

DRILLSEARCH ENERGY LIMITED

ABN 73 006 474 844

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT **2010**

NOTICE is given that the Annual General Meeting of Drillsearch Energy Limited (ABN 73 006 474 844) ("**Company**") will be held at the:

Museum of Sydney
AGL Theatre, Level 2, Corner of Phillip and Bridge Streets
Sydney, New South Wales

at 10.00am on Tuesday, 23 November 2010

2010 ANNUAL REPORT: www.drillsearch.com.au/2010AnnualReport.html

Drillsearch

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION

THIS DOCUMENT DOES NOT TAKE INTO ACCOUNT YOUR INDIVIDUAL CIRCUMSTANCES. IF YOU ARE IN DOUBT ABOUT HOW TO DEAL WITH IT, PLEASE CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

Ordinary business

1. Receipt of the Company's Financial Report for the year ended 30 June 2010

To receive and consider the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2010.

2. Remuneration Report

To put the following Resolution to a non-binding advisory vote:

"That the Remuneration Report in the Company's Annual Report be adopted."

Note: The vote on item 2 will be advisory only and will not bind the Directors or the Company.

The Board unanimously recommends that shareholders vote in favour of this resolution.

3. Re-elect Mr Jim McKerlie as a Director of the Company

To elect Mr Jim McKerlie as a Director of the Company, who retires in accordance with the Constitution of the Company, and, being eligible, offers himself for re-election.

The Board (with Mr McKerlie abstaining) unanimously recommends that shareholders vote in favour of this resolution.

4. Re-elect Mr Ross Wecker as a Director of the Company

To elect Mr Ross Wecker as a Director of the Company, who retires in accordance with the Constitution of the Company, and, being eligible, offers himself for re-election.

The Board (with Mr Wecker abstaining) unanimously recommends that shareholders vote in favour of this resolution.

Special business

5. Approval to refresh the Company's 15% placement capacity

To approve for all purposes, including for the purpose of Listing Rule 7.4, issues of ordinary shares and options over ordinary shares that have occurred in the 12 months prior to 23 November 2010.

VOTING RESTRICTION ON ITEM 5

The Company will disregard any votes cast on Item 5 by a person who participated in the issues of ordinary shares and options over ordinary shares described in Item 5 of the Explanatory Memorandum and their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Board unanimously recommends that shareholders vote in favour of this resolution.

6. Amendment of Constitution

To consider and, if thought fit, pass the following Special Resolution:

"That, pursuant to section 136(2) of the Corporations Act 2001 (Cth), and with immediate effect, the Constitution of the Company be amended in the manner set out in Annexure A to the 2010 Notice of Annual General Meeting with such amendments being described generally in the Explanatory Notes to the Notice."

The Board unanimously recommends that shareholders vote in favour of this resolution.

7. Insertion of proportional takeover approval provisions into the Constitution

To consider and, if thought fit, pass the following Special Resolution:

"That, for the purposes of section 648G of the Corporations Act 2001 (Cth) and pursuant to section 136(2) of the Corporations Act 2001 (Cth), the Constitution of the Company be amended by inserting the proportional takeover approval provisions set out in Annexure A to the 2010 Notice of Annual General Meeting with the provisions to take effect from the close of this meeting."

The Board unanimously recommends that shareholders vote in favour of this resolution.

8. Share Consolidation

To consider and, if thought fit, pass the following ordinary resolution:

"That for the purposes of Section 254H of the Corporations Act 2001 (Cth), ASX Listing Rule 7.20, ASX Listing Rule 7.22 and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 shares be consolidated into one share, and where this consolidation results in a fraction of a share being held by a shareholder, the Directors of the Company be authorised to round that fraction up to the nearest whole share, with the consolidation to take effect on a date to be announced to the ASX in accordance with the requirements of the Listing Rules."

The Board unanimously recommends that shareholders vote in favour of this resolution.

