

2013 Full-Year Results Briefing

29 August 2013

Drillsearch



- 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.
- 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.
- The Reserves and Resources assessment follows guidelines set forth by the Society of Petroleum Engineers - Petroleum Resource Management System (SPE-PRMS). The Reserves estimates used in this presentation were compiled by Mr David Evans, Chief Technical Officer of Drillsearch Energy Ltd, who is a qualified person as defined under ASX Listing Rule 5.11 and has consented to the use of the Reserves figures in the form and context in which they appear in this presentation.

FY2013 Financial Headlines – A record year

2013 Full-Year Financial Results

Strategy and Delivery

Questions and Answers



BRAD LINGO
MANAGING DIRECTOR

2013 Financial Headlines – A Year of Records

2013 FULL-YEAR
RESULTS BRIEFING

		Change on 2012	
Reserves*	28.5 mmboe	157%	▲
Production	1.1 mmboe	173%	▲
Revenue	\$102.2 million	356%	▲
Reported NPAT	\$45.1 million	351%	▲
Operating cash flow	\$21.4 million	110%	▲
Net Debt	\$104.3 million	100%	▲
EV/2P	\$19.4/boe		

IN THE BLACK

Corporate

- Successfully completed two A\$50 million capital raises.
- Completed an all-cash takeover offer for Acer Energy Limited.
- Put in place a A\$100 million acquisition bridge facility with the Commonwealth Bank of Australia.
- Executed a US\$125 million Convertible notes to help refinance the acquisition bridge.
- Established a long term A\$50 million working capital facility.
- Subsequent to year end announced a series of binding transactions with Santos Limited.

Exploration success continues driving Reserves growth

- 4 new Western Flank oil discoveries.
- 2 new wet gas discoveries delivering continued reserves growth.
- 3,377km² of 3D seismic acquired across the oil, wet gas and unconventional businesses

Ongoing development and new Joint Venture drives production growth

- Completion and commissioning of the Bauer-to-Lycium pipeline delivers production security.
- Canunda Wet Gas Field commissioned to Middleton Gas Plant bringing new production online.
- Joint Venture with Santos accelerates Western Cooper Wet Gas development and commercialisation.

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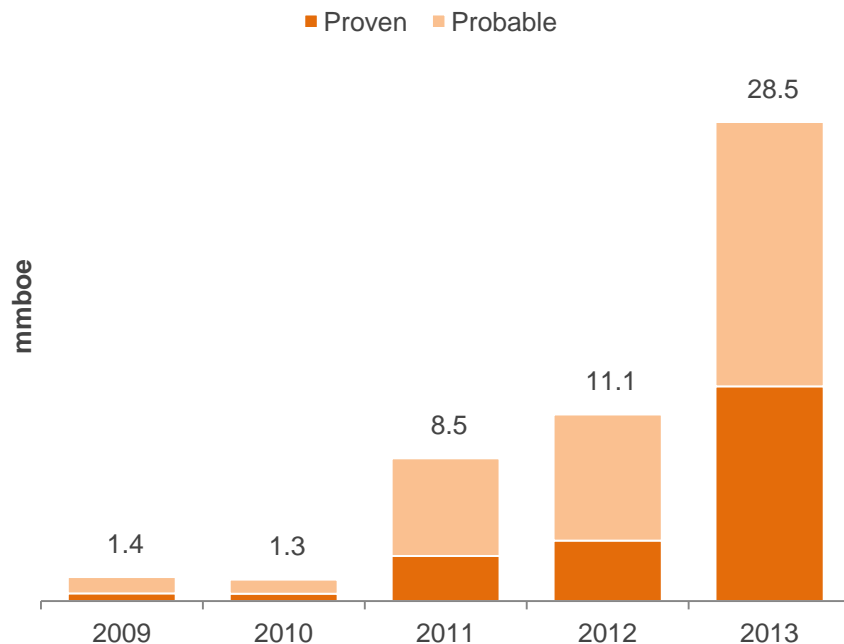
IAN BUCKNELL
CHIEF FINANCIAL OFFICER



