

30 April 2009

Quarterly Report Activities for the Quarter ended 31 March 2009

Company Highlights

Management has continued to execute and deliver on the company's strategic plan and will provide shareholders with a comprehensive update at the General Meeting to be held in June 2009.

Financial

- Australian sales revenue for the Quarter of \$1.95M was down compared with \$3.03M in the previous Quarter due to a 13.0% reduction in average realisable oil price and 18% drop in volume from December to March Quarters
- Canadian sales revenue for the Quarter of \$0.64M fell compared with \$1.29M for previous Quarter.
- Cash at 31 March 2009 - \$7.80M.

Production

- Australian oil production for the March Quarter of 29,707 bbls (5% down on December quarter) and total for the three quarters year to date of 95,468 bbls.
- Canadian oil and gas production 14,339 boe for the quarter (2.7% down on December quarter) and a total of 43,307 boe for the three quarters year to date.

Development

- 1 Development and 2 Appraisal wells were drilled during the quarter in the Naccowlah block (ATP 259P) of which all 3 were cased and suspended as future oil producers.

Exploration

- The Planet Downs-1 exploration well drilled in ATP539P in SW-Queensland. Plugged and abandoned with oil shows.
- Two wells proposed by operator for drilling in PEL91 in Sept-Oct, following completion of mapping of Modiolus 3D seismic data.
- Completed 2D seismic in offshore Carnarvon block (WA-352-P)
- Continued rationalisation of permit holdings.

Corporate

- Appointment of new Managing Director now imminent.
- The ASX has been advised of a notice of general meeting details of which are expected to be announced in the coming days.
- Takeover offer for 3D Oil Limited extended until 26 May 2009.

Drillsearch Energy Limited

ABN: 73 006 474 844

Level 8, 16 Spring Street,
Sydney, NSW 2000

P +61 2 9241 4440

F +61 2 9241 4404

E admin@drillsearch.com.au

www.drillsearch.com.au

Financials

Description	Units	Full Year 2007- 2008	Year-to-date March 2009	December 2009 Quarter	March 2009 Quarter	Quarter Change
Oil & gas production						
Australia	boe	140,393	95,468	31,288	29,707	-1,581
Canada	boe	87,007	43,307	14,742	14,339	-403
Total Production	boe	227,400	138,775	46,030	44,046	-1,984
Oil & gas revenues						
Australia	A\$	15,183,985	7,752,686	3,029,938	1,952,214	-1,077,724
Canada	A\$	7,756,405	3,123,121	1,291,413	642,937	-648,475
Total Production	A\$	22,940,390	11,153,358	4,321,351	2,595,151	-1,726,199
Financials						
Cash & Cash Equivalents	A\$	11,914,442	7,795,413	9,524,624	7,795,413	-1,729,211
Debt	A\$	None	None	None	None	-
Hedging	A\$	None	None	None	None	-
Capital						
Issued Shares	# millions	1,116.14	1,667.83	1,667.83	1,667.83	-
Unlisted options	# millions	None	58.25	58.25	57.50	-0.75

* Boe stands for barrels of oil equivalent.

* Canada Production and revenue include only 79.5% interest held by DLS in TSX listed Circumpacific Energy Corporation

Cash balance

Drillsearch's cash balance reduced during the Quarter due largely to capital payments related to exploration activities and lower oil and gas revenue. Actual cash payments for exploration, appraisal and development expenditure for the Quarter was A\$2.16M (in contrast to the December Quarter of A\$3.19M).

Oil price

Drillsearch has achieved a quarterly average realised oil price of A\$75.84/bbl as compared to A\$86.52/bbl last quarter. For the month of March the average realised oil price was A\$73.60/bbl as compared to A\$64.57/bbl in December.

Production

Australian oil production for the March Quarter of 29,707 bbls was 5% down on the December quarter. Australian production for the three quarters year to date was 95,468 bbls. Production in Drillsearch's main Cooper Basin producing fields, Tintaburra and Naccowlah has declined.