Dated at Sydney, on the 22 October 2010



By order of the Board
Ian W. Bucknell
Company Secretary

2010 Annual Report

The 2010 Annual Report is available on the Company's website:
www.drillsearch.com.au and www.drillsearch.com.au/2010AnnualReport.html

Proxies

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
2. Where two proxies are appointed:
 - (i) a separate Proxy Form, should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
3. A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held e.g. "the Chair of the Meeting".
4. In the case of shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
5. In the case of shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - (ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.
6. If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place specified below.
7. A Proxy Form accompanies this Notice of Meeting and contains additional information. To be valid, duly completed Proxy Forms and any proxy appointment authorities under which a Proxy Form is signed, such as a power of attorney, must be received by the Company no later than 48 hours before the time in Sydney of the commencement of the meeting and must be lodged with the Company either:
 - in person at the Registered Office at:
Level 8, 16 Spring Street, Sydney NSW 2000 Australia or at the Share registry at Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street Sydney NSW 2000 Australia; or
 - by mail to the Registered Office at:
Level 8, 16 Spring Street Sydney NSW 2000 Australia or to the Share Registry at Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001, Australia; or
 - by facsimile to 1800 783 447 or + 61 3 9473 2555 (Share Registry) or + 61 2 9241 4404 (Registered Office).
8. For the purpose of the meeting, shares in the Company will be taken to be held by those persons who are registered holders at 7.00pm (Sydney time) on Sunday, 21 November 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the meeting.
9. A quorum for a general meeting of the Company is three shareholders.
10. Attached to and forming part of this Notice of Meeting is an Explanatory Memorandum which provides shareholders with background information and further details of the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and effect of the resolutions, if passed.

IMPORTANT NOTICE

This Explanatory Statement contains an explanation of, and information about, each of the resolutions to be considered at the Annual General Meeting. It is given to Drillsearch Energy Limited's shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Statement in full, because individual Sections may not give a comprehensive review of the proposals contemplated. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If in doubt about how you should vote, consult your financial or other professional adviser.

Ordinary business

1. Financial Report – Year ended 30 June 2010

The *Corporations Act 2001* (Cth) ("Corporations Act") requires the Financial Report (which includes the Financial Statements and the Directors' Declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Financial Report.

The auditor will be attending the Annual General Meeting.

Shareholders are entitled to submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Annual Financial Report.

The auditor will answer written questions submitted prior to the Annual General Meeting. All written questions must be received by the Company no later than 16 November 2010. All questions must be sent to the Company and may not be sent direct to the auditor. The Company will then forward all questions to the auditor.

The auditor will also answer questions at the meeting from shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- the independence of the auditor in relation to the conduct of the audit.

2. Remuneration Report

The Directors' Report for the year ended 30 June 2010 contains a Remuneration Report which sets out the policy on remuneration of the Directors of the Company and specified executives of the Company.

The Corporations Act requires that a resolution that the Remuneration Report be adopted be put to a vote. The Corporations Act expressly provides that the vote is advisory and does not bind the Directors of the Company.

Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Board unanimously recommends that shareholders vote in favour of this resolution.

3. Re-election of Jim McKerlie

Mr Jim McKerlie was elected by shareholders at the 2008 Annual General Meeting and has been Chairman of Drillsearch since June 2009. In accordance with the Company's Constitution, Mr McKerlie is required to stand for re-election and offers himself for re-election.

Mr McKerlie has a 25 year history of working in professional services and management in Australia Pacific, North America, Europe and Africa and is the Chief Executive Officer of Bullseye Pty Limited. Mr McKerlie is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Chartered Accountants of Australia, a Fellow of the Institute of Management Consultants and a Fellow of the Australian Institute of Management.

The Board (with Mr McKerlie abstaining) unanimously recommends that shareholders vote in favour of this resolution.

4. Re-election of Ross Wecker

Mr Ross Wecker was elected by shareholders at the 2009 Annual General Meeting. In accordance with the Company's Constitution, Mr Wecker is required to stand for re-election and offers himself for re-election.