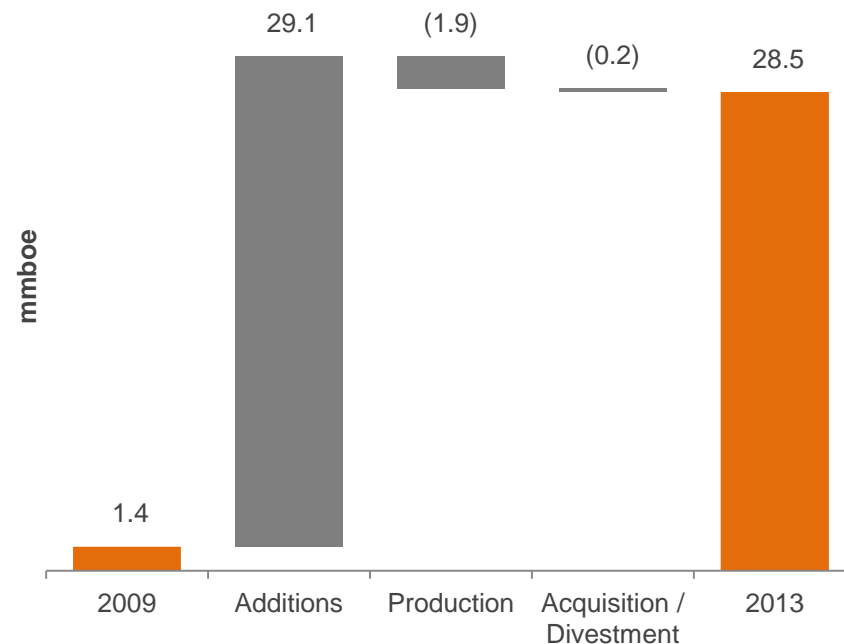
Record 2P Reserves – up 157%

2013 FULL-YEAR
RESULTS BRIEFING

2P Reserves



2P Reserves Reconciliation

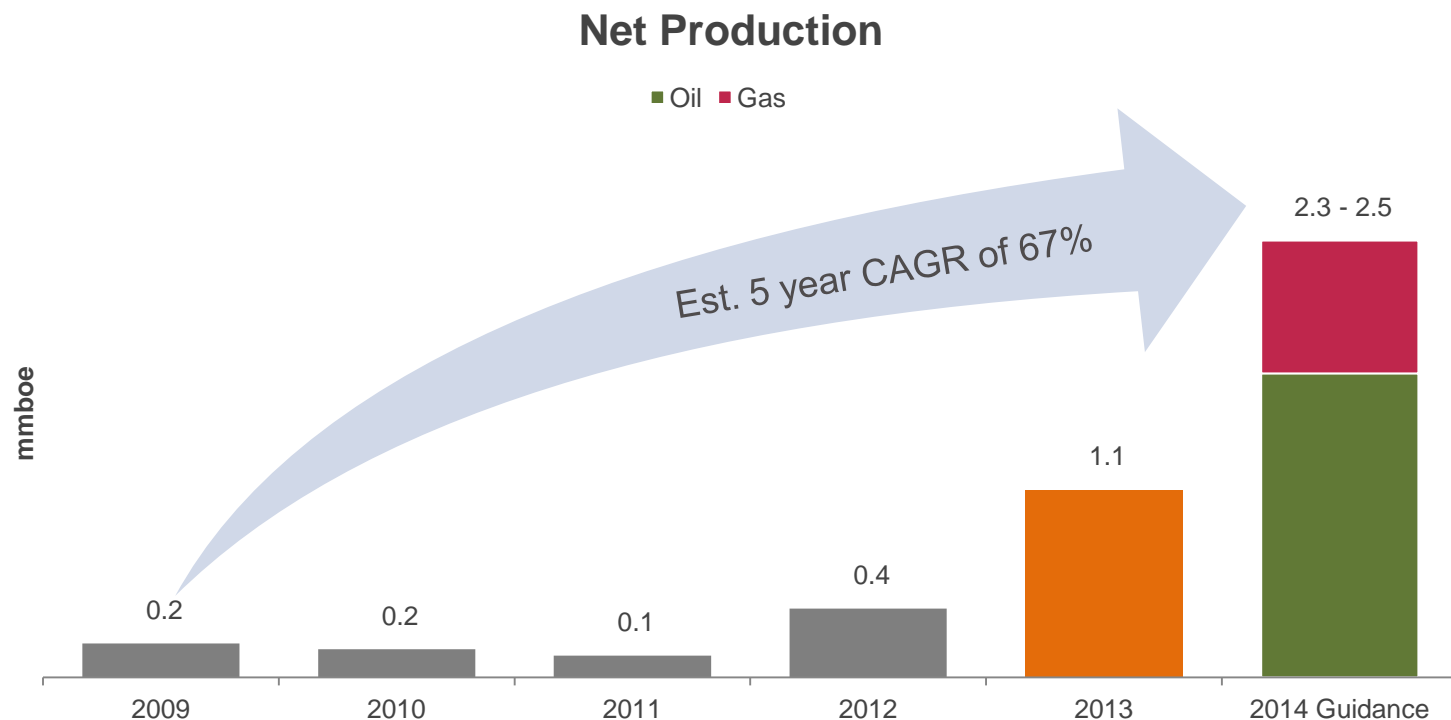


2P Reserves have increased by 157%, driven by:

- PEL 91 exploration success
- Wet Gas drilling success & transfer of PEL106A Resources to Reserves
- All additions to date have come through organic success

Record Production – up 173%

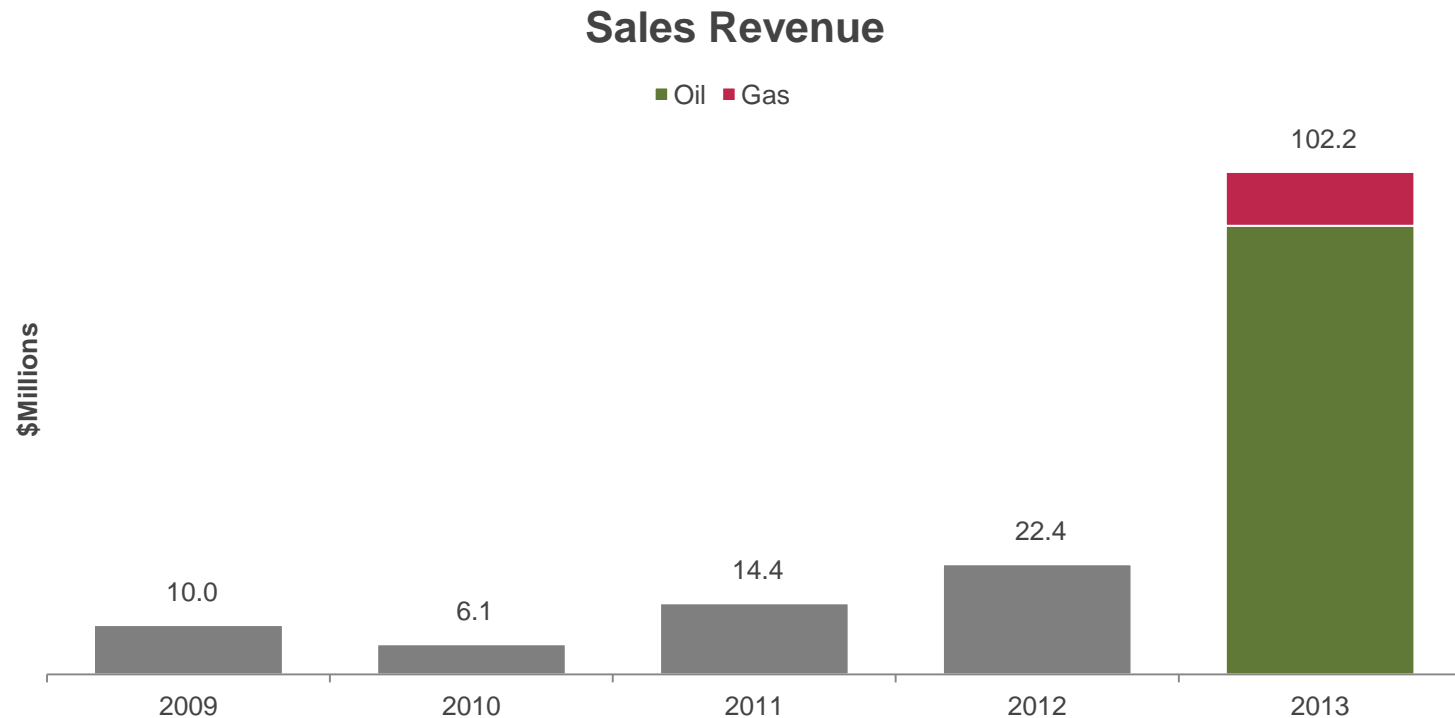
2013 FULL-YEAR
RESULTS BRIEFING



- 2013 production up 173%, driven by pipeline connection of Western Flank Oil
- 2014 guidance is 2.3 – 2.5 mmboe, driven by annualised pipeline production of Western Flank Oil and a full year of Western Wet Gas production
- Estimated 5 year Compound Annual Growth Rate (CAGR) to 2014 of 67% (5 years to 2013 of 47%)
- ~73% of production is from oil

