

SCHEME MEETING

A photograph of two workers in high-visibility yellow and green safety gear and white hard hats. They are leaning over a large, dark, cylindrical pipe, possibly inspecting it. The background shows a construction site with some vertical poles. The image is partially obscured by a large orange and black geometric shape on the left side of the slide.

PRESENTATION BY
CHAIRMAN JIM MCKERLIE

27 JANUARY 2016

Drillsearch

IMPORTANT NOTICE

Forward Looking Statements

These materials contain 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, 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 these materials 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.

The FY2015 reporting period is the twelve months to 30 June 2015. Unless otherwise shown, comparative period is twelve months to 30 June 2014. References to \$ are references to Australian dollars unless otherwise stated.

WELCOME

The Drillsearch Board would like to welcome you
to the Scheme Meeting



Jim McKerlie
Chairman



Philip Bainbridge
Non-Executive Director



Teik Seng Cheah
Non-Executive Director



Fiona Robertson
Non-Executive Director



Ross Wecker
Non-Executive Director

BACKGROUND TO THE SCHEME

Structure	<ul style="list-style-type: none">• All-scrip merger with Beach Energy via a scheme of arrangement• Drillsearch shareholders will receive 1.25 Beach shares for each Drillsearch share held
Combined group	<ul style="list-style-type: none">• Drillsearch shareholders to own ~30%¹ of the combined group
Board and management composition	<ul style="list-style-type: none">• Glenn Davis to continue as Chairman of Beach• Matthew Kay appointed Beach CEO in January 2016• Drillsearch Chairman Jim McKerlie and Director Phil Bainbridge to join Board of combined group• Two Beach Directors to stand down

1. Assumes all options are acquired for cash, all performance rights vest and no conversion of Convertible Notes; Beach currently holds 21,053,615 Drillsearch shares (~4.56%)

MERGER BENEFITS

Creating the leading ASX-listed oil and gas mid-cap



Synergies from two complementary businesses

Strategies aligned around a Cooper focus, East Coast Gas and nearby Australia
Existing shared values and a track record of joint venture success



Primed to pursue growth opportunities

Creating a business based on expertise and a track record of growth
Balance sheet strength allowing new opportunities to be pursued
A clear strategy and the ability to execute



Significant benefits for both sets of shareholders

Both shareholders retain exposure to existing portfolios and gain new opportunities
Potential value accretion for both sets of shareholders as synergies are realised
Greater relevance for investors and potential for improved liquidity, re-rating and dividends



Australia's largest onshore oil producer

Premier Western Flank position, strong exposure over rest of Cooper Basin
Potential to generate greater efficiencies in the Cooper Basin



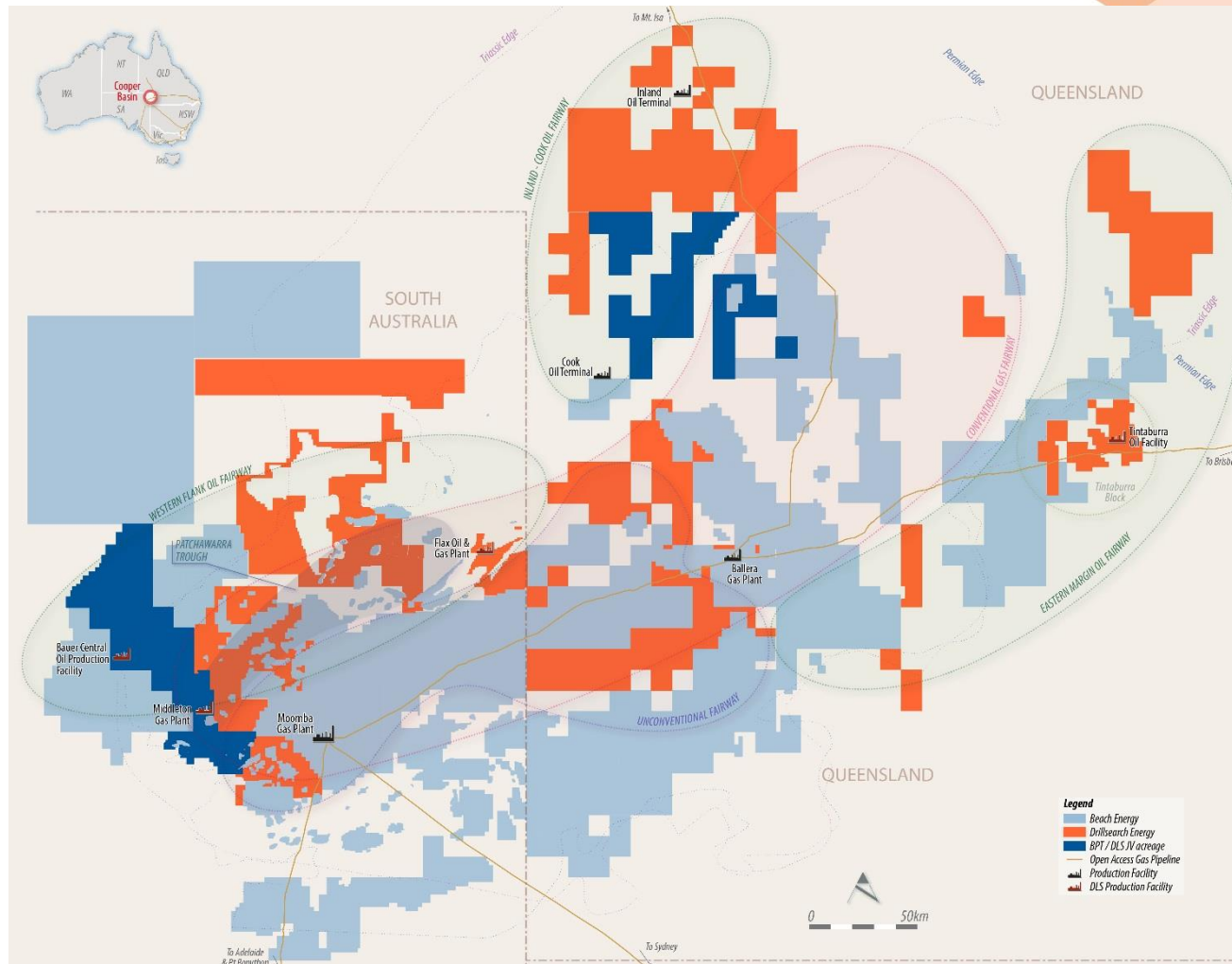
Set for East Coast gas market opportunity

