

17 December 2010

Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**Drillsearch Securities Trading Policy**

In accordance with ASX Listing Rule 12.9, a copy of the Securities Trading Policy of Drillsearch Energy Limited is enclosed for release to the market.

Yours sincerely



**Jean Moore**  
Company Secretary



# Securities Trading Policy

December 2010

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# Securities Trading Policy

## Drillsearch Energy Limited ACN 006 474 844

### 1 Policy Introduction

This policy deals primarily with the sale and purchase of securities in Drillsearch Energy Limited (**DLS**) by its employees, consultants, contractors, directors and officers (**Employees**). This policy is to assist Employees to avoid conduct that is known as 'insider trading' and to ensure that when Employees deal in its securities, those dealings are not only fair, but are seen to be fair.

This policy applies to Employees and their nominees, agents or other associates, such as family members, family trusts and family companies.

This policy applies to:

- DLS shares;
- other securities which may be issued by DLS, such as options;
- derivatives and other financial products that can be traded on a financial market including financial products issued or created over DLS securities by third parties; and
- products which operate to limit economic risk in securities holdings in DLS.

This policy operates in addition to any legal requirements.

This is an important document and any questions regarding it should be directed to the Company Secretary.

### 2 Insider Trading Provisions in the Corporations Act

The Corporations Act 2001 prohibits a person from dealing in securities if that person:

- is in possession of information that is not generally available which would, if available, have a material effect on the price of the securities; and
- knows or ought reasonably to know that the information is not generally available and if it were, it might have a material effect on the price of the securities.

Dealing includes applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or sell, securities.

A person need not be an Employee of DLS to be guilty of insider trading in relation to DLS's securities. The prohibition extends to dealings by Employees through nominees, agents or other associates, such as family members, family trusts and family companies.

There may be significant criminal and civil liability and penalties (including imprisonment) imposed on those who breach the law concerning insider trading.

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## 3 Restrictions on Dealing in DLS Securities

### 3.1 General rule

Employees must not buy or sell securities in DLS while they are in possession of inside information, being information about securities in DLS which is not publicly available.

### 3.2 Specific prohibited dealings

In addition to the general restriction in section 3.1 above, there are certain periods during the year when Employees may not deal in DLS securities.

Employees are prohibited from dealing in DLS's securities during the two weeks prior to and the day after the release of the following information:

- Full year results to ASX;
- Half yearly results to ASX; and
- Quarterly results to ASX

**(Closed Periods).**

The DLS Board may impose other periods when Employees are prohibited from trading because price sensitive, non-public information may exist in relation to a matter. Employees will be notified of these periods by letter, email or facsimile by the Chairman, Managing Director or Company Secretary. These ad hoc periods, together with the Closed Periods are called '**Prohibited Periods**'.

### 3.3 Additional Restrictions on Designated Personnel

As the Board, the Managing Director and his/her direct reports, the Company Secretary, and the Financial Controller (**Designated Personnel**) are likely to be exposed to confidential or non-public information regarding DLS, they are subject to additional restrictions.

Any Designated Personnel wishing to deal in DLS's securities must give written notice (which may be by email) to the Chairman and the Managing Director or another non-executive director (in the case of the Chairman and the Managing Director) of their intention prior to dealing in DLS's securities.

The Designated Person must not deal in DLS's securities until written approval has been given by both the Chairman and the Managing Director or another non-executive director (in the case of the Chairman and the Managing Director). The Designated Person must deal as soon as possible and in any event within 5 business days of the permission being given and they must confirm the dealing and relevant details of the dealing to the Chairman, Managing Director and Company Secretary within 2 business days after the dealing.

The Board may from time to time designate other Employees as Designated Personnel for the purposes of this policy and will notify such Employees of the designation.

### 3.4 Dealings in Exceptional Circumstances

An Employee, who is not in possession of inside information in relation to DLS may deal in DLS securities during a Prohibited Period if they have the prior written approval

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(which may be by email) of both the Chairman and the Managing Director or another non-executive director (in the case of the Chairman and the Managing Director). Such approval will only be given where:

- the Employee may be in severe financial hardship; or
- an exceptional circumstance exists as determined by the Chairman and the Managing Director or another non-executive director (in the case of the Chairman and the Managing Director).

### **3.5 Exceptions**

This Policy does not apply to:

- dealings in DLS's securities already held by an Employee in a superannuation fund in which that Employee is a beneficiary and where any decision to trade during a Prohibited Period is taken by the trustees of the fund or by the investment managers independently of the Employee;
- an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of DLS) where the assets of the fund or other scheme are invested at the discretion of a third party;
- where an Employee is a trustee, trading in the securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person;
- an undertaking to accept, or the acceptance of, a takeover offer;
- dealings under an offer or invitation made to all or most of the security holders of DLS, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back approved by the DLS Board; or
- the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and DLS has been in an exceptionally long prohibited period or the entity has had a number of consecutive prohibited periods and the Employee could not reasonably have been expected to exercise it at a time when free to do so.

## **4 Total prohibition on “short-term” trading**

Employees must not engage in short-term trading of any DLS securities. Short-term trading is a purchase and sale of the same securities within a six month period.

This prohibition on short term trading may be excepted by the Chairman and the Managing Director or another non-executive director (in the case of the Chairman and the Managing Director) in some very limited circumstances for example, involving employee incentive schemes, if exceptional circumstances exist and approval is given as provided in section 3.4, above.

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## 5 Margin lending

Designated Personnel should ensure that when arranging finance either for themselves or through their associated parties, where security in DLS is provided as collateral, such obligations do not conflict with their obligations under this policy. In particular, Designated Personnel should ensure that the terms of any margin lending arrangements do not require dealings in DLS's securities at such time when they are prohibited from dealing in DLS's securities. Margin Lending is also subject to the approval requirements in section 3.3.

If any Designated Personnel enters into a margin lending arrangement, within ten days of entering into such arrangement, the following information must be provided to the Company Secretary:

- Number of securities subject to such arrangement;
- The trigger events for disposal of such securities;
- Any other information that may be relevant to DLS's continuous disclosure obligations, including the ability of the Designated Personnel to meet any margin call.

If any Designated Personnel has provided details of any margin lending arrangements, they must keep the Company Secretary informed of any change in circumstances that may be relevant to DLS's continuous disclosure obligations.

## 6 Derivatives

Designated Personnel may only enter into transactions involving derivatives (as defined in section 761D of the Corporations Act) (**Derivatives**) in respect of DLS's securities (including shares, performance options and performance rights) if the following criteria are satisfied:

- the relevant securities are fully vested;
- the Derivative has a maturity date that falls outside a Prohibited Period;
- DLS is not a counterparty to the Derivative;
- the Derivative is used for the purposes of protecting the value of an asset supporting a loan taken out for the exercise price of options granted by DLS or to protect the value of the security in respect of tax liabilities that may become due and payable; and
- the Derivative transaction complies with all applicable laws.

The approval requirements in section 3.3 of this policy apply to the use of Derivatives. At the time of making a notification, the relevant Designated Personnel must also provide evidence that the criteria set out above have been satisfied.

DLS may publicly disclose all Derivative positions over DLS securities taken out by Designated Personnel, including in situations where disclosure is not required by law.

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## **7 Compliance with this Policy**

It is the personal responsibility of each individual to comply with this policy. Any Employee may be asked to confirm their compliance with this policy or provide confirmation of their dealings in DLS's securities. Any request must be responded to promptly.

Any breaches of this policy will be severely dealt with and may lead to summary termination.

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