Record Sales Revenue – up 356%

2013 FULL-YEAR
RESULTS BRIEFING

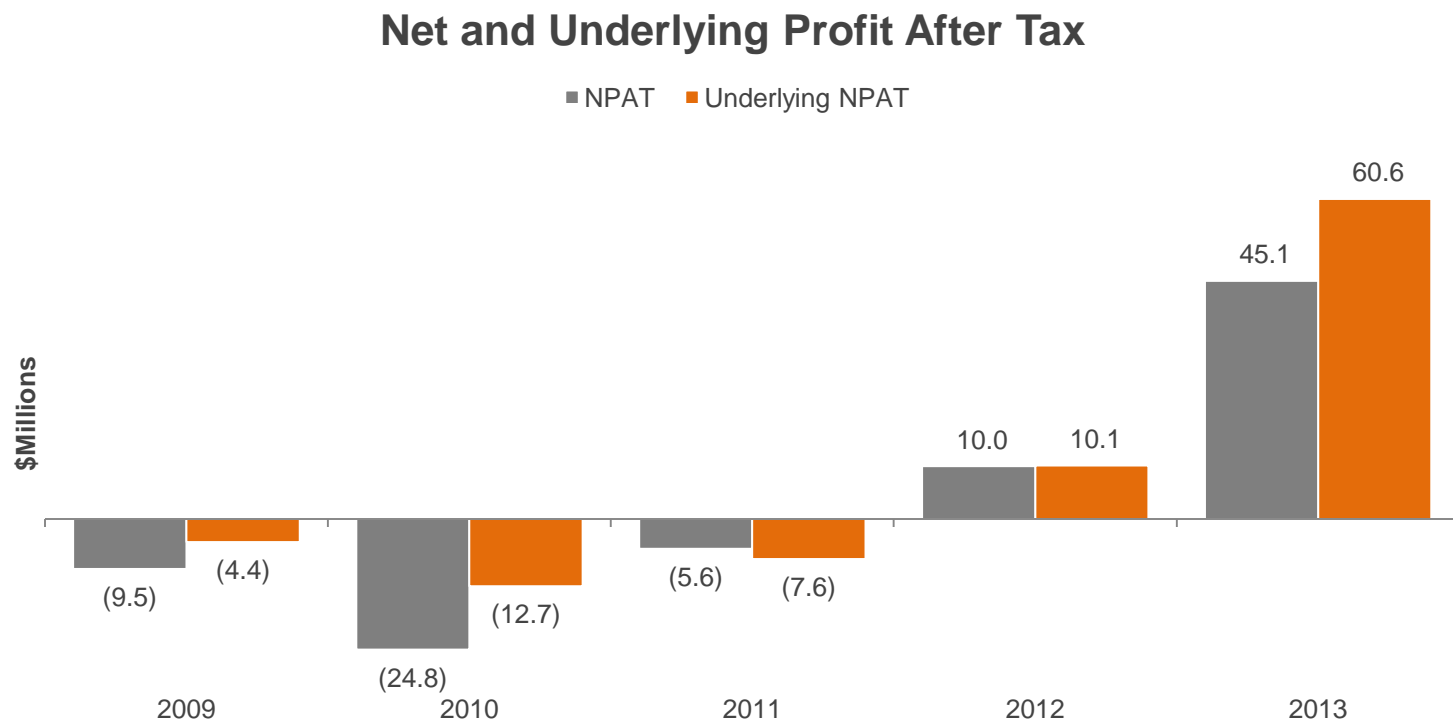


Sales revenue up 356% to a record \$102.2m, driven by:

- An 825% increase in crude oil production;
- The new gas sales agreement in Wet Gas; and
- Continuing strong oil price, average for year of \$116/bbl (2012: \$111/bbl)