Mr Wecker was previously the Managing Director of Innamincka Petroleum Limited and has more than 35 years' experience in the oil and gas industry. He is a highly experienced geologist with extensive exploration knowledge of the Cooper and Eromanga Basins. Prior roles include the direction of an exploration team in the Cooper Basin for Delhi Petroleum Pty Ltd and Esso Australia Limited and providing specialist technical advice to several Australian and American companies regarding the acquisition and management of exploration acreage in the Cooper and Eromanga Basins.

The Board (with Mr Wecker abstaining) unanimously recommends that shareholders vote in favour of this resolution.

Special business

5. Approval to refresh the Company's 15% placement capacity

Under Listing Rule 7.1, a listed company is prohibited from issuing or agreeing to issue equity securities without shareholder approval if in doing so it would mean that the number of equity securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period.

However, under Listing Rule 7.4, an issue of shares or options over ordinary shares made without specific approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the original issue did not breach Listing Rule 7.1, and is subsequently approved by shareholders.

The Company is seeking shareholder approval to the issues of the securities described in the table below. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial opportunities that may arise.

Nature of issue	Number of securities and issue price	Terms	Allotees	Use or intended use of funds raised
Issue of options pursuant to assuming directorship of the Company on 4 December 2009	16,000,000	Options over ordinary shares in the Company exercisable at 7.25 cents per share on or before 30 November 2013	8,000,000 to Fiona Robertson and 8,000,000 to Ross Wecker	No funds were raised by the issue
Issue of options pursuant to contract of employment on 4 December 2009	10,000,000	Options over ordinary shares in the Company exercisable at 6.25 cents per share on or before 30 September 2014	John Whaley	No funds were raised by the issue
Issue of options pursuant to contract of employment on 3 March 2010	2,000,000	Options over ordinary shares in the Company exercisable at 8.5 cents per share on or before 2 March 2013	Ian Bucknell	No funds were raised by the issue
Issue of options pursuant to contract of employment on 16 March 2010	10,000,000	Options over ordinary shares in the Company exercisable at 8.77 cents per share on or before 15 March 2015	David Evans	No funds were raised by the issue
Issue of options pursuant to a settlement agreement on 29 July 2010 on 8 September 2010	30,000,000	Options over ordinary shares in the Company of which: <ul style="list-style-type: none"> • 10,000,000 are exercisable at 5 cents per share on or before 29 October 2010; • 10,000,000 are exercisable at 5 cents per share on or before 31 January 2011; • 10,000,000 are exercisable at 5 cents per share on or before 29 July 2011. 	Merrill Lynch (Australia) Pty Limited	No funds were raised by the issue
Issue of shares pursuant to an Asset Sale Agreement as consideration for the acquisition of Traditional Oil Exploration Pty Limited's interests in the Udacha unit area, Petroleum Exploration Licences 91 and 106 and the South Australian and Smegsy block Petroleum Exploration Licence 106, South Australia	20,534,633 (at an issue price of \$0.0633 to fund the \$1,300,000 consideration for the purchase of the assets.)	Ordinary shares ranking equally with existing shares on issue	Traditional Oil Exploration Pty Limited	No funds were raised by the issue

The Board unanimously recommends that shareholders vote in favour of this resolution.

EXPLANATORY STATEMENT

6. Amendment to the Constitution

The Directors are proposing that the Drillsearch Constitution be amended in the manner set out in Annexure A to the Notice of Meeting. The Board recommends the proposed amendments to ensure the Constitution reflects current legislative requirements and is relevant to the Company.

The principal proposed amendments to the Constitution are summarised below.

