropriate to make a recommendation to Shareholders as to how to vote in relation to this resolution. The Chairman of the meeting intends to vote available proxies in favour of this resolution.

9) Approval of grant of rights to the Managing Director (Mr Bradley Lingo) under the Performance Rights Plan

Under the Drillsearch Remuneration Policy, the Managing Director's remuneration is composed of fixed pay, short term incentives (STI) and long term incentives (LTI). The STI is made up of a cash component and a performance rights component while the LTI is made up of a performance rights component only.

The use of Performance Rights reinforces the Company's strategic objectives of attracting and rewarding employees who believe in the vision of the Company and are prepared to be remunerated in a manner that is aligned with shareholders. The Board may in its absolute discretion offer a PRP Participant the opportunity to participate in the PRP.

Resolutions 9(a) relating to STI and (b) relating to LTI seek the approval of Shareholders for the grant of two tranches of Performance Rights by the Company to the Managing Director, Mr Bradley Lingo (or his permitted nominee), pursuant to the Performance Rights Plan for the purpose of ASX Listing Rule 10.14 and all other purposes. An overview of the grant to Mr Lingo is set out below.

Performance Rights to be awarded and Performance Hurdles

The maximum number of Performance Rights that may be granted by the Company to Mr Lingo is 824,395 Performance Rights and they are broken down as follows:

Resolution 9(a)

The Board has determined that 229,047 Performance Rights ("Tranche 1 Performance Rights") should be awarded to the Managing Director, Mr Bradley Lingo, in recognition of his STI performance in the year ending 30 June 2013. The Tranche 1 Performance Rights vest on 30 June 2014 with the performance hurdle being Mr Bradley Lingo's employment by the Company on that date.

Resolution 9(b)

The Board has also determined that 595,348 Performance Rights ("Tranche 2 Performance Rights") should be awarded to Mr Lingo as part of his LTI and are subject to the following Performance Conditions:

- Mr Lingo being employed by the Company on 30 June 2016; and
- The proportion of the Tranche 2 Performance Rights will vest if the relevant LTI performance hurdles as set out in the tables below, have been met:

Performance Criteria:

Year-on-Year compound annual growth rate (CAGR) of X% in 2P reserves (Calculation based off June 13 Reserves audit).

Proportion of LTI Performance Rights Grant eligible for vesting under this performance criteria:	
Result Achieved (CAGR%)	Proportion of PRs vesting
<5%	0%
5%	50%
>5% and up to 20%	Pro rata between 50% and 100%
>20%	100%

Performance Criteria:

Total Shareholder Return (TSR) compared to ASX 300 energy peer group

Proportion of LTI Performance Rights Grant eligible for vesting under this performance criteria:	
Results Achieved (Percentile)	Proportion of PRs vesting
< 40 th	0%
40 th	50%
>40 th and < 90 th	Pro rata between 50% and 100%
90 th	100%

The Total Shareholder Return ("TSR") of the Company is compared to the TSR of each member of the ASX 300 energy peer group for the purposes of determining the rank of the Company. The rank is converted to a percentile ranking which is used to determine the proportion of the award that vests.

Price on Granting or Vesting

No amount will be payable in respect of the grant or upon vesting of the rights.

Terms of any Loan

There are no loans advanced to Mr Lingo in respect to the acquisition of the Performance Rights.

Date of issue

The Board approved the grant of Performance Rights under the PRP on 12 August 2013, subject to Resolution 9 being passed by the Shareholders at the Annual General Meeting. Should these resolutions be passed the Performance Rights will be issued to Mr Lingo as soon as possible after the date of the Annual General Meeting anticipated to be 20 November 2013 (or in any case within 12 months of the date of the Annual General Meeting).

Previous Grants to Directors

Mr Lingo was granted 126,968 short term performance rights and 423,226 long term performance rights under the 2012 Performance Rights Plan, following shareholder approval at the 2012 AGM. The short term performance rights vested on 2 September 2013 and 126,968 shares were issued to Mr Lingo as at that date. The long term performance rights are subject to performance hurdles which will be tested as at 30 June 2015. These performance rights were provided at no cost to Mr Lingo.

The following Non-executive Directors received performance rights under the 2012 Performance Rights Plan, following shareholder approval at the 2012 AGM.

- Jim McKerlie – 50,787 performance rights
- Choo Beng Kai – 25,393 performance rights
- Fiona Robertson – 25,393 performance rights
- Ross Wecker – 25,393 performance rights

All of the above short term performance rights vested on 2 September 2013 and 126,966 shares were issued to the Non-executive Directors as at that date. These performance rights were provided at no cost to the Non-executive Directors.