Record Underlying Net Profit – up 598%

2013 FULL-YEAR
RESULTS BRIEFING



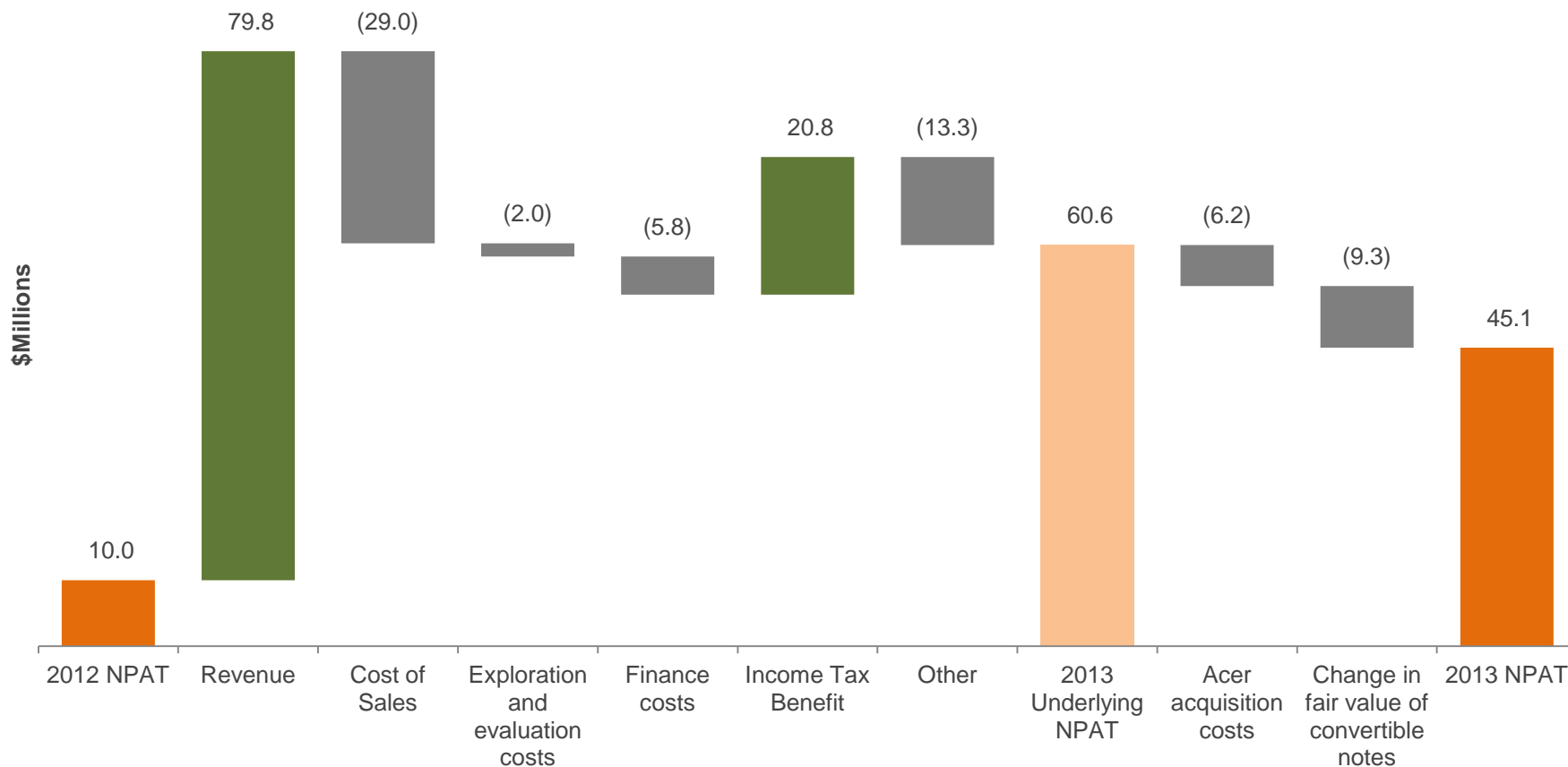
Underlying net profit up 598% to a record \$60.6m:

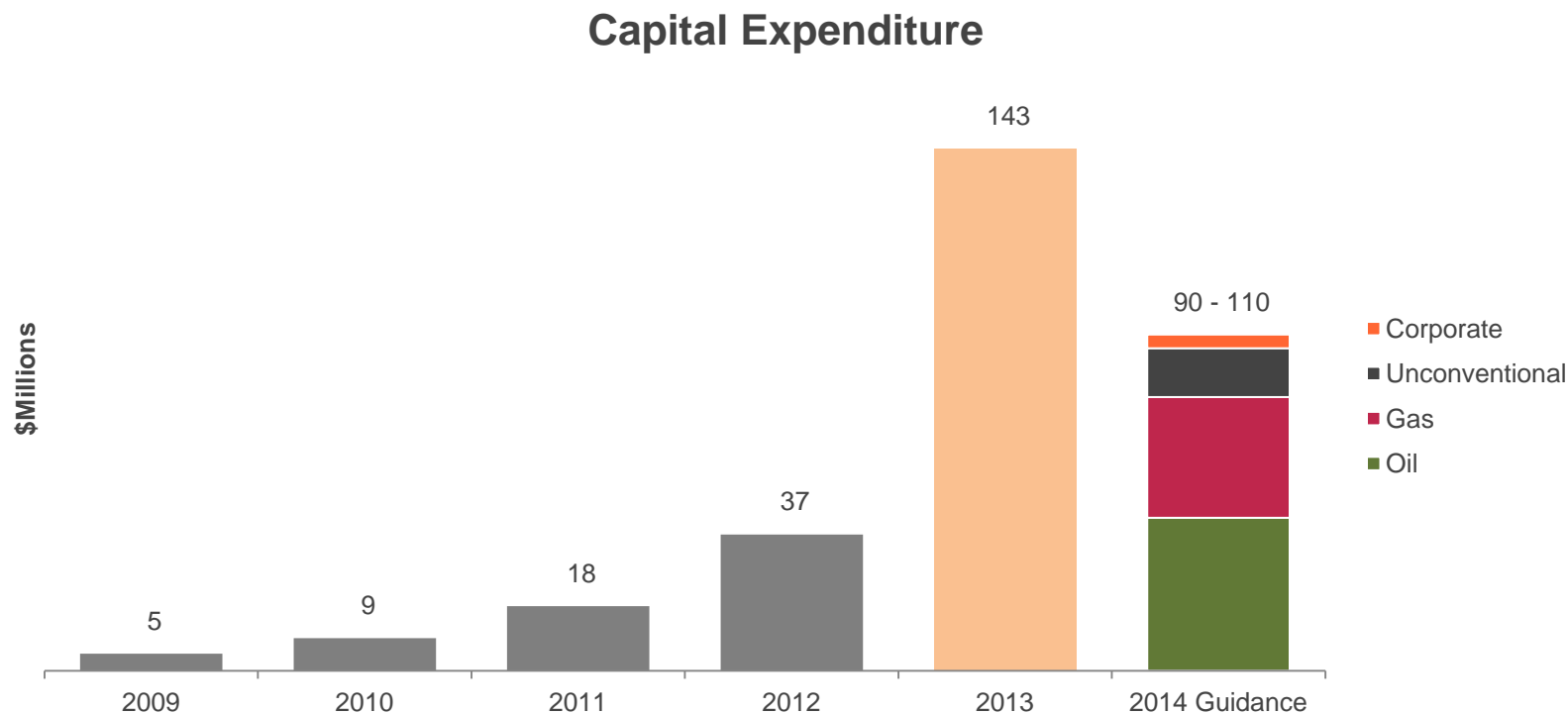
- The 5 year view reflects the companies transition from explorer to meaningful producer
- Underlying NPAT seeks to back out one-off transactions to provide a better understanding of what the ongoing operations of the business can deliver