Clause / Part	Proposed change	Reason for change
Clause 7.2	Inserting a new clause 7.2, so that any fractions arising out of a share conversion may be dealt with by the Board in one, or a combination, of ways, for example, by: <ul style="list-style-type: none">making a cash payment or disregarding fractional entitlements; orvesting fractional entitlements in a trustee to be dealt with as determined by the Board.	To enable the Board to deal with fractional share entitlements arising out of a share conversion.
Various	Amending outdated references to "ASTC" and the "ASTC Settlement Rules" and adopting the recent name changes of some ASX entities following the transfer of market supervision to ASIC.	To reflect various name changes.
Clause 29	The proposed changes would allow the Company to sell the securities of shareholders holding an Unmarketable Parcel (as defined by the ASX Listing Rules) and to remit the proceeds of sale to those shareholders. The Company would be able to sell these shares on-market or place them with particular investors. However, the shareholder would have the option to retain their particular shareholding (but to retain their shares, the shareholder must take positive action and complete and return a form). The Company would bear the transaction costs associated with the share sale, but apart from that there would be no capital outlay for the Company.	To enable the Company to sell the securities of shareholders holding an unmarketable parcel and to remit the proceeds of sale to those shareholders.
Clause 69.1	Replacing the existing clause 69.1 with the following: "Subject to the Corporations Act 2001, and the terms of issue of shares, the Directors may resolve to pay any dividend they consider appropriate and fix the time for payment. The Company does not incur a debt merely by fixing the amount or time for payment of a dividend. A debt arises only when the time fixed for payment arrives. The decision to pay a dividend may be revoked by the Directors at any time before then."	On 28 June 2010, the Corporations Amendment (Corporate Reporting Reform) Act 2010 (Cth) (Amending Act) changed the circumstances in which a dividend may be paid. The Amending Act replaced the profits test in section 254T of the Act with a three-tiered test. A company must not pay a dividend unless: <ul style="list-style-type: none">the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;it is fair and reasonable to the company's shareholders as a whole; andit does not materially prejudice the company's ability to pay its creditors.

Except as discussed above, the Board considers the proposed changes will not materially alter the effect of the existing Drillsearch Constitution or the rights of shareholders.

If you would like a copy of the proposed amended Drillsearch Constitution (which will be made available at no charge), please contact the Company Secretary. Alternatively, a copy of the proposed amended Constitution will be released to ASX shortly after the Annual General Meeting.

The Board unanimously recommends that shareholders vote in favour of this resolution.

7. Insertion of proportional takeover approval provisions into the Constitution

BACKGROUND

Proportional takeover approval provisions are designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the Company.

The Act requires that the following information be provided to shareholders when they are considering the inclusion of proportional takeover provisions in a constitution.

EFFECT

If a proportional takeover bid is made, the Directors must ensure that shareholders vote on a resolution to approve the bid more than 14 days before the bid period closes.

The vote is decided by a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and its associates are not allowed to vote.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn.

The bid will be taken to have been approved if the resolution is not voted on before the 14th day before the last day of the bid period.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are adopted as part of the Constitution. The provisions may be renewed or reinserted upon the expiry of the three year period, but only by a special resolution passed by shareholders.

REASONS

A proportional takeover bid is one where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Without proportional takeover provisions, a proportional takeover bid may enable control of the Company to pass without shareholders having the chance to sell all of their shares to the bidder. Shareholders may be exposed to the risk of being left as a minority shareholder in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares.

The Directors consider that the insertion of the proportional takeover provisions is in the interests of all shareholders of the Company. The Directors consider that shareholders should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without shareholders being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid shareholders feeling pressure to accept the bid even if they do not want it to succeed.

POTENTIAL ADVANTAGES AND DISADVANTAGES

While the proportional takeover approval provisions will allow the Directors to ascertain shareholders' views on a proportional takeover bid, they do not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The potential advantages of the proposed proportional takeover provisions for shareholders are:

- they provide shareholders with the opportunity to study a proportional bid proposal and decide by majority vote whether it should proceed (this is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of shareholders, including appropriate pricing);
- they may assist shareholders to avoid being locked in as a minority interest in the Company or feeling compelled to accept an offer (which they believe is inadequate) to avoid becoming a part of a minority interest;
- they increase shareholders' bargaining power and may assist in ensuring that any proportional bid is adequately priced; and
- knowing the view of the majority of shareholders assists each individual shareholder to assess the likely outcome of the proportional takeover bid and whether to approve or reject the offer for a proportion of their shares.

The potential disadvantages of the proposed proportional takeover provisions for shareholders are that the provisions may:

- discourage the making of proportional takeover bids in respect of the Company and this may have an adverse effect on the market value of the Company's securities;
- prevent an individual shareholder who wishes to accept a proportional takeover offer from accepting a particular offer; and
- reduce the likelihood of a proportional takeover bid being successful.

