

## ASX Announcement

3 July 2015

# CEO Succession

Drillsearch Energy Limited (ASX: DLS) announces that a global search is underway to find a permanent successor to Managing Director and Chief Executive Officer Brad Lingo who is leaving the company by mutual agreement, effective immediately.

Chief Operating Officer Walter Simpson has been appointed as Acting Chief Executive Officer while the search is progressed, with candidates being considered from Australia and overseas.

Mr. Simpson joined Drillsearch in March 2015 from BG Group subsidiary QGC. He has more than 30 years' experience in oil and gas, working in a number of roles in the industry worldwide for BG and other companies, including Baker Hughes and BP.

Chairman Jim McKerlie said: *"Drillsearch developed a comprehensive succession plan several years ago as part of building our organisational capability."*

*"As we have grown, we have introduced high calibre people that bring the talent required for the next stage of the company's development. This planning is evidenced by the Board renewal undertaken a few years ago and by Walter's appointment as COO and 2IC to Brad Lingo during the last financial year. He will retain the focus on delivering our budget and plan for FY2016 whilst the search is conducted."*

## Solid Foundation in the Cooper Basin

In considering CEO succession, the Board felt that Drillsearch would benefit from the introduction of fresh ideas and a different expertise set to guide the company for the next growth phase. The Board also decided that in order to ensure that Drillsearch continues to have clear leadership and to minimise distractions, Mr. Lingo would leave immediately.

Mr. Lingo has been CEO of Drillsearch for six years, during which time the company has been transformed from a junior explorer into one of the leading mid-tier oil and gas companies on the ASX with production of 3 million barrels of oil equivalent (mboe) in FY2015. The company recently completed its biggest-ever work program, including 12 new discoveries in the last financial year.

Under Mr Lingo, Drillsearch has had a clear strategic focus on the Cooper Basin which involved several acquisitions to build a strong Basin presence, as well as the disposal of small non-core, offshore or international assets.

Mr. McKerlie said: *"During Brad's six years as CEO, Drillsearch has built a strong and sustainable Cooper Basin business. Brad finishes on a high note following delivery of considerable operational success in FY2015. He is congratulated on leaving the company with strong production and a robust financial position. We thank him for his efforts and wish him well for the future."*

## Next Growth Phase

Drillsearch's Cooper Basin operations provide a strong platform to consider new opportunities. Whilst Drillsearch will continue to grow its Cooper Basin business, both organically and through value-accretive acquisitions, the company will also look further afield in order to deliver the next phase of growth.

Mr McKerlie said: *"We are reviewing our strategy of a singular focus on the Cooper Basin. Our Cooper Basin business is well developed, and we will continue to work hard at this. However we must actively look to the future and make sure we continue to deliver growth to our shareholders."*

**Drillsearch**

*“Drillsearch has developed a robust and proven approach to exploration and development and we have an extremely capable team to deliver this, led by Walter Simpson who brings to the acting CEO role a proven track record of project delivery in multiple jurisdictions.*

*“This approach is now in our DNA and we believe we have a compelling and repeatable business model. We will look for the best opportunities to apply that model, be that in the Cooper or other Australian Basins, or in Basins in time zones that we can easily manage from Australia.”*

Drillsearch will continue to keep the market informed of material developments in the process of appointing a permanent CEO.

The material terms of Mr Simpson’s appointment as Acting Chief Executive Officer, for the purposes of ASX Listing Rule 3.16.4, are set out at the end of this release.

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## Material Terms of Employment

Acting Chief Executive Officer – Mr Walter Simpson

Term: Period commencing 3 July 2015 and ending on the date of appointment by the Company of a successor Managing Director.

Remuneration: Annual total fixed remuneration (inclusive of superannuation contributions) of \$780,000

Short term incentive (**STI**) scheme – under the terms of Mr. Simpson's employment as Chief Operating Officer (November 2014), Mr. Simpson's participation and entitlement under the Company's STI scheme is fixed for FY2015 and FY2016. Fixed STI entitlement amount is \$432,000 (60% of Mr. Simpson's Total Fixed Remuneration as Chief Operating Officer), 50% of which is payable as cash and 50% in the form of Performance Rights.

Long term incentive (**LTI**) scheme – under the Company's LTI scheme, Mr. Simpson may receive an award of Performance Rights with a value equivalent to up to 60% of his Total Fixed Remuneration, issued subject to and in accordance with the Company's Performance Rights Plan (as approved by shareholders in Annual General Meeting).

For the purposes of calculating the maximum LTI Performance Rights award, where the duration of Mr. Simpson's appointment as Acting Chief Executive Officer is:

- for a period of less than three months, the maximum award of LTI Performance Rights shall apply Mr. Simpson's Total Fixed Remuneration as Chief Operating Officer (\$720,000, inclusive of superannuation contributions); or
- for a period of three or more, but less than nine months, the maximum award of LTI Performance Rights shall apply Mr. Simpson's actual Total Fixed Remuneration for the 12 months ended 30 June 2016; or
- for a period of nine months or more, the maximum award of LTI Performance Rights shall apply Mr. Simpson's Total Fixed Remuneration as Acting Chief Executive Officer (set out above).

Non-director: Mr. Simpson is not a director of the Company as part of the appointment as Acting Chief Executive Officer.