Net Profit Reconciliation

2013 FULL-YEAR
RESULTS BRIEFING

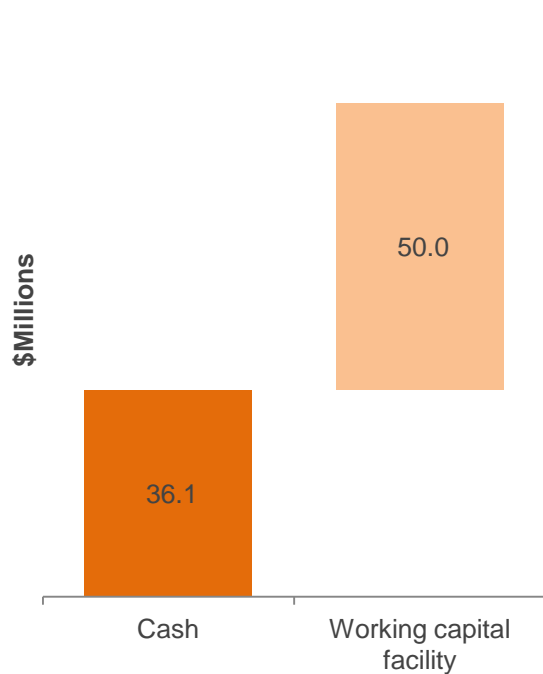
Net Profit Reconciliation



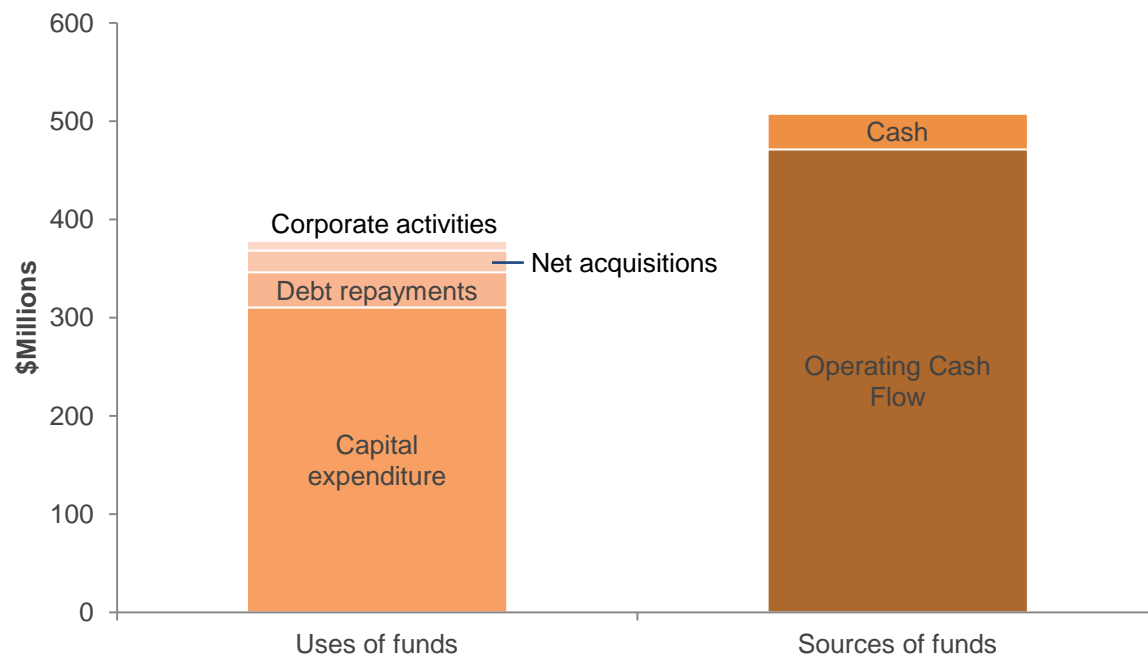


- 2013 capital costs are higher as investment grew in development expenditures (wells, pipelines and infrastructure)
- 2014 capital costs guidance is \$90 - \$110 million which is within the generic long range guidance provided around the CB of \$75 to \$100 million
- 2014 will also include \$28.6 million of carry over capital costs from 2013

Available Liquidity



Sources and Uses of funds (FY14-FY16)



- Cash on hand at 30 June 2013 of \$36.1 million
- Secured \$50 million reserves base facility with the CBA
- Fully funded work programs through FY 2016

