

2 February 2012

SMALL SHAREHOLDER SALE FACILITY

Drillsearch Energy Limited (**Drillsearch**) is pleased to announce that it is offering a Small Shareholder Sale Facility to provide the opportunity for eligible small shareholders to sell their shareholding in Drillsearch without incurring any brokerage or handling costs.

An eligible small shareholder is a holder of Drillsearch shares with a market value of less than A\$500 as at Friday, 27 January 2012 (**Record Date**). Based on a price of A\$1.02 per share, being the closing price of Drillsearch shares on the Record Date, the Small Shareholder Sale Facility will be available to any shareholder holding 490 shares or less.

Following is a summary timetable:

Record Date:	Friday, 27 January 2012
Closing Date:	Monday, 19 March 2012
Payment Date:	Expected to be on or about Thursday, 19 April 2012

Details of the Small Shareholder Sale Facility are contained in the attached letter which was sent to eligible small shareholders today. Eligible small shareholders should note that Drillsearch will be entitled to sell their shares if shareholders do not take action to retain their shareholding as outlined in the attached letter. The closing date for eligible small shareholders to elect to retain their shareholding in Drillsearch is 5pm (AEDT) on Monday, 19 March 2012.

Yours faithfully



Jim McKerlie
Chairman
P+612 9249 9600
admin@drillsearch.com.au

Or visit the website www.drillsearch.com.au and register for email alerts

Media enquiries to:

David Greer, Executive Director, Radar Group, P+612 8256 3307, davidg@radargroup.com.au

About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional and unconventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's most prolific onshore oil and gas province, the Cooper-Eromanga Basins in South Australia and Queensland. The company's focus is on 'brownfields' exploration where geological risk is reduced and there is access to existing infrastructure, ensuring that any discoveries can be brought into production.

Drillsearch

Drillsearch Energy Limited

ABN 73 006 474 844

THIS LETTER CONTAINS IMPORTANT INFORMATION ABOUT YOUR SHARES IN DRILLSEARCH ENERGY LIMITED (ASX CODE: DLS). IF YOU DO NOT RESPOND TO THIS LETTER BY THE CLOSING DATE, DRILLSEARCH ENERGY LIMITED WILL BE ENTITLED TO HAVE YOUR SHARES SOLD FOR YOU AND THE PROCEEDS SENT TO YOU

2 February 2012

Dear Shareholder

Small Shareholder Sale Facility

I am writing to offer a small shareholder sale facility (**Sale Facility**) to all shareholders who held less than a marketable parcel of shares in Drillsearch Energy Limited (**Drillsearch**) (being a parcel of shares valued at less than A\$500) as at 7:00 pm (AEDT) on Friday, 27 January 2012 (**Record Date**) (**Unmarketable Parcel**). Based on a price of A\$1.02 per share, being the closing price of Drillsearch shares on the Record Date, the Sale Facility will be available to any shareholder holding 490 Drillsearch shares or less.

Our records show that you are the holder of an Unmarketable Parcel at the Record Date, and accordingly your shareholding is eligible for the Sale Facility. We wish to see whether you would like to retain your shares or have them sold for you. The benefits of the facilities being offered by Drillsearch include:

- provision of a simple and convenient way for you to deal in shares in Drillsearch without having to appoint your own broker;
- Drillsearch paying all brokerage and handling fees related to sales under the Sale Facility, providing you with a cost effective means for dealing in shares in Drillsearch (except for tax on income or capital gains); and
- a reduction of the costs associated with maintaining Drillsearch's share register.

Further information in relation to the Sale Facility is enclosed with this letter. If, after reading that information, you:

- wish to sell your shares through the Sale Facility, you do not need to take any action in response to this letter (i.e. you should **not** complete the Share Retention Form enclosed with this letter); or
- wish to retain your shares, you will need to either complete and return the Share Retention Form enclosed with this letter (and then follow the instructions on that form) by 5.00pm (AEDT) Monday, 19 March 2012 (the **Closing Date**) or otherwise purchase further shares in Drillsearch so that your shareholding becomes a marketable parcel before the Closing Date.

You should be aware that if you do not take any action in response to this letter by the Closing Date, Drillsearch intends to sell your Drillsearch shares on your behalf under the Sale Facility.

If you have any questions concerning your Drillsearch shareholding or how the Sale Facility will work, please contact Drillsearch's share registrar, Computershare Investor Services Pty Limited, on **1300 855 080** (from within Australia) or on **+61 3 9415 4000** (from outside Australia).



