

ASX Announcement

6 August 2015

Adoption of Successful Efforts Accounting

Drillsearch Energy Limited (ASX: DLS) announces that the company has changed its accounting policy for Exploration and Evaluation (“E&E”) Expenditure to adopt the “Successful Efforts” methodology.

Under the Successful Efforts methodology, exploration and evaluation expenditure in relation to unsuccessful exploration wells and associated costs¹ is expensed as incurred. An exploration well is considered to be unsuccessful if no recoverable hydrocarbons are identified, or the company considers that the hydrocarbons are not commercially viable.

The change to Successful Efforts follows the company’s transition to a material oil and gas producer during the past 24 months. It is expected to provide market participants with more reliable and relevant information as to the carrying values of E&E assets and to afford greater transparency regarding the company’s current financial performance and position. Adopting Successful Efforts also brings Drillsearch into line with the majority of its peers.

There will be no impact on Drillsearch’s underlying business activities or on the company’s cash flow as a result of this change in policy.

Successful Efforts will be applied to the company’s audited financial statements for the 12 months ended 30 June 2015. As a result of the change in accounting policy, Drillsearch’s balance sheet as at 30 June 2014 will be amended and restated for comparative purposes. Subject to completion and audit of the company’s financial statements as at 30 June 2015, Drillsearch expects material changes to the 30 June 2014 balance sheet in relation to Successful Efforts to comprise:

- a reduction in E&E assets on the 30 June 2014 balance sheet of approximately \$141 million;
- a reduction in deferred tax liabilities of approximately \$42 million; and
- a reduction in retained earnings of approximately \$99 million.

Drillsearch’s audited financial statements for the 12 months ended 30 June 2015 will be released on Wednesday 26 August 2015.

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For further information please contact:

Dudley White
General Manager Corporate Communications
+61 2 9249 9669
dudley.white@drillsearch.com.au

Or visit the website www.drillsearch.com.au

¹ Associated costs include general administration costs, geological and geophysical costs, seismic and pre-licence expenditure.