FY2013 Financial Headlines – A record year

2013 Full-Year Financial Results

Strategy and Delivery

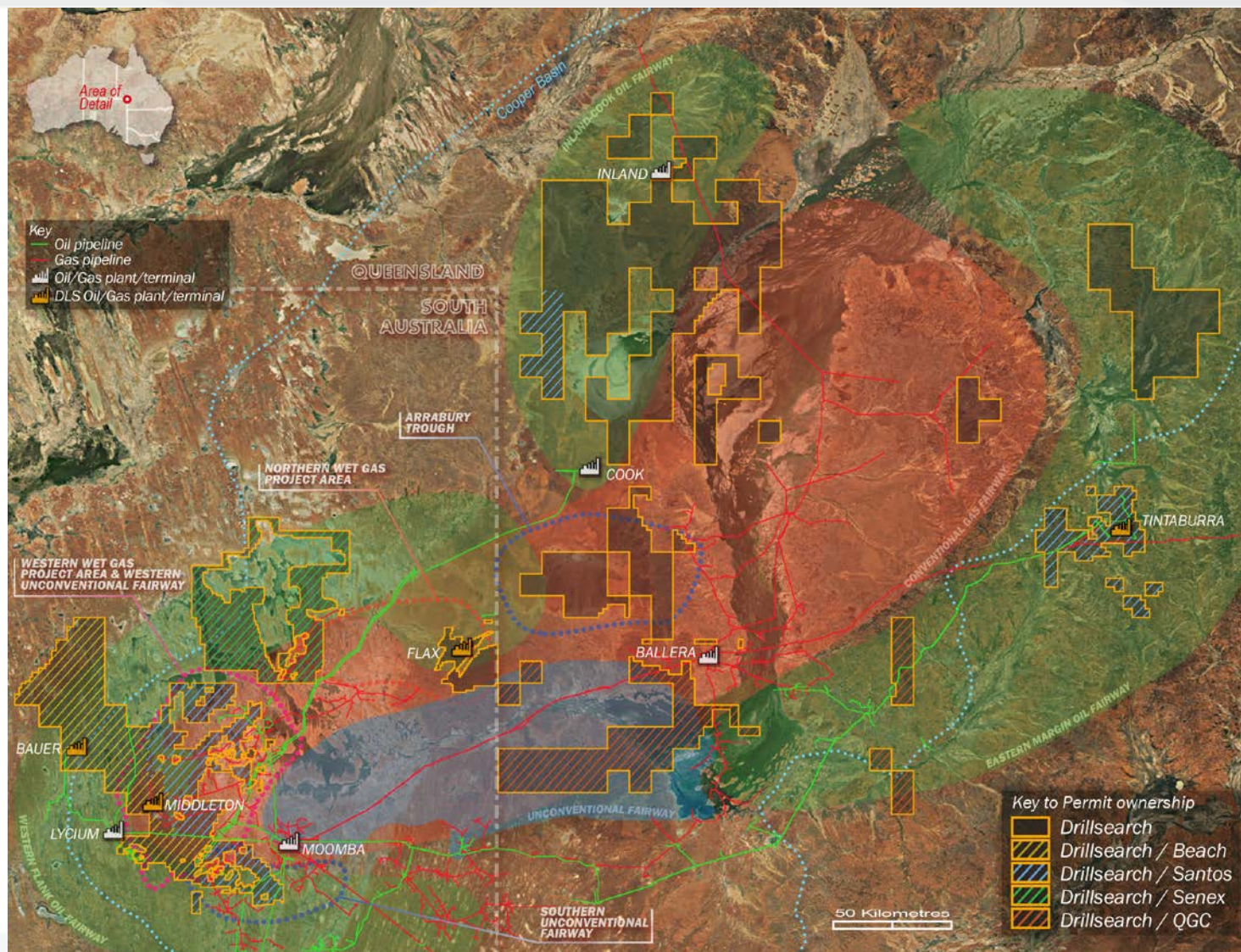
Questions and Answers



BRAD LINGO
MANAGING DIRECTOR

Drillsearch Cooper Basin Acreage

2013 FULL-YEAR
RESULTS BRIEFING





Vision – Oil

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

Strategy

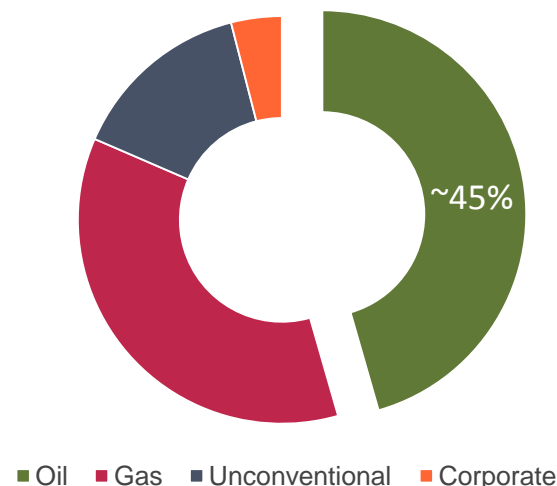
- Retain permits and secure additional acreage;
- Systematically explore proven fairways through the application of advanced 3D seismic and other technologies;
- Fast track the development of discoveries

Key drivers for FY14

- Drilling of exploration, appraisal and development wells across the Oil Business.
- Acquisition, processing and interpretation of 3D seismic.
- Development of discoveries to production in the Western Flank Oil Fairway.
- Reinstatement of long-term inactive wells to production and development well drilling in the Eastern Margin Oil Fairway.
- Refurbishment and upgrade of production facilities.

2014 Capital Expenditure

Guidance of \$90m - \$110m



Key Drivers in FY 2014 – Wet Gas Business

2013 FULL-YEAR
RESULTS BRIEFING

Vision – Wet Gas

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

Strategy

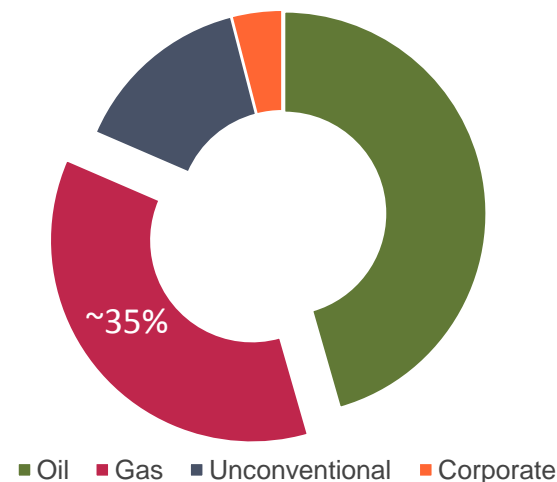
- Retain permits and secure additional acreage;
- Systematically explore proven fairways through the application of advanced 3D seismic and other technologies;
- Utilising our corporate capability to appraise, develop and commercialise Wet Gas.

Key drivers for FY14

- Drilling of exploration, appraisal and development wells across the Wet Gas Business.
- Complete and test wet gas discoveries.
- Processing and interpretation of 3D seismic.
- Development and tie-in of Coolawang wet gas discovery to Middleton Gas Plant.
- Reinstatement of liquids production from Flax Field

2014 Capital Expenditure

Guidance of \$90m - \$110m



Key Drivers in FY 2014 – Unconventional Business

2013 FULL-YEAR
RESULTS BRIEFING

Vision – Unconventional

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

Strategy

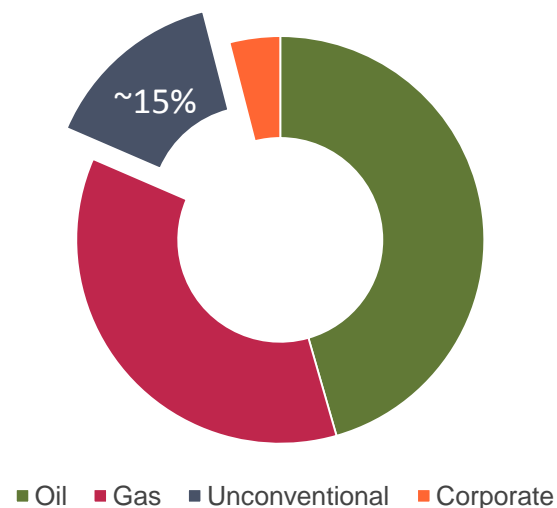
- Targeting identified shale, tight gas and basin centred gas as well as liquids rich Unconventional resource plays
- Develop and execute work programs targeted at proving the presence, magnitude and producibility of these resources;
- Secure appropriate Joint Venture Partners that deliver the commercialisation pathways and capital necessary to fully explore, appraise and develop these resources.