4.8 MMboe gas and gas liquids production in FY2015¹
Infrastructure, existing production, new Cooper discoveries plus Otway

1. Combined Beach and Drillsearch production in FY2015

COOPER BASIN AT THE CORE FOR BOTH COMPANIES

Combined interests in permits covering ~69,000 km²



Drillsearch

RECENT MARKET DEVELOPMENTS

As foreshadowed in the Scheme Booklet, volatility in global oil markets continues

Impact of oil price – persistently below US\$40/bbl for the past two months:

- Australian exploration and production companies highly leveraged to oil price
- Since the merger was announced:
 - Oil price has declined ~36%¹ in US\$ terms and ~34%¹ in A\$ terms
 - S&P/ASX 200 Energy Index has declined ~21%¹ over the same period

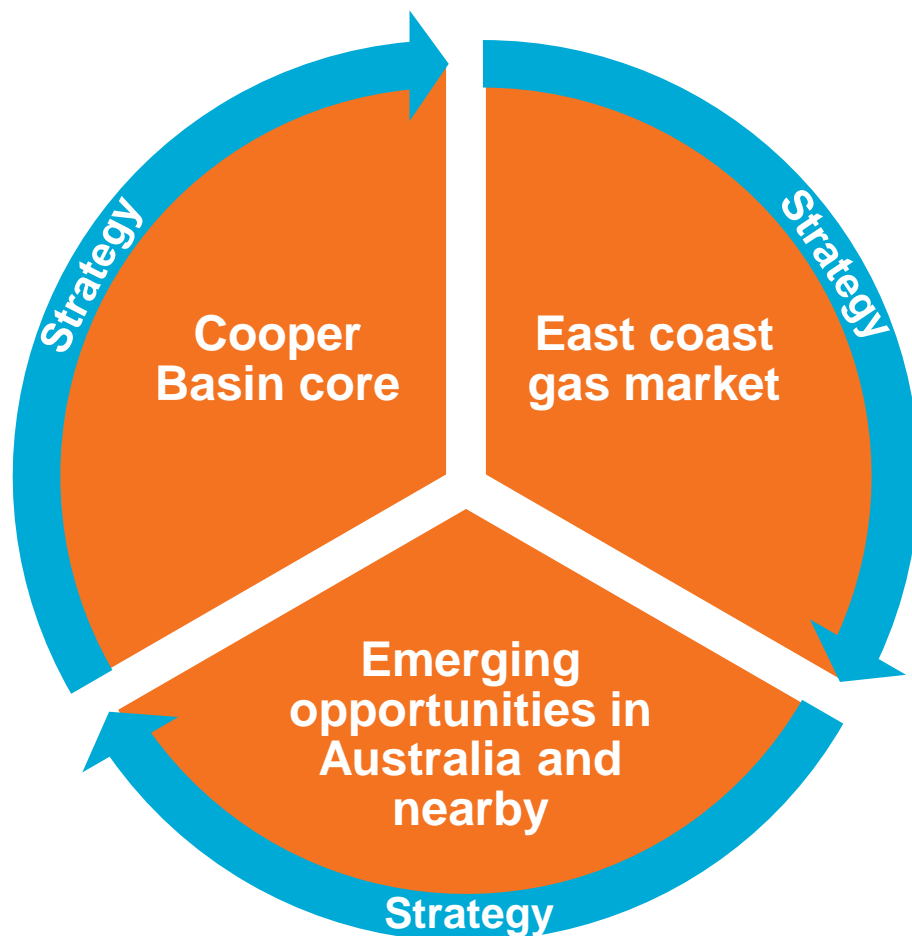
Recent market updates from Drillsearch and Beach:

