



Disclosure Policy

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Disclosure Policy

Drillsearch Energy Limited ACN 006 474 844

1 Introduction

This is the Disclosure Policy and procedures for Drillsearch Energy Limited (**DLS**). This policy reflects DLS's desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements must be complied with in accordance with their spirit, intention and purpose. In order to achieve this, DLS has adopted this policy and it is crucial that employees and management at all levels understand and comply with this policy and its procedures.

This policy is not designed as a legal document to be interpreted as if it were black letter law, rather it is part of DLS's corporate governance program and should be interpreted so as to demonstrate DLS's real and abiding interest in being, and being seen to be, at the forefront of best corporate governance practice.

Failure to strictly comply with this policy may result in serious civil or criminal liability for DLS and its officers and could damage the reputation of DLS.

When required, disclosure must be made immediately. Any employee or officer of DLS, who is uncertain as to whether certain information should be disclosed, should immediately contact the managing director or company secretary.

2 Purpose

The purpose of this policy is to:

- summarise DLS's disclosure obligations;
- explain what type of information needs to be disclosed;
- identify who is responsible for disclosure; and
- explain how individuals at DLS can contribute.

3 DLS's disclosure obligations

3.1 Disclosure principles

DLS's main continuous disclosure obligations are set out in ASX Listing Rules 3.1 and 3.1B.

3.2 What information must be disclosed?

(a) Price sensitive information

ASX Listing Rule 3.1 states:

*Once an entity is or becomes aware of any information concerning it that a **reasonable person** would expect to have a **material effect** on the price or value of the entity's securities, the entity must immediately tell ASX that information.*

DLS does not want to quibble about whether or not DLS became “aware” of information. In this policy DLS will assume that existing reporting lines mean that DLS’s executives should, in the course of the performance of their normal duties, become aware of material that will trigger a disclosure obligation.

A reasonable person would be taken to expect information to have a “material effect” on the price or value of shares and other securities of DLS if the information would, or would be likely to, influence persons who commonly invest in DLS securities in making a decision to buy, hold or sell DLS’s securities.

This kind of “price-sensitive” information may derive from the internal activities of DLS or may come from external sources, such as a joint venture partner, an unlisted entity in which DLS has an interest or a decision by a court or government body.

Annexure A sets out examples of the kinds of “price-sensitive” information that DLS may be required to disclose.

If you are ever in any doubt about the importance of information which comes to your attention, you should immediately notify the managing director or company secretary so that a formal decision can be taken as to whether or not to release the information to the market.

(b) Information required to correct a false market

ASX Listing Rule 3.1B states:

If ASX considers that there is or is likely to be a false market in an entity's securities, and asks that entity to give it information to correct or prevent a false market, the entity must give ASX the information needed to correct or prevent the false market.

A false market refers to a market in which DLS’s securities are traded:

- in the absence of material price-sensitive information having been disclosed; or
- on the basis of information that is inaccurate or misleading.

Factors such as market speculation on DLS’s earnings projections or misunderstanding concerning the meaning of financial information released by DLS can lead to a false market.

In order to ensure that there is at all times a fair and balanced market in DLS’s shares and other securities, DLS should:

- release to the market information required to correct a false market, whether or not a request has been received from the ASX; and
- provide the market with balanced and factual commentary on DLS's financial results to ensure that DLS's investors are able to make an informed assessment of DLS's activities and results.

(c) **Exception to requirement to disclose “price-sensitive” information**

DLS's obligation to disclose price-sensitive information does not apply if, and only if, each of the following conditions is and remains satisfied:

- a reasonable person would not expect it to be disclosed (because, for example, the result of disclosure would be unreasonably prejudicial to DLS);
- the information is confidential (i.e. not in the public domain); and
- one or more of the following conditions apply:
 - it would be a breach of a law to disclose the information;
 - the information concerns an incomplete proposal or negotiation (for example, a negotiation to enter into a new contract);
 - the information comprised matters of supposition or is insufficiently definite to warrant disclosure; and/or
 - the information is a trade secret.

Only the Board, or managing director acting in conjunction with the chair, can make a decision as to whether DLS can rely on this exception to its disclosure obligations.

(d) **Periodic disclosure**

The table below sets out some of the more important periodic disclosure obligations of DLS under the Listing Rules and this policy applies equally to DLS's periodic disclosure obligations.

