

Market Update

FY2015 Highlights

- 12 new discoveries, a 74% drilling success rate¹ overall
- Production of 3.0 mmboe, in line with lower end of guidance
- Capital expenditure of \$145 million², below lower end of guidance

Preliminary FY2016 Guidance

- Production expected to be 2.8 mmboe to 3.2 mmboe
- Capital expenditure guidance of \$80 million to \$110 million

Drillsearch Energy Limited (ASX: DLS) provides the following update on its FY2015 performance and preliminary guidance for FY2016.³

FY2015 Performance

Against a backdrop of uncertainty in global oil markets, Drillsearch has completed its largest ever work program in FY2015, delivering considerable success. A total of 41 wells were drilled across Drillsearch's acreage – resulting in 12 new discoveries, three in Oil and nine in Wet Gas, and an overall drilling success rate across Oil and Wet Gas of 74%. In addition, the Western Flank joint venture undertook significant investment in wellhead capacity including a successful ten-well development campaign to support strong production from our Oil Business.

Subject to final confirmation, FY2015 production is expected to be 3.0 million barrels of oil equivalent (mmboe), meeting the lower end of guidance of 3.0 to 3.2 mmboe provided in February.

Late in the year, cumulative Western Flank oil production reached 10 million barrels (gross, DLS 60%), with production rates in excess of 12,000 bbls/d (gross).

Capital expenditure for the full year is expected to be approximately \$145 million, subject to final joint venture billings for June 2015, which is below the lower end of the company's updated guidance.

Margins from the Oil Business continue to be strong and Drillsearch continues to maintain a robust cash position. Full-year revenue has also benefited from the company's hedging program.

Drillsearch Managing Director Brad Lingo said:

"Against a backdrop of uncertainty for the sector, Drillsearch has delivered another period of exceptional outcomes in the field. Even after a period of record investment in our business, we continue to have a robust financial position and a solid platform for growth."

2015 Reserves Update

Work is underway to update our reserves and resources as at 30 June 2015. This work, which is independently reviewed, will form the basis of Drillsearch's 2015 Reserves and Resources Statement to be released with the Full-Year Results.

Whilst work is ongoing, early indications are that:

- Successful drilling results on the Western Flank – including three discoveries, two appraisal wells and ten Bauer development wells – will see an increase in 2P oil reserves, at least replacing reserves produced during FY2015, with risk to the upside.

¹ Success rate calculation includes exploration, appraisal and development wells, and excludes FY2015 wells drilled in the ATP 940 joint venture - Anakin-1, Padme-1 and Amidala-1.

² Figures in this release are unaudited.

³ Refer to forward looking statements disclaimer at the end of this release.

- In the Western Wet Gas joint venture with Beach, FY2015 drilling included further testing of areas where Drillsearch has carried undeveloped 2P gas reserves. The results of the Danville-1 and Antechamber-1 wells, both plugged and abandoned, and the Canunda-2 appraisal well, are expected to result in a reduction of 2P gas reserves booked for the Brownlow-Middleton project area at year-end, with the potential for that reduction to be partly offset by new 2P gas reserves booked at the Ralgnal-1 and Maupertuis-1 discoveries.
- In the Western Wet Gas joint venture with Santos, the exceptional drilling results in FY2015 – seven new discoveries from eight wells – are expected to result in new 2P gas reserves initially being booked at year-end, with the potential for additional 2P gas reserves to be booked following testing work planned in FY2016 (see below).

Preliminary Guidance and Outlook⁴

At the half year, Drillsearch announced the strategic priorities being applied by the company following the material decline in oil prices in late 2014. Those priorities – production; cash flow generation; and reserves replacement – have informed Drillsearch in developing its budget for FY2016 and its planning for the medium-term.

Drillsearch provides preliminary guidance for FY2016 production and capital expenditure of 2.8 mmboe - 3.2 mmboe, and \$80 million to \$110 million⁵, respectively.

The work program for FY2016⁶ is expected to include:

- Connections and facilities investment in the Western Flank Oil Fairway building on the investment in wellhead capacity in FY2015 to support continuing strong production;
- Tie-ins and production testing to bring new and existing gas discoveries online – notably in PEL 182 (Vanessa) and the Western Wet Gas joint venture with Santos. Production from these areas is expected to come online progressively from the middle of FY2016; and
- Up to 22 wells, including exploration wells in PEL 570, ATP 924, and PRLs 173 – 174 (formerly PEL 101).

Beyond FY2016, Drillsearch remains committed to growth. The strategic priorities being applied in the near-to-medium term ensure that Drillsearch maintains a robust balance sheet with substantial growth prospects from existing assets over the short-to-medium term.

Details of performance during the June 2015 quarter will be included in our June 2015 Quarterly Report planned for release on 23 July 2015. The Full-Year results, including further information on the FY2016 work program and guidance, are planned for release on 26 August 2015.

--Ends--

For further information please contact:

Dudley White

General Manager – Corporate Communications

+61 2 9249 9669

dudley.white@drillsearch.com.au

If you would like to register for email alerts please subscribe on our website: www.drillsearch.com.au

⁴ Refer to forward looking statement disclaimer at the end of this release.

