



Drillsearch Energy Limited

ASX RELEASE

Quarterly Report Period Ended 30th June 2008

HIGHLIGHTS

Record Petroleum Volumes and Revenue – Year to 30th June, 2008

Drillsearch Energy Limited (“Drillsearch”) has again achieved record petroleum production volumes and revenues in the twelve (12) months ended 30th June, 2008. Sales volumes and revenues with comparatives for the previous year are set out in Table 1.

Table 1

Drillsearch Group	2008*	2007
Sales Volume (BOE)	222,350	188,154
Sales Revenues (A\$)		
- Australia	\$14,921,466	\$9,323,838
- Canada	\$6,790,901	\$5,362,835
Total Group Sales	\$21,712,367	\$14,686,673

*Estimates subject to final audit adjustment.

Petroleum Volumes and Sales – 4th Quarter to 30th June, 2008

Drillsearch Group sales in the 4th quarter were 55,652 BOE's (3rd Quarter: 60,208). Comparative for with the previous quarter and corresponding quarter of the prior year are set out in Table 2.

Table 2

Drillsearch Group	4th Quarter Ended 30th June, 2008	3rd Quarter Ended 31st March, 2008	4th Quarter Ended 30th June, 2007
Sales Volumes (BOE)	55,652	60,208	50,967
Group Sales Revenue (A\$) Net of GST	\$6,808,582	\$6,413,244	\$4,281,693

Strategic Growth and Subsequent Events

Drillsearch Energy continues implementing the Company's announced Strategic Plan and stated objective to build a successful and sustainable mid tier oil and gas exploration and production company.

Merger with Great Artesian Oil and Gas Limited

On 18th April 2008 the Company announced that it had agreed to a merger with Great Artesian Oil and Gas Ltd. (ASX: GOG). The merger was approved by Great Artesian shareholders on 28th July 2008 and will be implemented by way of a

Scheme of Arrangement with Great Artesian shareholders to receive 3 Drillsearch shares for each 1 Great Artesian share they own.

Great Artesian shareholders voted overwhelmingly in favour of the Merger with Drillsearch, with 97.42% of shareholders voting either in person or by proxy and 99.21% of votes cast for the resolution were in favour of the Scheme. A hearing will be held before the Federal Court of Australia to approve the Scheme on Thursday, 31st July 2008.

The merged company will have:

- A market capitalisation of in excess of \$75 million¹, firmly placing it among the leading smaller producers
- A net interest in more than 165,000 bbls from Australian oil production in calendar year 2008
- 5 discoveries awaiting commercialization
- Exploration acreage in seven highly prospective basins, covering over 55,000 square kilometers
- No debt, with over \$9 million in cash
- A strong Board and management with combined experience of more than 100 years in oil and gas and resources

This merger has the Company well on the way to becoming a mid-tier Australasian oil and gas exploration and production company with significant growth potential, strong management and the capacity to achieve its goals.

¹ Assumes a merged company share price of \$0.047 per share (being the closing price of Drillsearch shares on 28 July 2008) and 1,619,921,109 shares on issue in the merged entity, which excludes 47,910,488 shares that will be held by Great Artesian in Drillsearch.

Increase in Tintaburra Interest

On the 3rd of July 2008 Drillsearch announced that it had reached an agreement with CPC Energy Limited to acquire an additional 1% interest in the Tintaburra Block, ATP 299P; this acquisition represents a 10% increase to the Company's current interest in ATP 299P. The Cooper and Eromanga basins are a major focus for Drillsearch Energy and this acquisition complements the Company's growth strategy in SW Queensland.

In addition to increasing Drillsearch Energy's current production and oil sales revenue in the Cooper Basin it will immediately increase Drillsearch's reserves position and cash flow from 1st July, 2008 through increased production and sales volumes.

Year end 2007 reserves are set out below with the calculated increase in reserves based on the successful completion of the transaction.