Jim McKerlie
Chairman

SALE FACILITY
SUMMARY OF IMPORTANT INFORMATION

Your options and what you need to do

Your options are as follows:

- If you would like to sell your Drillsearch shares without paying brokerage or handling fees under the Sale Facility, you do not need to do anything in response to this letter. As a result Drillsearch will become entitled to have your shares sold for you under the Sale Facility with the proceeds of sale being sent by cheque to you.
- It is currently anticipated that the proceeds of sale shares under the facility will be sent by cheque to participating shareholders by Thursday, 19 April 2012.
- If you wish to retain your shares in Drillsearch, you **must** do one of the following:
 - Complete the enclosed form headed "Share Retention Form" and return it in accordance with the instructions on the form so that it is received by **no later than 5.00pm (AEDT) on Monday, 19 March 2012 (Closing Date)**; or
 - Otherwise purchase additional Drillsearch shares so that your shareholding becomes a marketable parcel worth more than A\$500 before 7:00pm on the Closing Date. For such purchases to be an effective notification to Drillsearch that you wish to retain your shares, any additional shares must be held in the same holding as your current shares (i.e. you must advise your broker to purchase shares under the **same holder number (HIN or SRN)** that is stated on the enclosed forms) and be registered by **no later than 7.00pm (AEDT) on Closing Date**; or
 - If you hold Shares in multiple holdings, arrange to have those holdings merged into one holding of more than 490 shares so that it is reflected on the Drillsearch share register at 7.00pm on the Closing Date.

Sales of Drillsearch shares under the Sale Facility will be made by **Wilson HTM Limited** (the **Broker**) (acting as execution-only broker) on the Australian Stock Exchange (**ASX**). You do not need to appoint your own broker.

You should read the terms and conditions for the Sale Facility which are enclosed with this letter.

The price of shares in Drillsearch - In the month before 27 January 2012, Drillsearch shares traded on the ASX in the range of \$0.79 to \$1.025, with the closing price on Friday, 27 January 2012 being \$1.02. The price of shares in Drillsearch is subject to change from time to time, and pricing information is available from newspapers or the ASX website (www.asx.com.au) under the code "DLS".

You should be aware that the price of Drillsearch shares that you sell under the Sale Facility will depend on a number of factors (including prevailing market conditions) and will be an average price. Clauses 3.2 and 3.3 of the enclosed Sale Facility Terms and Conditions explain how the relevant price will be determined.

You should also note that the price at which Drillsearch shares will be sold under the Sale Facility is not fixed and is not underwritten, may be different (i.e. more or less) than the market price of Drillsearch shares at any given time, and may not be the best price obtainable on the day on which your Drillsearch shares are sold. Further, if a large number of Drillsearch shares are sold under the Sale Facility at the same time as your shares, this may have an adverse effect on the price at which your shares are sold.

All participants who have their shares sold under the Sale Facility will receive the same sale price per share. The sale proceeds to which participants will be entitled will be calculated by multiplying the sale price by the number of shares participants held at the Closing Date rounded to the nearest cent.

Important Notes- Please read this document and the other documents accompanying it carefully as they contain important information. You should note that none of those documents constitute advice or a recommendation by any of Drillsearch, the Broker or Computershare Investor Services Pty Limited (**Computershare**) to buy, sell or hold shares in Drillsearch, nor that the Sale Facility is the best way to sell shares in Drillsearch.

If you do not respond to these documents, you will be taken to appoint Drillsearch as your agent to receive any notice (including a Financial Services Guide and any update to that document) that the Broker or Computershare is required to provide under the *Corporations Act 2001* (Cth).

If you are in any doubt about whether to participate, you should consult a professional advisor. You may wish to seek independent professional advice concerning the tax consequences of your decision.

SALE FACILITY TERMS AND CONDITIONS

1. Participation

- 1.1. All registered shareholders in Drillsearch Energy Limited (“Drillsearch”) who hold less than A\$500 worth of shares (“Unmarketable Parcels”) as at 5.00pm (AEDT) Friday, 27 January 2012 (“Eligible Shareholders”) are entitled to participate in the Sale Facility in accordance with these terms and conditions. Participation by Eligible Shareholders is optional.
- 1.2. There is a minimum period of six (6) weeks from the date the Sale Facility Notice is sent by Drillsearch to the Eligible Shareholders, for Eligible Shareholders to advise Drillsearch in writing that they wish to be excluded from the Sale Facility and retain their Drillsearch shares pursuant to completion and return of the Share Retention Notice accompanying these Terms and Conditions.
- 1.3. If an Eligible Shareholder has given written notice to Drillsearch that they wish to be excluded from the Sale Facility pursuant to completion and return of the Share Retention Form, they may, at any time prior to the closing time of 5.00pm (AEDT) on Monday, 19 March 2012, revoke or withdraw that notice and the Sale Facility will then apply to the shares held by the Eligible Shareholder.
- 1.4. Only properly completed Share Retention Forms received by Computershare Investor Services Pty Limited (“Computershare”) by no later than 5.00pm (AEDT) on Monday, 19 March 2012 will be regarded as valid.
- 1.5. Sale proceeds will be sent to you by Thursday, 19 April 2012 and will be paid to you in Australian dollars by cheque which will be mailed to you at the address set out in the accompanying letter.

2. Shareholder Charges

- 2.1. Drillsearch will pay all brokerage costs and expenses associated with the sale of Drillsearch shares under the Sale Facility.