The Directors consider that the potential advantages for shareholders of the proportional takeover approval provisions outweigh the potential disadvantages.

RECOMMENDATION

The Board unanimously recommends that shareholders vote in favour of this resolution.

8. Share Consolidation**BACKGROUND**

Section 254H of the Corporations Act 2001 (Cth) provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

ASX Listing Rule 7.20 provides that, if an entity proposes to reorganise its capital, it must advise shareholders of certain matters, which are set out in this Explanatory Statement.

EXPLANATORY STATEMENT

As at the date of this notice, the Company has approximately 2,058,079,563 shares on issue. This large number of shares imposes a number of disadvantages upon the Company, including:

- negative perceptions associated with a low share price and earnings per share;
- precluding investment from institutional investors who may be limited by their charters or mandates from investing in stocks with low share prices;
- administrative cost and inconvenience; and
- additional share price volatility arising from the fact the minimum share price movement permitted by the ASX (of A\$0.005) represents a higher proportion of the Company's share price than it would if the Company had a share price comparable to other companies with similar market capitalisation.

The Directors believe that a consolidation of the shares would assist in dealing with these disadvantages and would enable a more appropriate share price for a listed entity of the Company's size and market capitalisation.

This resolution seeks shareholder approval to consolidate the Company's issued share capital by consolidating every 10 shares into 1 share. For example, a holding of 10,000 shares before the consolidation, would result in a holding of 1,000 shares after the consolidation. The Company intends that the share consolidation will take effect in early January 2011.

All other things being equal, the Company's share price should increase to reflect the share consolidation and the smaller number of shares on issue.

ROUNDING

Where any shareholders have a holding which is not a multiple of 10 and would otherwise result in a fractional entitlement post-consolidation, the Company proposes to round up that holding to the next whole number.

OPTIONS

The Company has unlisted options on issue to a number of directors, senior managers and other third parties. In accordance with the various option terms and ASX Listing Rule 7.22, these options will be consolidated on the same basis as the shares: that is, the number of shares covered by each option agreement will be reduced by a factor of 10 and the exercise price will be increased by a factor of 10.

The effect of the share consolidation on the number and exercise price of these options is set out below:

Expiry date	Pre-Consolidation		Post-Consolidation	
	Number	Exercise Price	Number	Exercise Price
31 January 2011	10,000,000	\$0.05	1,000,000	\$0.50
29 July 2011	10,000,000	\$0.05	1,000,000	\$0.50
12 August 2012	1,500,000	\$0.04	150,000	\$0.40
28 November 2012	24,000,000	\$0.05	2,400,000	\$0.50
2 March 2013	2,000,000	\$0.085	200,000	\$0.85
10 November 2013	12,000,000	\$0.04	1,200,000	\$0.40
30 November 2013	36,000,000	\$0.0725	3,600,000	\$0.725
30 September 2014	10,000,000	\$0.0625	1,000,000	\$0.625
15 March 2015	10,000,000	\$0.0877	1,000,000	\$0.877

HOLDING STATEMENTS

From the date of the share consolidation, all existing holding statements for shares and options will cease to have any effect, except as evidence of entitlement to a certain number of shares on a post-consolidation basis. After the share consolidation becomes effective, new holding statements will be issued to shareholders. Shareholders are responsible for verifying their shareholdings after the share consolidation.

PROPOSED MERGER WITH INNAMINCKA PETROLEUM LIMITED (INNAMINCKA)

As announced to the ASX on 8 September 2010, the Company proposes to merge with Innamincka by way of a Scheme of Arrangement. Should Innamincka shareholders approve the Scheme of Arrangement, the Company intends for the consolidation to include all new shares in the Company issued to Innamincka shareholders as consideration for the Scheme of Arrangement. The share consolidation is not conditional upon the Scheme of Arrangement becoming effective.

TIMETABLE

The proposed share consolidation, if approved by shareholders, will take effect on a date (expected to be in early January 2011) to be announced to ASX in accordance with the requirements of the ASX Listing Rules.