The Directors (excluding Mr Lingo) unanimously recommend that shareholders vote in favour of resolutions 9a and 9b. The Chairman of the meeting intends to vote available proxies in favour of these resolutions.

Definitions

A\$ or \$	means Australian dollars, the lawful currency of Australia.
Annual General Meeting	means the general meeting of Shareholders convened by this Notice, to be held at Museum of Sydney, AGL Theatre, Level 2, Corner of Phillip and Bridge Streets, Sydney NSW on Wednesday, 20 November 2013, commencing at 10.00am (Sydney time).
Associate	means has the meaning given to that term under section 11 and sections 13 to 17 of the Corporations Act. Section 13 is to be applied as if it was not confined to associate references occurring in Chapter 7 of the Corporations Act.
ASX	means ASX Limited ABN 98 008 624 691.
ASX Listing Rules	means, the listing rules of ASX as amended from time to time, except to the extent of any express written waiver by ASX in their application to the Company, and ASX Listing Rule or Listing Rule means any one of them.
Company	means Drillsearch Energy Limited (ABN 73 006 474 844).
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
PRP Participant	means an employee of the Company or a Director invited by the Board to participate in the PRP.
Invitation	means an invitation given by the Company to a PRP Participant to apply for a grant of Performance Rights under the PRP.
Notice	means the Notice of Annual General Meeting of which this Explanatory Memorandum forms part.
Option	means an option over a Share.
Participant	means a PRP Participant who accepts an offer to participate in the PRP.
Performance Condition	means the condition (if any) prescribed by the Board and set out in the Participant's Invitation in respect to a Performance Right granted to the Participant under the PRP that must be satisfied before that Performance Right can vest.
Performance Right	means a performance right granted by the Company under the PRP pursuant to Resolution 9 of the Notice.
PRP	means the Performance Rights Plan.
Shareholders	means the members of the Company who are registered as the holders of one or more of the Shares as at the relevant time and Shareholder means any one of them.
Shares	means fully paid ordinary shares in the capital of the Company and Share means any one of them.
TSR	means total shareholder returns calculated as the total of: <ul style="list-style-type: none"> a) the value of dividends and capital returns paid to Shareholders in the period between 1 July 2013 and the date the performance condition is measured; b) the value of the difference between the 60-day VWAP before the date on which the performance condition is measured and the 60-day VWAP on 1 July 2013 expressed as a percentage; c) with the combined values expressed as a percentage of the 60-day VWAP on 1 July 2013; d) note the VWAP of the Shares will be adjusted if necessary to take account of any reorganisation of capital occurring before the date on which the performance condition is measured.
US\$	means US dollars, the lawful currency of the United States of America.
VWAP	means volume weighted average price.

Drillsearch

Drillsearch Energy Limited

ABN 73 006 474 844

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
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123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote and view the annual report online

Go to www.investorvote.com.au or scan the QR Code with your mobile device.
Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00 am (AEDT) on Monday 18 November 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, at least one of the securityholders must sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Drillsearch Energy Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Drillsearch Energy Limited to be held at the Museum of Sydney, AGL Theatre, Level 2, Corner of Phillip and Bridge Streets, Sydney, New South Wales at 10.00 am on Wednesday, 20 November 2013 and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 8 and 9 (except where I/we have indicated a different voting intention below) even though Items 2, 8 and 9 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Items 8 and 9 this express authority is also subject to you marking the box in the section below. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 8 and 9 by marking the appropriate box in step 2 below.

Important for Items 8 and 9: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Items 8 and 9 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Items 8 and 9, the Chairman of the Meeting will not cast your votes on Items 8 and 9 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 8 and 9 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Items 8 and 9 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS		For	Against	Abstain		For	Against	Abstain	
2	To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7	Renewal of proportional takeover approval provisions in Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-elect Ms Fiona Robertson as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8	Increasing the Fee Pool for Non-Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Elect Mr Philip Bainbridge as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9(a)	Approval of grant of 229,047 performance rights to the Managing Director (Mr Bradley Lingo) under the Performance Rights Plan (STI)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Elect Mr Teik Seng Cheah as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9(b)	Approval of grant of 595,348 performance rights to the Managing Director (Mr Bradley Lingo) under the Performance Rights Plan (LTI)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6(a)	Ratification and approval of issue of convertible notes within the Company's 15% capacity under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6(b)	Approval of the conversion right of convertible notes which results in the issue of ordinary shares in excess of the Company's 15% capacity under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /