

4 September 2014

August Drilling Report

- Successful start to a year of record drilling activity for Drillsearch
- Balgowan-1 and Burners-1 the 14th and 15th oil discoveries in PEL 91
- Balgowan-1 further demonstrates prospectivity of PEL 91 northeast of Bauer
- Northern Cooper activity momentum with Banyan-1 drilling and Flax-1 hydraulic stimulation
- More than 40 wells planned by Drillsearch in FY2015

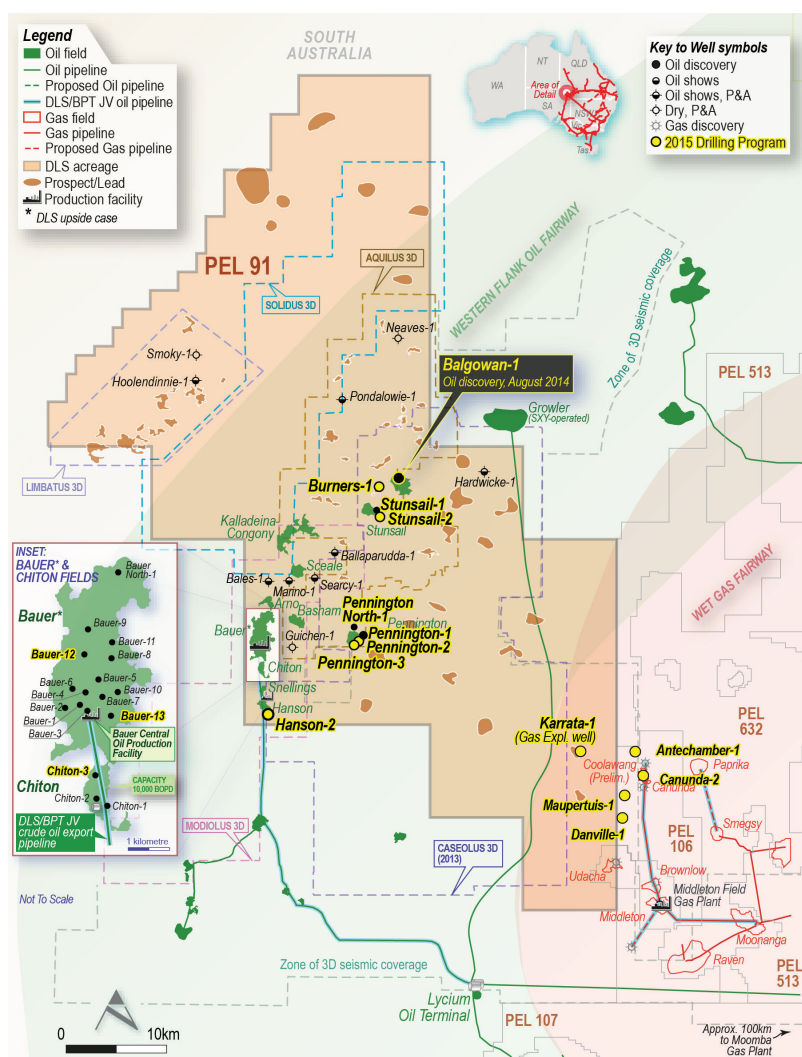
Oil Business

Western Flank Oil Fairway - PEL 91

As announced on 13 August 2014, the Balgowan-1 exploration well in PEL 91 on the Western Flank Oil Fairway (Drillsearch 60%, Beach 40% and Operator) was cased and suspended as a future oil producer after wireline logs confirmed 3.5 metres of net pay in the Namur Sandstone and two metres in the McKinlay Member in a 9 metre gross column. Balgowan-1 was the first in an 18-well program planned for PEL 91 in the current financial year, and the 14th discovery in the permit. Analysis of the well results is continuing and Drillsearch will provide an update on the size of the discovery in due course.

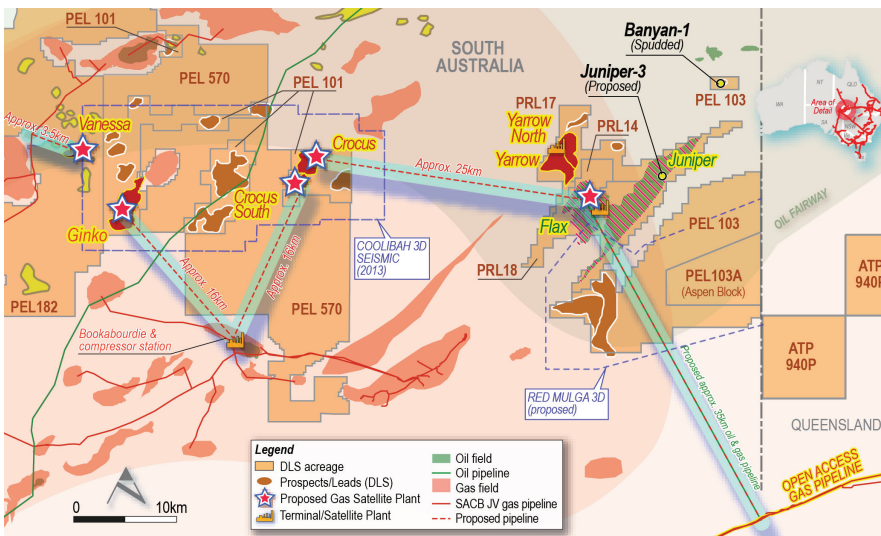
Following Balgowan-1, the rig moved to drill the Burners-1 exploration well, located 1.9 kilometres north northeast of the Stunsail-1 oil discovery in PEL 91 and was spudded on 18 August 2014. Burners-1 intersected an oil-bearing reservoir with one metre net pay in the Namur Sandstone and an oil-bearing McKinlay Member. A drill stem test in the McKinlay Member recovered 5.1 barrels during a four-hour test and the well was cased and suspended as a future oil producer. The rig was released on 31 August 2014 and is currently at the Stunsail-2 well site.

Stunsail-2 is located 760 metres to the southeast of Stunsail-1 with primary targets in the McKinlay, Namur, Mid-Namur and Birkhead. Stunsail-2, a near-field appraisal well, is expected to spud in the coming days and will appraise an eastern accumulation that is currently mapped as a separate accumulation to the Stunsail-1 oil pool. The well will provide additional control points for depth conversion, thereby increasing the confidence of the field volumetrics to assist with the design of surface facilities to be used in production.



Northern Gas and Liquids Project Area – PRLs 14, 17, 18, PEL 103

In PRL 14, the Flax-1 well was hydraulically stimulated across a new Mid-Patchawarra hydrocarbon-bearing interval with positive indications that pressure in the zones has not depleted. Data from the hydraulic stimulation and test is currently being analysed. A new dual completion string is being installed intended to support selective production from both hydrocarbon-bearing zones in the Tirrawarra and Mid-Patchawarra.



In PEL 103, the Banyan-1 vertical exploration well spudded on 27 August 2014 with drilling expected to take 12 days. Banyan-1 is 5 kilometres southwest of Senex Energy's Acrasia Field. The well will test an up-dip closure 400 metres from the Sprigg South-1 well drilled by Innamincka Petroleum in 2008. The primary targets are the Basal Birkhead Formation and the Poolowanna Formation.

Following completion of drilling of Banyan-1, the Juniper-3 appraisal well will be drilled in PRL 17.

Wet Gas Business

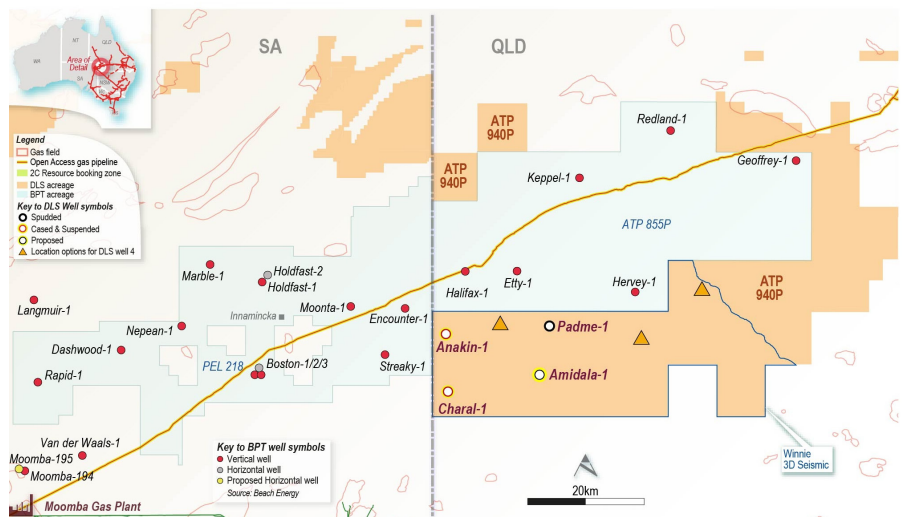
Western Wet Gas Fairway - PEL 91

The Karrata-1 well is located within the PEL 91 permit (Drillsearch 60%, Beach 40% and Operator) on the Western Wet Gas Fairway (see map on page 1) and is proposed as a vertical exploration well that will test for the presence of gas/condensate in a Patchawarra structural stratigraphic trap on the flank of the Patchawarra Trough. Drilling is expected to start in the coming days. The well site is located up-dip from the Canunda-1 wet gas discovery which is currently producing into the Middleton Gas Plant in neighbouring PEL 106 (Drillsearch 50%, Beach 50% and Operator). Karrata-1 was defined on the Irus 3D seismic survey acquired in 2012. Eight out of fourteen wells targeting the Patchawarra gas/condensate play in PELs 91 and 106 have discovered hydrocarbons.