Obligations – Periodic Disclosure	
Annual and half yearly financial reports	In addition to the Corporations Act obligations Chapter 4 of the ASX Listing Rules requires a preliminary final report in the form of Appendix 4B.
Quarterly cash flow report	Some entities have obligations to give quarterly cash flow reports in accordance with Appendix 4C.
Trading halts and related events	Entities must disclose all relevant information in relation to a request for a trading halt, suspension of quotation of an entity's securities or removal of an entity from the official list.
Information relating to equity securities	Entities must disclose detailed information relating to the issue, ownership, attached rights of securities.

(e) Managing director Remuneration

The ASX expects DLS when announcing the appointment of a new CEO or MD, to disclose the key terms and conditions of the relevant contract entered into. DLS not releasing such information will be queried as to why such terms and conditions are not considered material and will be asked to provide additional disclosure.

The disclosure should enhance investor understanding of key aspects of the entity's remuneration framework and its link to performance, including the components of the CEO or MD's pay package which might govern the actions of the CEO or MD and drive levels of performance, such as:

- what proportion is base pay;
- what proportion is performance related and over what time frame;
- what proportion is tied to movements in the share price (and over what duration);
- whether there is an add-on for longevity;
- the nature of termination entitlements; and
- any other built-in components.

(f) Audit independence

DLS must disclose the following information in relation to audit independence in its annual report:

- fees paid to the auditor in relation to non-audit services; and
- a statement whether the directors are satisfied that the provision of these non-audit services does not compromise the general standard of audit independence required by the Corporations Act.

4 Disclosure procedures**4.1 Release of information to the ASX**

DLS must immediately notify the ASX of any undisclosed price-sensitive information in accordance with DLS's legislative and regulatory disclosure obligations and the procedures set out in this policy.

If DLS becomes aware that information that should be released to the ASX has become generally available or is available to a sector of the market, and that information has not been given to the ASX, DLS must immediately give the information to the ASX.

Disclosure of price-sensitive information to the ASX must be made by DLS with the approval of the Chairman acting in consultation with the managing director. The managing director and/or the chair may delegate the authority to approve disclosure of price sensitive information to other appropriate officers within DLS where they view it necessary to do so.

Disclosure must be made in accordance with the method of disclosure prescribed by the ASX.

An individual director, shareholder of, or third party to, DLS cannot disclose price-sensitive information to the ASX.

4.2 Release of information to the public

DLS must not publicly disclose price-sensitive information until it has given that information to the ASX and has received an acknowledgment from the ASX that the information has been released to the market.

After an acknowledgment has been received from the ASX, information disclosed in compliance with this policy should be promptly placed on DLS's website.

The Board may also determine that the disclosed information should be released to major news services and other news outlets.

The nature of termination entitlements and other core entitlements are to be disclosed to the ASX at the time they are agreed, as well as at the time actual payment is settled.

5 Authorised spokespersons

5.1 Identity of authorised spokespersons

The number of authorised spokespersons of DLS must be kept to a minimum to avoid inconsistent communications and reduce the risk of material information being inadvertently disclosed to the market.

Only the following persons may act as authorised spokespersons of DLS:

- The chair, the managing director and the chief financial officer/company secretary;
- Cannings in relation to any media inquiry regarding an ASX announcement;
- on specific occasions, the Board may authorise other directors or executives to act as authorised spokespersons of DLS, however any comments made by those persons must be limited to their area of expertise.

5.2 Employees and associated parties

No employee or associated party of DLS (such as consultants, advisers, lawyers, accountants, auditors, etc) is permitted to comment publicly on matters confidential to DLS.

All employees and associated parties must be aware of their obligation to keep non-public company information confidential.

In some circumstances, employees and associated parties of DLS may be asked to sign confidentiality agreements.

5.3 Procedure for comment by authorised spokespersons

The chair or managing director must approve the content of all public comments proposed to be made by an authorised spokesperson.

6 Dealing with outsiders

6.1 Insider trading

The Corporations Act makes it unlawful to deal in the shares of DLS while in possession of price-sensitive information that has not been disclosed.

It is unlawful for any directors, executives, officers and/or employees of DLS to buy, sell or otherwise deal in DLS's shares or other securities while in possession of undisclosed price-sensitive information (for example, prior to the release of DLS's financial results or an announcement by DLS of a negotiated joint venture).

It is also unlawful for a director, executive, officer and/or employee of DLS in possession of undisclosed price-sensitive information to encourage someone else to deal in DLS's shares or other securities or pass the information onto someone they know or suspect may use the information to buy or sell DLS's shares or other securities.