The Board unanimously recommends that shareholders vote in favour of this resolution.

Insert the following clause:

- 7.2 The Board may do anything it thinks appropriate and necessary to give effect to a resolution converting shares including, if a shareholder becomes notionally entitled to a fraction of a share as a result of the conversion:
- 7.2.1 make a cash payment or disregard fractional entitlements so as to adjust the rights of shareholders between themselves; or
- 7.2.2 vest fractional entitlements in a trustee to be dealt with as determined by the Board.

Amend clause 24.2 as follows:

- 24.2 If the Company is admitted to the official list of ASX, the Company must not prevent, delay or interfere with the generation of a ~~proper ASTC transfer~~ **Proper Transfer** or the registration of a paper-based transfer in registrable form. However, the Company may ask ~~ASTC~~ **ASX Settlement** to apply a holding lock to prevent ~~a proper ASTC transfer~~ **Proper Transfer**, or refuse to register a paper-based transfer, where permitted by the Corporations Act 2001 or the Listing Rules. The Company must do so if the Corporations Act 2001 or the Listing Rules so require.

Insert the following clause:

29. Unmarketable Parcel

- 29.1 In this clause:
- 29.1.1 **Effective Date** means the date immediately following the expiry of the period referred to in the notice given by the Company to Unmarketable Parcel Holders in accordance with this clause 29;
- 29.1.2 **Unmarketable Parcel** means a parcel of shares of a single class registered in the same name or the same joint names which is less than:
- (a) the number that constitutes a marketable parcel of shares of that class under the Listing Rules; or
- (b) subject to the Corporations Act 2001, the Listing Rules and the ASX Settlement Rules, any other number determined by the Directors from time to time.
- 29.1.3 **Unmarketable Parcel Holder** means a Member holding an Unmarketable Parcel.
- 29.2 The Company may give written notice to an Unmarketable Parcel Holder advising of the Company's intention to sell its Unmarketable Parcel under this clause 29. If the Company does so, the notice must:
- (a) state that it intends to sell the Unmarketable Parcel; and
- (b) specify a date at least six weeks (or any lesser period permitted under the Corporations Act or the Listing Rules) after the notice is given by which the Unmarketable Parcel Holder may give the Company written notice that the Unmarketable Parcel Holder wishes to retain the holding.
- 29.3 The Company must not sell an Unmarketable Parcel if, in response to a notice given by the Company under clause 29.2, the Company receives a written notice within the specified time referred to in clause 29.2(b) that the Unmarketable Parcel Holder wants to keep the Unmarketable Parcel.
- 29.4 If an Unmarketable Parcel Holder has given written notice to the Company that it wishes its shares to be exempted from this clause, it may at any time before the Effective Date revoke or withdraw that notice and the provisions of this clause will then apply to the shares held by that Unmarketable Parcel Holder.
- 29.5 Subject to clause 29.3, on and from the Effective Date, the Company may sell or otherwise dispose of the shares held by each Unmarketable Parcel Holder on any terms and in that manner and at those times which the Directors determine. For the purpose of selling or disposing of those shares, each Unmarketable Parcel Holder irrevocably:
- 29.5.1 appoints the Company as its agent to sell all the shares it holds;
- 29.5.2 appoints the Company and each Director and Secretary from time-to-time jointly and severally as its attorney in its name and on its behalf to effect a transfer document for its shares and to otherwise act to effect a transfer of its shares; and
- 29.5.3 appoints the Company as its agent to deal with the proceeds of sale of those shares in accordance with this clause.
- 29.6 A sale of shares under this clause 29 includes all dividends payable on and other rights attaching to them.
- 29.7 The Company will pay all costs and expenses of the sale and disposal of Unmarketable Parcels under this clause 29.
- 29.8 Once the name of the new holder of the share sold or disposed of in accordance with this clause is entered in the register of shareholders for those shares, the title of the new holder of those shares is not affected by any irregularity or invalidity on connection with the sale or disposal of those shares and the validity of the sale may not be impeached by any person.