Drillsearch	Beach
FY2016 production now expected to be at or above top end of guidance	Narrowed FY2016 production guidance to higher end of previous range
FY2016 capex expected to be at lower end of guidance	Capital expenditure guidance lowered for FY2016
Cash position remains robust; new \$100 million debt facility announced ²	Cash balance of \$164 million at 31 December 2015; new \$530 million financing facility announced
No material impairment of oil and gas assets expected; exploration and evaluation assets may be affected	Non-cash impairment charge of \$450 to \$650 million anticipated on a pre-tax basis

1. Source: Bloomberg
2. Subject to Conditions Precedent.

TWO COMPANIES ALIGNED ON STRATEGY

Underpinned by similar values and approach, and a history of successful partnership



Cooper Basin core provides platform to consider the emerging opportunity set created by the weakness in oil prices



INDICATIVE TIMETABLE

Event	Date
Drillsearch shareholder meeting to vote on the scheme	11.00am, 27 January 2016 ¹
Second Court Date	18 February 2016
Scheme Effective Date	18 February 2016
Record Date	7.00pm, 25 February 2016
Implementation Date (Indicative)	1 March 2016

1. These dates and times are indicative only and are subject to change. Unless otherwise specified, all times and dates refer to Sydney, Australia time. Any changes to the timetable will be announced to the ASX and notified on Drillsearch's Web site at www.drillsearch.com.au

Questions regarding the proposed Merger

FORMAL BUSINESS

Notice of Scheme Meeting
Dated 16 December 2015

SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the *Corporations Act 2001* (Cth):

That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the proposed scheme of arrangement between Drillsearch Energy Limited and the holders of its fully paid ordinary shares (other than certain excluded shareholders), the terms of which are contained and more particularly described in the Scheme Booklet, is approved (with or without modification as approved by the Federal Court of Australia).

VOTING THRESHOLDS

For the resolution to be passed, voting must meet two thresholds:

- more than 50% in number of Drillsearch Shareholders (other than Excluded Shareholders) who are present and voting at this scheme meeting, either in person or by proxy, attorney or, in the case of a corporation, its duly appointed corporate representative, must vote in favour of the resolution; and
- at least 75% of the total number of votes cast on the resolution at this scheme meeting (other than by Excluded Shareholders) must be voted in favour of the resolution.

Excluded Shareholders are Beach Energy Limited and its related bodies corporate (as defined in the Corporations Act).

PROXY VOTING

Drillsearch has received 259,671,725 valid proxy votes representing 926 holders and 58.86% of our issued share capital eligible to vote on the resolution

	Number of Holders	Number of Votes
For	761	254,697,339
Against	55	2,885,357
Open	107	2,048,942
Totals	923	259,631,638
Abstain	4	40,087

VOTING BY POLL

On a poll, every member who is present in person or by proxy, attorney or representative has one vote for each share held.

Each voting shareholder or proxyholder who registered today received a yellow voting card. Each shareholder and proxy holder must mark their voting intention on the voting card by placing a 'X' in the For, Against or Abstain box.

A representative of Link Market Services will act as the returning officer for the purposes of conducting and determining the results of the poll.

As the results of the poll will not be available before the close of the Meeting, the results of the poll will be released on the ASX and the company's website later today.

Thank You

Shareholders
Fellow Directors
Chief Executive
Executives
Staff
Joint venture partners
Advisers
Suppliers

HEAD OFFICE

Level 18

321 Kent Street

Sydney NSW 2000

P: +61 2 9249 9600

F: + 61 2 9249 9630

E: admin@drillsearch.com.au

W: drillsearch.com.au

Please contact for further information

Dudley White

General Manager – Corporate Communications