The penalties for insider trading are severe and can include imprisonment.

DLS's policy on the trading of its shares and other securities by directors, executives, officers and employees of DLS is contained in DLS's Securities Trading Policy.

6.2 Media

DLS must not provide "exclusive" interviews, stories or information to the media that contains material or price-sensitive information before that information has been disclosed to the market.

Where the Board considers it appropriate, the media may be invited to participate in DLS presentations to investors and analysts.

Press releases should be honest, fair and consistent with the terms of this policy.

6.3 Analysts

(a) One-on-one and group briefings

DLS does not permit selective disclosure of material information. All investors are to be treated in a balanced and fair fashion. One-on-one and group briefings between DLS and investors or analysts must be restricted to discussion of previously disclosed information.

The managing director should be present at all one-on-one and group briefings to ensure that no undisclosed price-sensitive information is discussed.

Where it is not possible for the managing director to attend a one-on-one or group briefing:

- the managing director must be fully briefed immediately after that briefing to determine whether any price-sensitive information may have been inadvertently disclosed; and
- where any executive, director or employee of DLS who participated in that briefing considers that a matter was raised that might constitute a previously undisclosed price-sensitive matter, they must immediately refer that matter to the managing director or chair.

If the managing director or the chair considers that price-sensitive information was inadvertently disclosed at a briefing, DLS must immediately release that information to the ASX.

Information provided to analysts and investors during a one-on-one or group briefing (such as slides) must be provided to the ASX for release to the market and posted on DLS's website as soon as practical to ensure all shareholders and investors have equal access to DLS information.

(b) Procedure for dealing with analyst, shareholder and investor queries

In responding to analyst, shareholder and investor queries, an authorised spokesperson must:

- only discuss information that has been publicly released;
- ensure all responses are balanced, factual and truthful; and
- confine comments on market analyst's financial projections to errors in factual information or underlying assumptions.

Where an analyst, shareholder or investor query can only be answered by disclosing price-sensitive information, DLS's authorised spokesperson must decline to answer that query. He or she should then refer the query to the managing director so a formal decision can be made as to whether or not it is appropriate for DLS to disclose information relevant to that query.

(c) Analyst reports and forecasts

Where the managing director resolves that DLS should comment on a report prepared by an analyst, DLS's comment must be restricted to information that DLS has publicly disclosed or information that is in the public domain.

DLS must not comment on analyst forecasts regarding earnings projections for DLS except:

- where the forecast differs significantly from DLS's published earnings projections (if relevant); or
- to correct any factual errors relating to publicly issued information and company statements.

DLS should not endorse, or be seen to endorse, analyst reports or the information they contain. DLS should not:

- externally distribute individual analyst projections or reports;

- refer to individual analyst recommendations on its website; or
- selectively refer, or publicly comment on individual analyst recommendations or proprietary research (except where necessary to correct a factual error in accordance with the Disclosure Policy).

Where DLS becomes aware that the market's earnings projections on DLS differ significantly from DLS's published earnings projections or own earnings estimates, DLS should issue a profit warning or company statement, if considered necessary by the managing director, to avoid a false market.

6.4 Market speculation

DLS should not comment on market speculation and rumour unless:

- there are factual errors contained in the speculation or rumour that could materially affect DLS;
- there is a move in the price of DLS securities which is reasonably referable (in the opinion of the managing director) to the speculation or rumour; or
- DLS receives a formal request from the ASX or a regulator.

Any comments made by DLS in response to market speculation and rumour must be authorised by the managing director acting in conjunction with the chair and must be limited to correcting factual errors.

DLS is committed to ensuring that a false market is not created in respect of DLS securities.

7 Communications

7.1 Website

To ensure information relevant to DLS is readily available to shareholders, investors and stakeholders, DLS will provide the following information on its website:

- all company announcements made to the ASX;
- annual reports and result announcements;
- speeches and support material (including slides) given at investor conferences, briefings or presentations;
- company profile and contact details; and
- all written information provided to investors or stockbroking analysts.

All information posted on DLS's website must be approved by the managing director and must be continuously reviewed and updated to ensure its accuracy and relevance.

7.2 Publications and other communications

Where approved by the managing director or chairman, DLS may issue company statements or publications regarding previously disclosed information, including:

- press releases;

- fact books and other corporate publications;
- publication on DLS's website; and
- broadcast via e-mail and/or fax to DLS's shareholders, institutional investors and other key stakeholders.