- 29.9 *The remedy of any Unmarketable Parcel Holder who is aggrieved by the sale or disposal of its shares under this clause is limited to a right of action in damages against the Company to the exclusion of any other right, remedy or relief against any other person.*
- 29.10 *A written statement declaring that the person making the statement is a Director or Secretary of the Company and that the shares of an Unmarketable Parcel Holder have been dealt with in accordance with this clause, is conclusive evidence of the facts stated in the statement as against all persons claiming to be entitled to those shares.*
- 29.11 *The Company's receipt of the sale proceeds of the shares of the Unmarketable Parcel Holder is a good discharge to the purchaser of all liability in respect of the purchase of those shares and the purchaser will not be bound to see to the application of the money paid as consideration.*
- 29.12 *The Company will receive the proceeds of the shares of each Unmarketable Parcel Holder and will deal with those proceeds as follows. It must:*
- 29.12.1 *pay the proceeds into a separate bank account which it opens and maintains for that purpose;*
- 29.12.2 *hold the proceeds in trust for the Unmarketable Parcel Holder;*
- 29.12.3 *as soon as practicable, notify the Unmarketable Parcel Holder in writing of the receipt and that the proceeds are being held by the Company pending receipt of the share certificate (if any) for those shares sold or disposed of or, if those certificates have been lost or destroyed, a statement and undertaking in accordance with the Corporations Act 2001, and seeking instructions from the Unmarketable Parcel Holder as to how the proceeds are to be dealt with;*
- 29.12.4 *if the shares sold were certificated, not pay the proceeds of sale out of the trust account until it has received the certificate for them or, if that certificate has been lost or destroyed, evidence of its loss or destruction and a statement and undertaking in accordance with the Corporations Act 2001;*
- 29.12.5 *subject to 29.12.4, deal with the sale proceeds as instructed by the Unmarketable Parcel Holder on whose behalf they are held; and*
- 29.12.6 *if the whereabouts of the Unmarketable Parcel Holder are unknown or no instructions are received from the Unmarketable Parcel Holder within 2 years of the proceeds being received by the Company, deal with those proceeds according to the applicable laws dealing with unclaimed moneys.*
- 29.13 *The power of the Company to sell lapses if a takeover (as defined in the Listing Rules) is announced after the Company gives a notice under clause 29.2 and before the Company enters into an agreement to sell the share. The procedures set out in this clause 29 may be started again after the close of offers under the takeover.*
- 29.14 *The provisions of this clause may be invoked only once in any 12 month period.*

Delete the existing clause 69.1,

69.1—Subject to any special rights or restrictions attached to a share, the Directors may pay Dividends as they decide but only out of profits.

and replace it with the following clause:

69.1 Subject to the Corporations Act 2001, and the terms of issue of shares, the Directors may resolve to pay any dividend they consider appropriate and fix the time for payment. The Company does not incur a debt merely by fixing the amount or time for payment of a dividend. A debt arises only when the time fixed for payment arrives. The decision to pay a dividend may be revoked by the Directors at any time before then.

Insert the following Part 13:

PART 13 – PROPORTIONAL TAKEOVER APPROVAL

95. **Special definitions**

The following definitions apply in this Part 13.

Accepted Offer means an offer under a proportional takeover bid that has been accepted and from the acceptance of which a binding contract has not resulted as at the end of the Resolution Deadline.

Approving Resolution means a resolution to approve the proportional takeover bid passed in accordance with clause 98.

Resolution Deadline means the day that is 14 days before the last day of the bid period of the proportional takeover bid.

A reference to **an associate of** another person is a reference to a person who is an associate of the first person because of sections 11, 12 or 15 of the Corporations Act.

96. **Limited life of this Part 13**

This Part 13 ceases to apply by force of section 648G(1) at the end of three years starting when this Part 13 was inserted in the constitution or starting when this Part 13 was last renewed in accordance with that section.

97. Restriction on registration of transfers

The Company must not register a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid until an Approving Resolution is passed.