Key drivers for FY14

- Processing and interpretation of 3D seismic.
- Drill, core, test and complete shale exploration wells in the Central Unconventional Fairway
- Re-entry and stimulation of tight sands and deep coals in the Western Cooper Unconventional project area
- Acceleration of the stranded wet gas discoveries on completion of the Santos transactions

2014 Capital Expenditure

Guidance of \$90m - \$110m



Active Drilling Program across all Business Units

2013 FULL-YEAR
RESULTS BRIEFING

Permit	DLS %	Operator	2013		2014				2015		Total
			Sept Q	Dec Q	Mar Q	Jun Q	Sept Q	Dec Q	Mar Q	Jun Q	
Oil											
Western Flank	60	BPT	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div></div>				15
Eastern Margin	40	STO		<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>			<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div></div>		18
Wet Gas											
Western	50	DLS/BPT	<div><div></div></div>			<div><div></div><div></div><div></div></div>					4
Northern	40	DLS/STO	<div><div></div></div>								1
Unconventional											
BG Shale & Tight Gas	40	DLS		<div><div></div><div></div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>				6

● Oil ● Wet Gas ● Unconventional

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FY2013 Full-Year Financial Results

FY Strategy and Outlook

Questions and Answers



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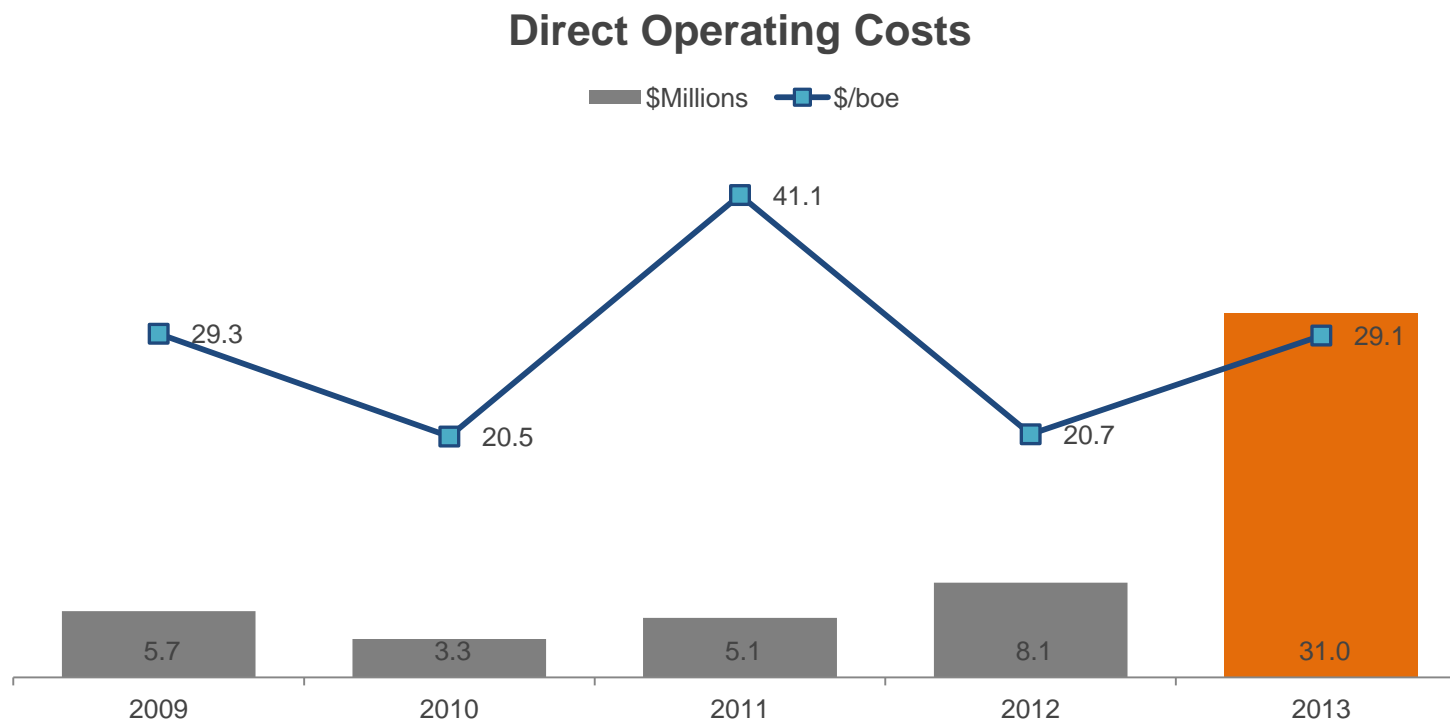
2013 Full-Year Results Briefing

Record Underlying Net Profit – up 353%*

2013 FULL-YEAR
RESULTS BRIEFING

	2013 \$M	2012 \$M
Reported NPAT	45.1	10.0
Add back non-recurring items after tax		
Acer Acquisition costs	6.2	
Change in fair value of convertible notes	9.3	
Impairment of assets		0.1
Underlying NPAT	60.6	10.1