8 Trading halts

In order to maintain a fully informed, fair and transparent market in respect of DLS's securities, DLS may request a trading halt from the ASX where:

- confidential information about DLS is inadvertently made public and further time is required to enable DLS to prepare an appropriate public announcement; or
- DLS is preparing to make a major company announcement and is concerned to prevent speculative or insider trading (for example, where DLS plans to announce a joint venture enterprise or profit warning).

The only person authorised to request a trading halt is the managing director acting in consultation with the chair.

9 Monitoring compliance

9.1 Monitoring

If DLS's Continuation Disclosure Policy and procedures are complied with by all directors, executives, officers and employees of DLS, the Board *should* be aware of all price-sensitive information that has been disclosed and which may need to be disclosed.

9.2 Records

DLS must keep accurate and complete records of:

- all decisions made to release price-sensitive information (including reasons);
- all decisions made to decline to release price-sensitive information (including reasons and minutes of the Board ratifying that decision); and
- copies of all information, price-sensitive or otherwise, released by DLS in accordance with this policy.

The managing director and the chair must notify the Board of any decisions made by them in accordance with this policy, and provide the Board with reasons for that decision by close of business on the day the decision is made.

A list of disclosures made between board meetings should be included in the Board paper package for the next Board meeting.

10 Maintenance and promotion of policy

10.1 Annual review

The Board must review DLS's Continuance Disclosure Policy and procedures on an annual basis to determine whether they are effective in ensuring accurate, balanced and timely disclosure in accordance with DLS's disclosure obligations.

DLS encourages all of its executives, officers and employees to actively consider DLS's disclosure obligations and offer suggestions as to how to improve DLS's Continuance Disclosure Policy and procedures to either the Board or the managing director.

10.2 Internal compliance

(a) Compliance

As part of DLS's commitment to its continuous disclosure obligations all directors, executives, officers and employees of DLS must be issued with a copy of DLS's Continuance Disclosure Policy and procedure.

(b) Consequences of a breach of this policy

Failure of a director or employee of DLS to comply with this policy may lead to disciplinary action being taken, including dismissal or removal in serious cases. However, a person that discloses information, or omits to disclose information, in contravention of DLS's continuous disclosure obligations, that can show reasonable grounds for doing so, will have a defence.

In addition, ASIC has the power to issue infringement notices for breaches of the continuous disclosure obligations. If ASIC determines that a breach of the continuous disclosure obligations has occurred, it will hold a hearing to determine whether to issue an infringement notice. If an infringement notice is issued, DLS should comply with its terms, including paying a penalty amount, or DLS may be liable to a penalty of up to \$1 million.

Annexure A

Guidelines – material information

Examples of information that might need to be disclosed include the following:

- results (anticipated or otherwise) from the activities of DLS;
- a new contract that has been entered into or a variation to an existing contract. In certain circumstances it may even be necessary to disclose the existence of negotiations surrounding the entry into or variation of a contract, should these negotiations no longer be confidential;
- any event which could affect DLS's earnings or profitability such as:
 - (a) litigation being commenced by or against DLS (eg because of an alleged breach of contract);
 - (b) industrial action being threatened or commenced; or
 - (c) significant unbudgeted capital expenditure commitments arising;
- a change in DLS's financial forecast or expectation. As a general policy, a 10% to 15% change may be considered material. Further, if DLS has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed;
- the appointment of a receiver, manager, liquidator or administrator in respect of any loan, trade, credit, trade debt, borrowing or securities held by it or any of its child entities;
- a transaction for which the consideration payable or receivable is a significant proportion of the written down value of DLS's consolidated assets. Normally, an amount of 5% or more would be significant, but a small amount may be significant in a particular case;
- a recommendation or declaration of a dividend or distribution or a recommendation or decision that a dividend or distribution will not be declared;
- under subscriptions or over subscriptions to an issue;
- a copy of a document containing market sensitive information that is lodged with an overseas stock exchange or other regulator which is available to the public. The copy given to ASX must be in English;
- information about the beneficial ownership of shares obtained under Part 6C.2 of the Corporations Act;
- giving or receiving a notice of intention to make a takeover;
- an agreement between DLS (or a related party or subsidiary) and a director of DLS (or a related party of the director); or
- to the maximum extent practicable, the components of the managing director's pay package that might govern the action of the managing director and drive levels of performance.