Canadian oil and gas production for the March quarter from Circumpacific Energy Corporation was 14,339 boe, 2.7% down on the December quarter. Year-to-date Canadian production to March 2009 was 43,307 boe.

Development

Naccowlah Block (ATP 259P) – Cooper Basin QLD (Drillsearch 2%)

Drilling continued during the Quarter resulting in a further 3 wells cased and suspended (C&S) as future oil producers. Results of drilling are tabulated below:

Well Name	Type	Spud	Rig Release	TD (m)	Result	Comment
Jackson 58	Dev	16-Jan-09	24-Jan-09	1518	C&S	Westbourne and Birkhead/Hutton producer
Jackson East 2	App	30-Jan-09	09-Feb-09	1616	C&S	Basal Birkhead/Hutton oil producer
Chilla 3A	App	18-Feb-09	25-Feb-09	1528	C&S	Murta oil producer

Commercialisation of gas discoveries in PELs 91 & 106

Reservoir mapping of the gas discoveries in PEL106 and PEL91 was completed during the quarter using the Spinel 3D seismic survey data. Volumetric estimates of the contingent resources for each accumulation have been calculated for use in gas commercialisation discussions with potential buyers. Preparations are in progress to flow-test the Brownlow-1, Canunda-1, Paprika-1 and Cadenza-1 in the coming months to further determine reserves and gas deliverability.

Exploration

WA-352-P – Carnarvon Basin, Offshore WA (Drillsearch 100%)

In satisfaction of the permit work obligations 300km of 2D seismic data were acquired during the period 8-10 January 2009, using the CGG Veritas seismic vessel the 'Pacific Sword'. The seismic program is designed to delineate a number of structural leads targeting potential oil reserves in the range of 50-300 mmbbls updip to the Amulet-1 oil discovery. Processing of the seismic data is nearing completion and interpretation will commence shortly.

ATP 539P – Cooper Basin, QLD (Drillsearch 100%)

As previously released to the market on 10 March, the Planet Downs-1 exploration well was plugged and abandoned on 7th March 2009 after encountering encouraging oil shows in the Murta, Westbourne and basal-Birkhead Formations and the Hutton sandstone. Planet Downs-1 was spudded on 22 February and reached its total depth of 1444 m on 2 March 2009. Because of lost circulation problems within the Hutton sandstone the well was not drilled to the planned total depth of 1880m. Joint Venture parties are encouraged by the oil shows encountered in the Planet Downs-1 well and shall review the well results before deciding on future activity in the permit, which is likely to commence with further seismic acquisition.

The current permit term for ATP539P expired on 31 January 2009. An application for renewal over a reduced area was lodged on 24 December 2008. 16 of the current 48 graticular blocks will be relinquished as part of the renewal.

VIC/P63, VIC/P64 & T/46P – Gippsland Basin, VIC & TAS (Drillsearch 100%)

Interpretation of the more than 4000km of reprocessed 2D seismic data is nearing completion. A number of structural and stratigraphic prospects have been identified, confirming the play concept. Planning has commenced to acquire 1500km of new 2D seismic next summer to delineate prospects for potential drilling.

SW QLD Application Areas – Cooper Basin, QLD (Drillsearch 100%)

A basin-wide study has been ongoing for the past twelve months to evaluate and high-grade the eight application areas in SW-Queensland for which Drillsearch and its subsidiary, Circumpacific Energy, are the preferred tenderers. Final deliverables are currently being received from the contractor.

Negotiations are also continuing with the Native Title claimants. There have already been a number of expressions of interest that have been received to farm into these application areas.

ATP 549P – Cooper Basin, QLD (Drillsearch interests are 40% in the West Block and 25% in the Cypress Block)

The current term for ATP549P expires on 30 April 2009. An application for renewal over a reduced area was lodged on 30 March 2009. One third of the current permit area will be relinquished as part of the renewal.

Asset Rationalisation

WA-318-P – Bonaparte Basin, Offshore WA (Drillsearch 25%)

The Joint Venture parties (Drillsearch and Esso Ventures Pty Ltd) announced to the ASX on 6 March 2009 that they had completed their review of prospectivity in this permit. The JV partners determined that there were no drillable prospects identified in the permit and applied for a surrender of the permit effective no later than 12 March 2009.