⁵ Preliminary capex guidance does not include the value of continuing free-carry in ATP 924, PEL 570, PEL 513 or PRL 131 to 134 (formerly PEL 632).

⁶ Final work program remains subject to approval and AFE requirements for joint venture activities.

Forward Looking Statements

This release contains forward looking statements. Often, but not always, forward looking statements may be identified by the use of words such as “may”, “will”, “expect”, “intend”, “target”, “anticipate”, “continue”, “guidance” and “outlook”, or similar expressions and may include (without limitation) statements regarding plans, strategies, objectives and anticipated operating or financial performance, including production volumes and costs.

Forward looking statements involve subjective judgments regarding future matters which are subject to known and unknown risks, uncertainties and other factors. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations, general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and development activities, political and social risks, both general and those specific to the oil and gas industry, changes to the regulatory framework in which the company conducts its business, environmental conditions, including extreme weather conditions, recruitment and retention of personnel, industrial relation issues and litigation.

While Drillsearch considers that there is a reasonable basis for all forward looking statements made, readers are cautioned not to place undue reliance on forward looking statements as actual results may vary materially from projected future results expressed or implied by forward looking statements. The company gives no assurance that assumptions upon which forward looking statements may be based will prove to be correct, or that the company’s business, performance or results will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or beyond the company’s control.

Forward looking statements in this release speak only as to the date of issue. Subject to any continuing obligations under applicable law, including the rules of relevant securities exchanges, the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

References to “Drillsearch” may be references to Drillsearch Energy Limited or its applicable subsidiaries.

Drillsearch FY2015 Drilling Program

Area	Well	Category	Tenement	Result	Status
Western Flank Oil	Balgowan-1	Exploration	PRL 171 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Burners-1	Exploration	PRL 172 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-14	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Stunsail-2	Appraisal	PRL 172 (Formerly PEL 91)	Oil shows	Plugged & Abandoned
	Pennington-3	Appraisal	PRL 163 (Formerly PEL 91)	Oil shows	Plugged & Abandoned
	Bauer-15	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-16	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-17	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-18	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-19	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Sheerkhan-1	Exploration	PEL 182	Oil shows	Plugged & Abandoned
	Hanson-2	Appraisal	PPL 255 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Sandhurst-1	Exploration	PRL 156 (Formerly PEL 91)	Oil shows	Plugged & Abandoned
	Stanleys-1	Exploration	PRL 171 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-20	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-21	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-22	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Bauer-23	Development	PPL 253 (Formerly PEL 91)	Future oil producer	Cased & Suspended
	Longbottoms-1	Exploration	PRL 156 (Formerly PEL 91)	Oil shows	Plugged & Abandoned
	Pennington-4	Appraisal	PRL 163 (Formerly PEL 91)	Future oil producer	Cased & Suspended
Eastern Margin Oil	Ipundu North-5	Development	PL 52	Future oil producer	Cased & Suspended
	Ipundu North-7	Development	PL 52	Future oil producer	Cased & Suspended
Western Wet Gas	Karrata-1	Exploration	PRL 152 (Formerly PEL 91)	Gas shows	Plugged & Abandoned
	Canunda-2	Appraisal	PPL 257 (Formerly PEL 106)	Future gas producer	Cased & Suspended
	Varanus South-1	Exploration	PEL 513	Gas well	Cased & Suspended
	Maupertuis-1	Exploration	PPL 257 (Formerly PEL 106)	Gas well	Cased & Suspended
	Yarowinnie South-1	Exploration	PEL 513	Gas well	Cased & Suspended
	Antechamber-1	Exploration	PEL 513	Gas shows	Plugged & Abandoned
	Danville-1	Exploration	PRL 129 (Formerly PEL 106)	Gas shows	Plugged & Abandoned
	Aquamarine-1	Exploration	PRL 133 (Formerly PEL 632)	Gas shows	Plugged & Abandoned
	Ralignal-1	Exploration	PRL 130 (Formerly PEL 106)	Gas well	Cased & Suspended
	Nulla North-1	Exploration	PRL 133 (Formerly PEL 632)	Gas well	Cased & Suspended
	Kyanite-1	Exploration	PEL 513	Gas well	Cased & Suspended
	Spinel-1	Exploration	PEL 513	Gas well	Cased & Suspended
	Emery-1	Exploration	PEL 513	Gas well	Cased & Suspended
	Moonanga South-1	Exploration	PEL 513	Gas well	Cased & Suspended
Northern Cooper Gas & Liquids	Banyan-1	Oil - Exploration	PEL 103	Oil shows	Plugged & Abandoned
	Juniper-3	Oil- Development	PRL 17	Oil well	Cased & Suspended
Central Unconventional	Anakin-1	Exploration	ATP 940	Testing	Cased & Suspended
	Padme-1	Exploration	ATP 940	Testing	Cased & Suspended
	Amidala-1	Exploration	ATP 940	Testing	Cased & Suspended