Table 3

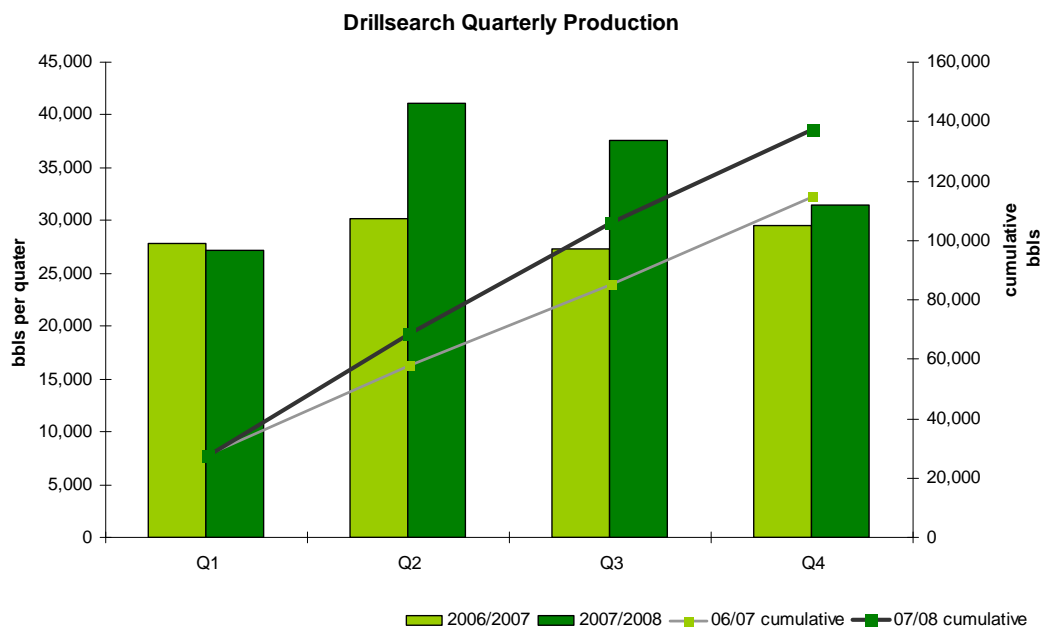
	31 Dec 2007	Reserves Change After Purchase
2P Reserves		
Tintaburra bbls	1,212,835	1,334,119
Naccowlah bbls	282,998	282,998
SWQ 2P Reserves bbls	1,495,833	1,617,107

Drillsearch continues to develop its SW Queensland operations the core of the Group's current production assets. The Drillsearch Group has secured preferred tender status on 8 new blocks in SW Queensland. The Group has begun the Native Title negotiation process and has undertaken a regional geologic study to rank these blocks. The Cooper and Eromanaga Basins have become a focal point for the Group and Drillsearch expects these new blocks to provide increases in future production and reserves in the coming years.

OPERATIONS – AUSTRALIA

1. Production

A comparison of quarterly oil production, for the previous and current financial year, from the Tintaburra and Naccowlah Blocks is shown by the graph below.



Production results from this financial year represent a 20% increase over the previous financial year; exceeding last year's production by approximately 23,000 bbls.

2. Development

ATP-299-P Tintaburra Block

Drillsearch - 10% Working Interest (effective 11% as of July 1st 2008)

Production optimisation and field management continues at Tintaburra, with an observed stabilization in production numbers over the past 3 months occurring there.

ATP-259-P Naccowlah Block

Drillsearch - 2% Working Interest

Wells drilled in the previous quarter continue to be tied in at the Naccowlah block; with four Jackson wells brought on-line, Jackson 52, Jackson 53, Jackson 54 and Jackson 56.

3. Exploration

ATP-783-P – Cooper Basin – SW Queensland Drillsearch – 100% Working Interest

Santos has continued native title negotiations this quarter. Santos will earn a 30% participating interest in the block upon completion of a planned 200 square kilometres of 3D seismic acquisition.

Acreage Award – Cooper/Eromanga Basin – SW Queensland Drillsearch Group – 100% Working Interest

In October 2007, Drillsearch Group was awarded preferred tenderer status on 8 new exploration permits in the Cooper and Eromanga Basins. When granted, these blocks will increase the group's acreage from 7,095 sq km to 21,700 sq km.

During the quarter Drillsearch Group continued the compilation of the publically available well logs and seismic data for its joint geologic study of the area that covers its newly awarded acreage in the Cooper and Eromanga Basins along with native title negotiations. Data compilation is nearing completion and Drillsearch Group has moved ahead with data interpretation phase of the study in the next quarter. This study will be used by the Group to rank and plan the forward exploration programs in the eight exploration blocks.

(For additional information: See ASX Announcement 8 November, 2007 – Major Petroleum Land Acquisition)

ATP-823-P – Surat Basin – East Queensland Drillsearch – 100% Working Interest – Operator

After completing its preliminary geologic and geophysical review and interpretation of publically available data in the ATP823P block, and has identified several promising leads. During this quarter Drillsearch has begun planning the acquisition of new 3D seismic in the block. This seismic data will be used to de-risk and rank the leads before entering into the forward exploration drilling program. Drillsearch continues to actively seeking farmin partners, for this highly prospective block.

WA-318-P – Southern Bonaparte Gulf, Offshore WA Drillsearch – 35% Working Interest (moving to 25%)

ExxonMobil has earned an additional 10% in WA-318-P by funding US\$ 1.35 million of the costs associated with the 2D seismic acquisition and processing program within the permit. This seismic acquisition commenced on 19th May 2008 and was completed 'under-budget' in 26 days. The Joint Venture acquired over 1000km of 2D within WA-318-P. This new data, in addition to satisfying regulatory work commitments, provides infill to the existing seismic grid, covers previously identified leads and provides additional data which will increase the geologic understanding of this part of the Bonaparte Basin.