98. Approving Resolution

If offers have been made under a proportional takeover bid for securities in a class issued by the Company:

- 98.1 *an Approving Resolution must be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the Approving Resolution;*
- 98.2 *the Board must ensure that an Approving Resolution is voted on in accordance with this Part 13 before the Resolution Deadline for the bid;*
- 98.3 *a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the bid was made, held securities included in that class is entitled to vote on an Approving Resolution;*
- 98.4 *the bidder or an associate of the bidder is not entitled to vote on an Approving Resolution; and*
- 98.5 *an Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.*

99. General meeting provisions apply

The clauses in this constitution relating to general meetings apply, modified as necessary, to any meeting convened under this Part 13, except that:

- 99.1 *a meeting may be convened on less than 28 days notice and on at least 14 days notice if the Board considers that should be done to ensure that the meeting is held before the Resolution Deadline; and*
- 99.2 *the holder of a security that carries no right to vote at a general meeting of the Company has one vote for each security held at a meeting convened under this Part 13.*

100. Notice of meeting outcome

If an Approving Resolution is voted on in accordance with this Part 13 before the Resolution Deadline for the proportional takeover bid, the Company must, on or before the Resolution Deadline give a written notice stating that an Approving Resolution has been voted on and that the resolution has been passed or rejected to:

- 100.1 *the bidder; and*
- 100.2 *ASX.*

101. Failure to propose resolution

If, as at the end of the day before the Resolution Deadline for a proportional takeover bid, no Approving Resolution has been voted on in accordance with this Part 13, an Approving Resolution is taken to have been passed in accordance with this Part 13.

102. Rejected resolution

If an Approving Resolution is voted on, in accordance with this Part 13, before the Resolution Deadline for the proportional takeover bid and is rejected:

- 102.1 *despite section 652A, all offers under the bid that have not, as at the end of the Resolution Deadline, been accepted, and all Accepted Offers are taken to be withdrawn at the end of the Resolution Deadline;*
- 102.2 *as soon as practical after the Resolution Deadline, the bidder must return to each person who accepted an Accepted Offer any documents that were sent by the person to the bidder with the acceptance of the offer;*
- 102.3 *the bidder may rescind, and must rescind, as soon as practical after the Resolution Deadline, each contract resulting from the acceptance of an offer made under the bid; and*
- 102.4 *a person who has accepted an offer made under the bid may rescind the contract (if any) resulting from that acceptance.*

Amend clauses 103.7 and 103.8 as follows:

103.7 *the Company must not exercise any power in contravention of the Corporations Act 2001 or the Listing Rules or the ASX Settlement Rules;*

103.8 *a reference to the Listing Rules and the ASX Settlement Rules applies only while the Company is admitted to the official list of ASX.*

Delete the following definitions in clause 104:

ASTC means ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532

ASTC Settlement Rules means the operating rules of ASTC for the purposes of the Corporations Act 2001

Insert the following definitions into clause 104:

ASX means ASX Limited and any successor body;

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Rules means the operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ABN 48 001 314 503).

Board means the Directors acting collectively under this document.

Proper Transfer means a transfer which is under the scope of and which complies with (or is taken to comply with) the ASX Settlement Rules.

Amend the following definition as follows:

CHESS Rules means the ~~ASTC~~ASX Settlement Rules and the provisions of the Corporations Act 2001 and the Listing Rules about the electronic share registration and transfer system;

Drillsearch

Drillsearch Energy Limited

ABN 73 006 474 844

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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000001 000 DLS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote
- Access the annual report
- Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (AEDT) on Sunday 21 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

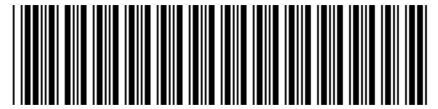
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Drillsearch Energy Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Drillsearch Energy Limited to be held at the Museum of Sydney, AGL Theatre, Level 2, Corner of Phillip and Bridge Streets, Sydney, NSW on Tuesday, 23 November 2010 at 10:00am (AEDT) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
2 To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-elect Mr Jim McKerlie as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-elect Mr Ross Wecker as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

5 Approval to refresh the Company's 15% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Amendment of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approve insertion of proportional takeover approval provisions into the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approve Share Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____