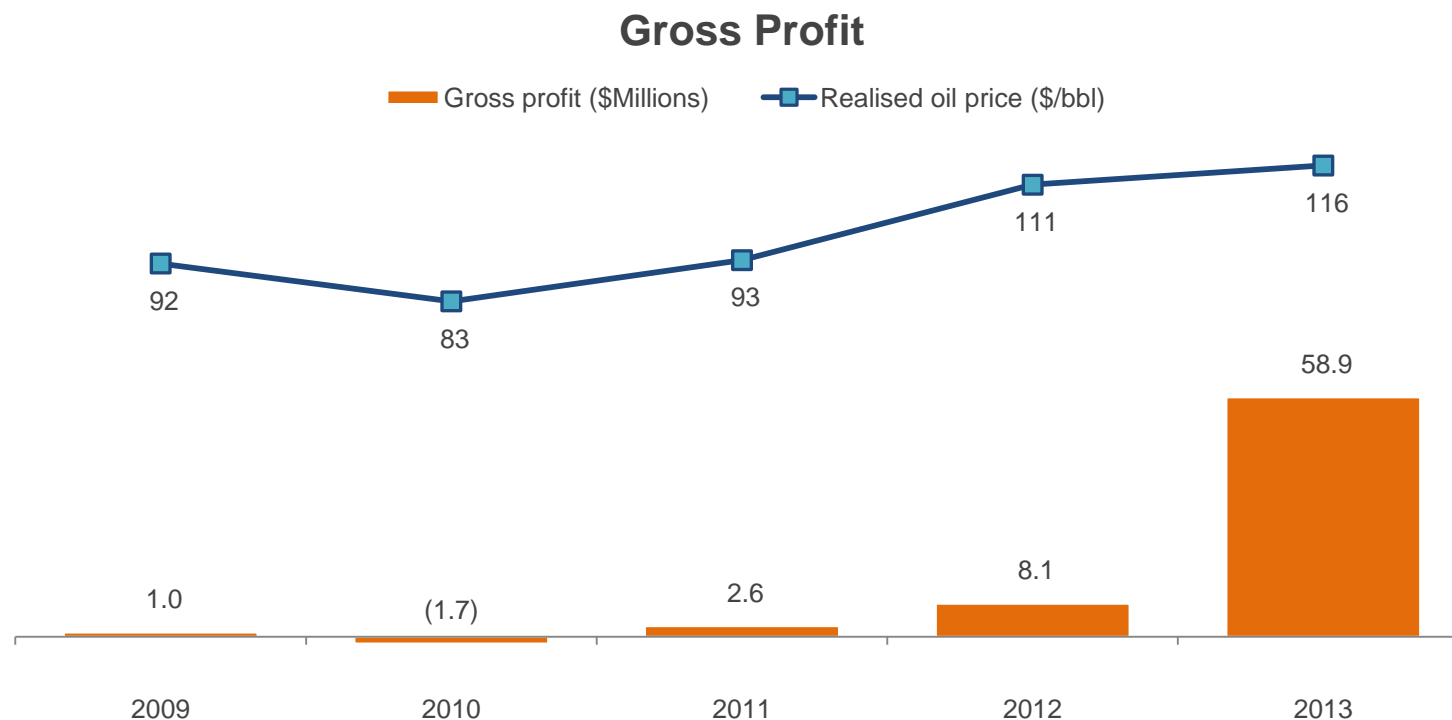
*Drillsearch's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) net profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited net profit. Drillsearch believes that the non-IFRS profit reflects a more meaningful measure of the company's underlying performance.



Direct operating costs have risen, largely driven by:

- Higher oil production and costs of restarting facilities following shut in
- Costs per barrel have increased in 2013 due to fixed operating costs during PEL91 shut in

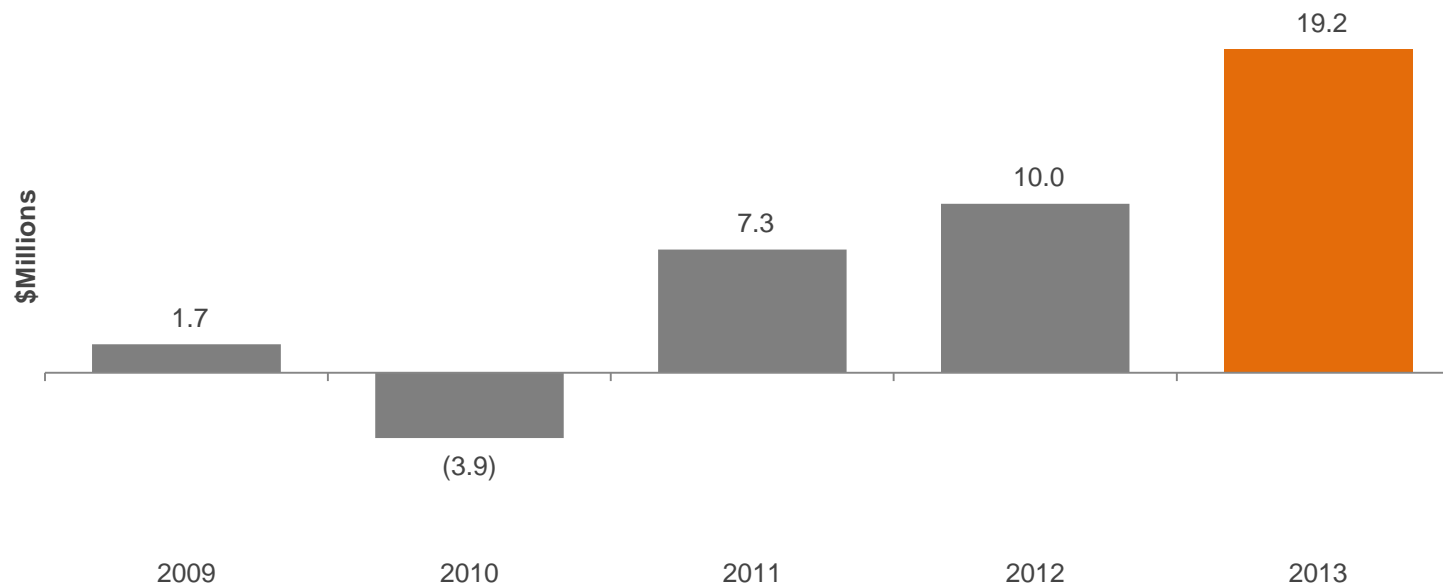
Lower unit costs are expected in 2014



Gross margins have risen, driven by

- An increase in the proportion of oil to gas mix from 2012 to 2013, and
- More cost efficient oil transportation via pipelines over trucking

Operating Cashflow



Operating cash flow up 92% to a record \$19.2 million, driven by:

- Increased crude oil sales, and
- Increased gas sales

Competent Person Statement

Any reference to Reserves and Contingent Resources in this release follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE - PRMS). Information on the Reserves and Resources in this ASX Announcement have been compiled by Mr David Evans, Chief Technical Officer of Drillsearch Energy Limited, who is a qualified person as defined under ASX Listing Rule 5.11 and has given his consent as of the date of this ASX Announcement to the inclusion of these statements and the information in the form and the context in which it appears in this ASX Announcement.

The Reserves and Contingent Resources used in this ASX Announcement were taken by Mr Evans from Independent Audited Reserve and Contingent Resource reports dated 30 June 2013 and prepared by DeGolyer and MacNaughton under the supervision of R. Michael Shuck, Senior Vice President and RISC under the supervision of Mr Geoffrey J Barker, Partner, both being qualified persons as defined in the ASX Listing Rule 5.11.

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."

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 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 and consents to the inclusion of this information in this report.

DeGolyer and MacNaughton

The information contained in our report entitled "Report as of December 31, 2012 on Reserves and Contingent Resources of Certain Fields in the PEL 106A, 106B, and 107 Permits of the Cooper Basin with interests owned by 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 35 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 5.11.