Upon completion of this survey the JV interests within the permit WA-318-P were
ExxonMobil – 75%
Drillsearch Energy – 25%

(For additional information: See ASX Announcement 21 May 2008 – Seismic Acquisition Bonaparte Basin and 17 June 2008 – Seismic Acquisition Bonaparte Basin Completed)

WA-352-P - Carnarvon Basin, Offshore WA
Drillsearch – 100% Working Interest – Operator

Drillsearch continues its interpretation of the reprocessed 2D seismic data, and is planning a new seismic acquisition survey, to de-risk leads identified during the interpretation process. Drillsearch continues negotiations with potential farm partners, seeking terms above the current years regulatory work commitment.

PPL-224 – Offshore Papua New Guinea
Drillsearch – 5% Working Interest

The operator continues with geologic and geophysical studies to de-risk the Flinders Prospect before reaching a decision to drill. The operator also continues working with the Department of Petroleum and Energy on extending the permit term.

4. Appraisal

Turtle/Barnett, WA-13-R – NT/RL3 – Southern Bonaparte Gulf, Offshore WA
Drillsearch – 100% Working Interest – Operator

During the quarter Drillsearch continued farm out negotiations, completed the reprocessing of the vintage seismic data covering the Turtle/Barnett project area, and is evaluating the feasibility of development options for the Turtle Barnett Project. Drillsearch feels it will be in a position to make an announcement regarding this project shortly.

(For additional information: See ASX Announcement 18 January, 2008 – Rights Issue and Appendix 3B)

5. Operations – Canada

Operations in Canada are conducted by Circumpacific Energy Corporation (CER), a 62.97% owned Canadian subsidiary of Drillsearch Energy Limited as at 30 June 2008. On the 25th July, 2008 the TSX.V approved the issuance of 24 Million, Circumpacific Energy Corporation common shares at CDN 12.5cents to Drillsearch to satisfy the \$3 Million longstanding debt owing to Drillsearch by Circumpacific. This conversion of 'debt to equity' allows Circumpacific more flexibility to operate and finance its own growth plans in North America and Australia together with its ongoing operations. **As of 28th July, 2008 Drillsearch will hold 79.5% of the capital of CER.**

Gross petroleum revenue from the Canadian operations for the quarter ended 30th June, 2008 was A\$2,036,862 (A\$1,910,499; quarter ended 30th June, 2007).

No additional drilling or seismic surveys were undertaken during the quarter. Drillsearch is currently reviewing its presence in Canada and thus it's Canadian assets. The Drillsearch group has identified a number of lucrative opportunities for 2008/09 in Canada and as such will make further ASX announcements once these have been committed to and/or confirmed.

**PETROLEUM SALES, REVENUE AND CAPITAL EXPENDITURE SUMMARY –
QUARTER ENDED 30th JUNE, 2008**

4th Quarter Exchange Rate -- \$1 Australian = \$0.9520 Canadian

FY 2008 Exchange Rate -- \$1 Australian = \$0.9715 Canadian

Table 4

Sales Volume* – BOE

Drillsearch Energy Limited - Group	Sales Volume 4th Quarter 30th June, 2008	Sales Volume 4th Quarter 30th June, 2007	Sales Volume 12 Months to 30th June, 2008	Sales Volume 12 Months to 30th June, 2007
Australia	35,887	26,493	135,342	106,088
Canada	19,765	24,474	87,008	82,066
Group Total	55,652	50,967	222,350	188,154

Sales Revenue* - A\$

Drillsearch Energy Limited - Group	Revenue 4th Quarter 30th June, 2008 (Net of GST)	Revenue 4th Quarter 30th June, 2007 (Net of GST)	Revenue 12 Months to 30th June, 2008 (Net of GST)	Revenue 12 Months to 30th June, 2007 (Net of GST)
Australia	\$4,771,697	\$2,371,194	\$14,921,466	\$9,323,838
Canada	\$2,036,862	\$1,910,499	\$6,790,901	\$5,362,835
Group Total	\$6,808,589	\$4,281,693	\$21,712,367	\$14,686,673

Capital Expenditures* – A\$

Drillsearch Energy Limited - Group	Capital Expenditures 4th Quarter 30th June, 2008 (Net of GST)	Capital Expenditures 4th Quarter 30th June, 2007 (Net of GST)	Capital Expenditures 12 Months to 30th June, 2008 (Net of GST)	Capital Expenditures 12 Months to 30th June, 2007 (Net of GST)
Australia	\$1,221,133	\$4,600,497	\$11,425,839	\$21,459,433
Canada	\$401,131	\$703,091	\$1,436,005	\$1,884,481
Total Capital Expenditures	\$1,622,264	\$5,303,588	\$12,861,844	\$23,343,914

*Estimates subject to final audit adjustment.

Yours faithfully,
DRILLSEARCH ENERGY LIMITED

**PETER SIMPSON
EXECUTIVE CHAIRMAN**

Abbreviations

BOE Barrel of oil equivalent
Tcf Trillion cubic feet of gas
sq km square kilometres
mmbbl million barrels