EPP27 – Otway Basin, Offshore SA (Drillsearch 40%)

An agreement was reached between the Joint Venture participants in Permit EPP27 and the regulatory authorities in which the parties have agreed that the JV is not required to drill a commitment well in the permit in consideration for entering a Good Standing Arrangement (GSA) with the government.

At the same time the Joint Venturers separately entered into a Deed of Settlement and Release under which Great Artesian Oil and Gas Limited (a 100% owned subsidiary of Drillsearch Energy Limited) agreed to release Oilex Limited, Videocon Industries Limited and Gujarat State Petroleum Corporation from their obligations in relation to the drilling of an exploration well in the permit under the terms of the farm in agreement.

The net effect of this agreement for Drillsearch is that EPP27 has now been surrendered with no GSA work program commitments attached to Drillsearch's subsidiary, Great Artesian Oil and Gas Limited.

Surat Basin QLD - ATP552P (Drillsearch 50%) and **ATP823P** (Drillsearch 100%)

Drillsearch has entered into an agreement with Primary Petroleum Pty Ltd to transfer Drillsearch's interests in its 2 permits in the Surat Basin, Queensland (ATP 552P and ATP 823P) to Primary. The sale is subject to a number of conditions precedent, including due diligence and approval of the Regulator, with completion of the transaction anticipated shortly. On completion of the sale, Drillsearch will have no further interest in, nor obligations in relation to, these Permits.

Corporate

Board Restructure

On 19 December 2008, the Company advised that Mr Williams had tendered his resignation as Managing Director. This resignation took effect on 30 March 2009. The search for a replacement Managing Director is nearing completion with an announcement expected shortly on the matter.

On 2 March 2009 the Drillsearch board appointed Dato' Beng Kai Choo as an additional Non Executive Director. Dato' Choo is a Malaysian national who has a close association with the Malaysian National Oil Company, Petronas. He is Group Managing Director of the Malaysian property development company, Masmeyer Holdings Sdn Bhd. He holds an indirect interest in 10,420,000 shares in Drillsearch.

After an integration period of the new Managing Director, Mr Peter Simpson is to step down as acting Chief Executive Officer. A board review was to be the catalyst of a further board restructure to meet these challenging times.

Notice of general meeting

On 29 April 2009, Drillsearch advised the ASX that it had received a Notice of General Meeting dated 28 April 2009 signed by two of its directors, Dato' BK Choo and Mr Jim McKerlie. The Notice of General Meeting issued by Mr Choo and Mr McKerlie proposes resolutions for the removal of the Company's chairman, Mr Peter Simpson, and two independent directors, Mr Peter Wicks and Mr Russell Langusch as directors of the Company.

The Company has resolved to convene a meeting of shareholders to consider resolutions for the removal of Mr Choo and Mr McKerlie as directors of the Company.

The Company will be providing full details of the meetings including details of a new board team and a comprehensive Company and geological and geophysical update. Details will be despatched to shareholders and released to the ASX in due course.

3D Oil Limited

On Monday 12 January 2009 Drillsearch announced that it had a 19.90% relevant interest (41,105,450 shares) in 3D Oil Limited (ASX:TDO) and was seeking to have discussions with the Board of 3D Oil to explore the possibility of combining the companies.

On 16 January 2009 Drillsearch announced its intention to proceed with an off market takeover bid for 3D Oil on the basis of four (4) Drillsearch shares for each one (1) 3D Oil share. The Offer is subject to certain conditions including a 50.1% minimum acceptance condition.

On 6 March 2009 Drillsearch lodged its Bidders Statement with ASIC and 3D Oil. A first and second supplementary bidders statement were released on 27 March 2009 and 16 April 2009 respectively. On 16 April 2009, Drillsearch extended the offers for ordinary shares as set out in the Bidders statement dated 6 March 2009 to 26 May 2009.

The Company will continue to keep the shareholders updated on all matters through ASX announcements and looks forward to providing a full briefing at the June 2009 General Meeting.