3. Appointment of Drillsearch Energy Limited and the Broker

- 3.1. As at 5.00pm (AEDT) Monday, 19 March 2012, Drillsearch shall have the right to sell or otherwise dispose of the Drillsearch shares held by all Eligible Shareholders who as at that time still hold a parcel of Drillsearch shares with a value of less than \$500 and have not advised Drillsearch in writing pursuant to the Share Retention Form that they wish to be excluded from the Sale Facility
- 3.2. For the purpose of selling or disposing of Drillsearch shares, each Eligible Shareholder irrevocably:
 - i) appoints Drillsearch as its agent to sell all the shares held by it, at or around the then prevailing market price of Drillsearch shares quoted on the ASX, by giving instructions on behalf of the Eligible Shareholder to Wilson HTM Limited (“the Broker”) as an “execution only” Broker. The Broker is not giving and will not be obliged to give any investment or securities advice to the Eligible Shareholder;
 - ii) appoints Drillsearch and each Director and Secretary from time to time jointly and severally as their attorney in their name and on behalf to effect a transfer document for their shares and to otherwise act to effect a transfer of their shares; and
 - iii) appoints Drillsearch as its agent to deal with the proceeds of sale of those shares in accordance with these Terms and Conditions.
- 3.3. The price that participants in the Sale Facility will receive for shares sold will be the volume weighted average price of all shares sold through the Sale Facility (**Sale Price**). The Sale Price will be calculated by dividing the total sale proceeds of all Shares under the Sale Facility by the total number of Shares sold. All participants will receive the same Sale Price per share. The sale proceeds to which participants will be entitled is calculated by multiplying the Sale Price by the number of shares that Participant held at 5.00pm on the Closing Date rounded to the nearest cent.

4. Drillsearch to deal with proceeds of sale

Drillsearch will deal with the proceeds of sale of the Drillsearch shares under the Sale Facility as follows:

- i) the proceeds will be paid into a separate bank account opened and maintained by Drillsearch for that purpose;
- ii) the proceeds will be held in trust for each of the participating Eligible Shareholders;
- iii) Drillsearch will forward the proceeds of the sale to each participating Eligible Shareholder by cheque by Thursday, 19 April 2012;
- iv) if the whereabouts of any participating Eligible Shareholder is unknown then Drillsearch may deal with those proceeds according to the applicable laws dealing with unclaimed monies.

5. What happens if there is a takeover bid?

In accordance with Drillsearch's constitution, the Sale Facility will become unavailable following the announcement of a takeover bid for Drillsearch, however it may be recommenced after the close of any takeover.

6. Facility Governed by Constitution of Drillsearch Energy Limited


- 6.1. In addition to the Terms and Conditions above, the Sale Facility is governed by the Constitution of Drillsearch.

Drillsearch

Drillsearch Energy Limited
ABN 73 006 474 844

000001
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SAM
MR JOHN SAMPLE
FLAT 123
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLETOWN VIC 3030

Return your Form to the Company's share registry:

 **By Mail to the Company's share registry:**
Computershare Investor Services Pty Limited
GPO Box 2115 Melbourne
Victoria 3001 Australia

For all enquiries:

 **Phone:**
(within Australia) 1300 855 080
(outside Australia) +61 3 9415 4000

 **Web:**
www.investorcentre.com/contact

Unmarketable Parcel Security Retention Form

 **Your form must be received by 5.00pm (AEDT) Monday 19 March 2012**

This is an important document that requires your immediate attention. It can only be used in relation to the securityholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. Use this form if you wish to retain your securities in Drillsearch Energy Limited. If you have recently bought or sold securities your holding may differ from that shown. If you have already sold all your securities in Drillsearch Energy Limited, do not complete or return this form. If you have more than one holding on Drillsearch Energy Limited's register and you do not sell your securities under the Small Securityholding Sale Facility, you should consider consolidating them. For further advice in this regard, contact Computershare Investor Services on the number above.

Step 2: Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: Please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held and delete title as applicable.

Deceased Estate: All executors must sign and a certified copy of Probate or Letters or Administration must accompany this form.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:
www.investorcentre.com

- Review your securityholding
- Update your securityholding
- Supply your direct credit instructions

Your secure access information is:

SRN/HIN: **I1234567890**

 **PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

Unmarketable Parcel Security Retention Form



I 123456789

IND

STEP 1 Registration Name & Offer Details

Registration Name: MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

For your security keep your SRN/HIN confidential.

Change of address.
If incorrect, mark this box and make the correction in the space to the left.

Offer Details: Securities held
as at 27 January 2012:

1234567890

STEP 2 Signature of Securityholder(s) *This section must be completed if you wish to retain your shareholding.*



I/We refer to the notice from the Company dated 2 February 2012 and record my/our wish to retain my/our Shares.

By signing and returning this form, I/we confirm that I/we understand that my/our securities will NOT be sold under the Small Securityholding Sale Facility

Individual or Securityholder 1

Director

Securityholder 2

Director/Company Secretary

Securityholder 3

Sole Director and Sole Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____ / ____ / ____

Email Address _____

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au