Unconventional Business

Central Unconventional Fairway ATP 940P

The Weatherford 826 rig was released from Anakin-1 on 2 August 2014 and is currently on site at the third location, Padme-1, where it will be drilled to total depth. It is expected that the well will spud in the second week of September 2014.



Monthly Drilling Summary

Well	Participants	Progress & Summary	Primary Target	Secondary Targets
Oil Wells				
Balgowan - 1	DLS 60%	Spud Date: Monday, 4 August 2014	Namur Sandstone	McKinlay Member Mid Namur Birkhead Formation Poolowanna Formation
PEL 91	BPT* 40%	Rig Release: Wednesday, 13 August 2014		
Oil Business Western Flank Oil C/E Basin, SA		Depth: 2,019 m (TD) Operation: Cased & Suspended Progress: 2,019 m (TD)		
Burners - 1	DLS 60%	Spud Date: Monday, 18 August 2014	Namur Sandstone	McKinlay Member Mid Namur Birkhead Formation Poolowanna Formation
PEL 91	BPT* 40%	Rig Release: Sunday, 31 August 2014		
Oil Business Western Flank Oil C/E Basin, SA		Depth: 2,031 m (TD) Operation: Cased & Suspended Progress: 2,031 m (TD)		
Banyan - 1	DLS* 100%	Spud Date: Wednesday, 27 August 2014	Basal Birkhead Sandstone Hutton Sandstone	Poolowanna Sandstone
PEL 103		Rig Release: Saturday, 13 September 2014 (Targeted)		
Oil Business Northern Cooper Gas & Liquids C/E Basin, SA		Depth: 2,221 m (Proposed) Operation: Drilling Progress: 997 m		
Stunsail - 2	DLS 60%	Spud Date: Thursday, 4 September 2014 (Targeted)	Namur Sandstone	McKinlay Member Mid Namur Birkhead Formation
PEL 91	BPT* 40%	Rig Release: Sunday, 14 September 2014 (Targeted)		
Oil Business Western Flank Oil C/E Basin, SA		Depth: 1,800 m (Proposed) Operation: Rigging Up Progress: 0 m		
Wet Gas Wells				
Karrata - 1	DLS 60%	Spud Date: Thursday, 4 September 2014 (Targeted)	Patchawarra Formation (gas/condensate)	Tirrawarra Sandstone (gas/condensate)
PEL 91	BPT* 40%	Rig Release: Thursday, 18 September 2014 (Targeted)		
Gas Business Western Flank Oil C/E Basin, SA		Depth: 2,700 m (Proposed) Operation: Rigged up, waiting to spud Progress: 0 m		
Unconventional Wells				
Anakin - 1	DLS* 40%	Re-entered: Monday, 26 May 2014	Roseneath / Murteree Shale Patchawarra Formation	Daralingie Sandstone Toolachee Sandstone Epsilon Formation Tirrawarra Sandstone
ATP 940P	QGC 60%	Rig Release: Saturday, 2 August 2014		
Unconventional Business Central Unconventional C/E Basin, QLD		Depth: 4,050 m (TD) Operation: Cased & Suspended Progress: 4,050 m (TD)		
Padme - 1	DLS* 40%	Re-entered: Tuesday, 9 September 2014 (Targeted)	Roseneath / Murteree Shale Patchawarra Formation	Daralingie Sandstone Toolachee Sandstone Epsilon Formation Tirrawarra Sandstone
ATP 940P	QGC 60%	Rig Release: Wednesday, 29 October 2014 (Targeted)		
Unconventional Business Central Unconventional C/E Basin, QLD		Depth: 3,969 m (Proposed) Operation: Rigging Up Progress: 2,402 m		

* Indicates operator

For further information please contact:

Brad Lingo
Managing Director
+61 2 9249 9600
admin@drillsearch.com.au

Natalie Barrington
Communications Manager
+61 2 9249 9600
natalie.barrington@drillsearch.com.au

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.