

## Drillsearch Energy Limited (ASX:DLS)

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### Shareholder Update October 2008

#### Your New Drillsearch

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- Debt free
- Good cash balance
- Strong cash inflow
- Robust production
- Exploration ahead
- Immediate work largely funded by others
- Strong management team

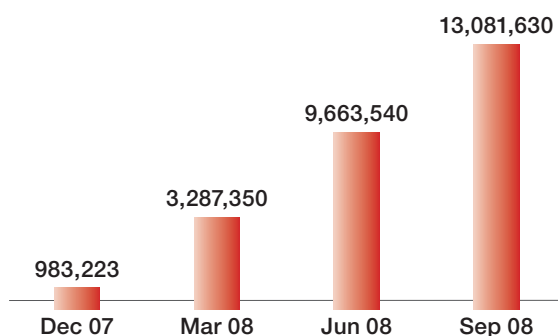
#### Sound Cash Position

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With the Merger with Great Artesian now complete it is important to remember the solid foundations that the Company is based upon, particularly in these globally difficult economic times.

As at 30 September 2008 the Company had over \$13.08M (and that does not include the cash accumulating in the Company's 79.5% subsidiary, Circumpacific Energy Corporation (TSX.V:CER)). This has been growing steadily since the retirement of the Meridian Debt Facility in April. During the September 2008 Quarter it grew by over \$3.4M.

#### Quarterly DLS Cash Balance



The Board and Management are focused on preserving this strong cash position where possible to enable the Company to ride through these difficult times.

#### Robust Production

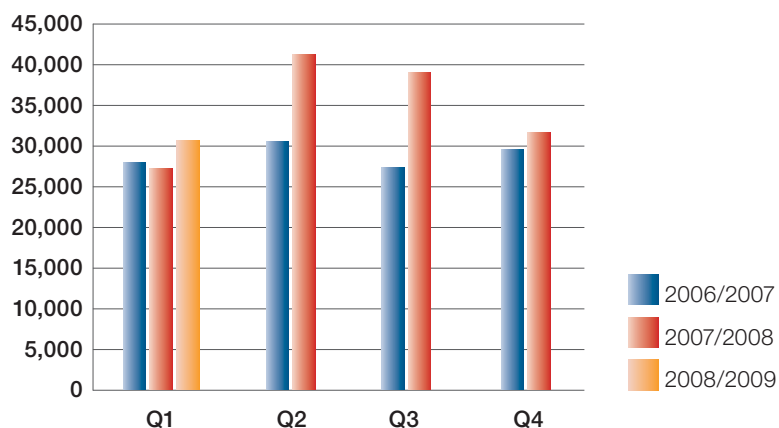
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The cash flow is underpinned by the continuing production out of the Tintaburra and Naccowlah Blocks and the Kiana oilfield. Circumpacific is in a similar situation with its production in Canada.

Development drilling in Naccowlah has had very positive results with 4 out of 6 wells drilled in this program being cased and suspended for future production. This has added further reserves to our portfolio and the drilling continues. There are 7 more wells to be drilled in the Naccowlah block this year before the program moves to Tintaburra to do similar development work.

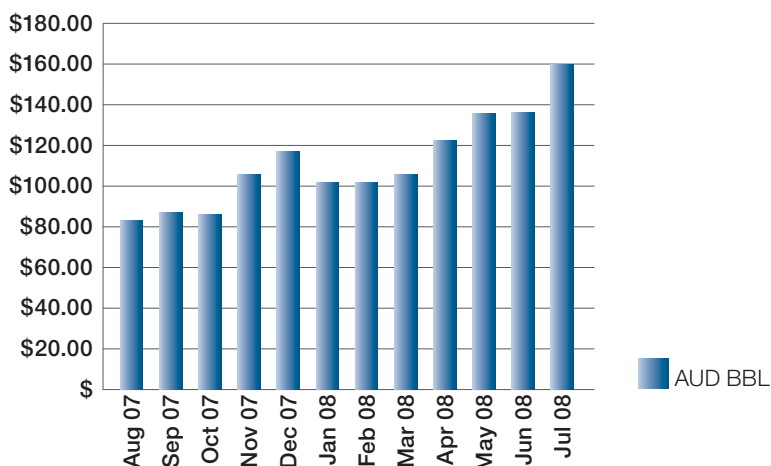
Production has been steady.

#### Drillsearch Quarterly Production



Revenue has been impacted by the growing oil price. The more recent decline has been offset somewhat by the fall of the Australian dollar against the US dollar.

#### Realised Oil price per barrel



It should also be remembered that the quality of oil from the Cooper-Eromanga fields is such that it attracts a higher price than what you generally hear quoted.

#### Exploration Funded by Others

The Company has an active forward work program continuing to explore for further reserves – both oil and gas/condensate. As part of our risk and cash management strategies, a large part of this work is being funded by other companies in order for them to earn an interest in our permits.

This has the effect of providing activity in some of our permits without there being a drain on our cash. This is happening at the moment with Beach Petroleum drilling the Brownlow-1 and Canunda-1 wells in PEL 106 and Bandanna Energy funding the acquisition of new seismic in ATP 539P, which will be followed by the drilling of a well funded by Bandanna Energy and Red Sky.

#### Management Team

As advised on 21 October 2008, the Board of the Company has been streamlined and is now a more appropriate size while maintaining the balance of skills and experience. Peter Simpson remains Chairman of the Company with the other Non-Executive Directors being Russell Langusch, Jim McKerlie and Peter Wicks.

The Management team was bolstered with the Great Artesian merger and is led by David Williams (Managing Director) who is supported by Chris Carty (Chief Operating Officer), Ian Bucknell (Chief Financial Officer & Company Secretary) and Elizabeth Petrie (Senior Geologist).

The Board and Management team are focused on and driven to achieve the strategic vision of the Company – “to increase shareholder value by becoming a successful and sustainable Australasian mid tier oil and gas producer and explorer”.

#### Drillsearch Energy Limited

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