

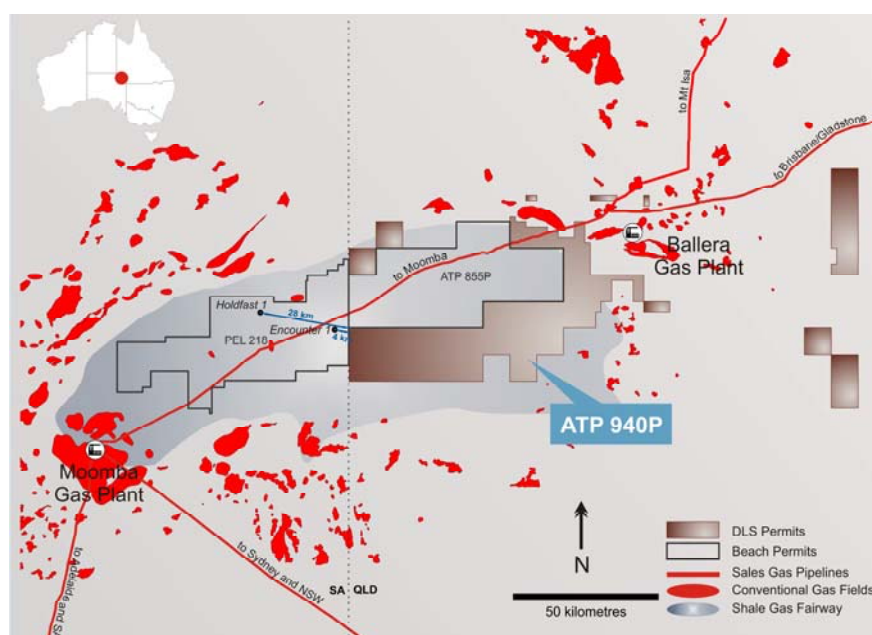
1 February 2012

## QGC exercises options taking 9.4% stake in Drillsearch

- QGC cements Cooper Basin shale alliance with Drillsearch
- Drillsearch to receive \$19.6 million to help fund shale gas and wet gas exploration programs
- 3D seismic program over shale gas project area expected to start 2<sup>nd</sup> quarter 2012 in advance of shale gas drilling program

Drillsearch Energy Ltd (ASX: DLS) is pleased to announce that QGC Pty Limited, a BG Group business, ("QGC") has given notice that it will exercise options it holds to subscribe for 31,622,454 DLS shares at 62 cents per share ("the Options"), raising \$19.6 million of additional funding for Drillsearch. Following the issue of these shares, QGC will hold approximately 9.4 percent of the issued ordinary shares of DLS. The issuance of the shares to QGC is expected to be completed by 15 February 2012.

The Options were granted as part of Drillsearch and QGC forming a strategic alliance to explore and develop unconventional shale and tight gas resources in the Cooper Basin. This involves QGC farming into, and acquiring, a 60 percent interest in DLS's strategically located ATP 940P covering over 2,000km<sup>2</sup> (500,000 acres) of the Central Cooper Basin Nappamerri Trough Shale Gas Fairway (see map below).



“The exercise of these options further supports our belief in the prospectivity of our shale gas acreage at ATP 940P and also reaffirms QGC’s commitment to Drillsearch and its activities in the Cooper Basin,” Drillsearch Managing Director Brad Lingo said.

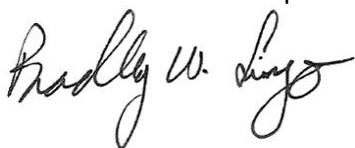
He said “the additional funding realised through the options exercise bolsters Drillsearch’s balance sheet, placing us in an even stronger position to fund the significant opportunities in our portfolio.”

“The capital will be used to fund Drillsearch’s share of the agreed shale gas exploration and appraisal work program as well as deployed for further exploration and appraisal at our Wet Gas play in the Western Cooper. This leverages our strategic alliance with QGC to commercialise our gas plays, with the Gas Marketing Heads of Agreement giving Drillsearch the opportunity to supply additional gas to QGC from other Drillsearch permits in parallel with the shale gas alliance.” Mr. Lingo said.

The ATP 940P permit was formally awarded to Drillsearch on 7 November 2011. The transfer of the 60 percent joint venture interest in the permit from Drillsearch to QGC is being progressed with the Queensland Government. Once the transfer has been completed the ATP 940P joint venture with QGC will formally commence.

While the transfer of the permit interest to QGC is pending, Drillsearch has commenced the initial implementation of the agreed work program and issued tenders for the over 1,000 km<sup>2</sup> ATP 940P 3D seismic program. In anticipation of commencing the 3D seismic program, Drillsearch has begun the necessary field survey clearance and road access work. Depending on the timing of the final permit transfers and the outcome of the tender process, the 3D seismic program is expected to start in June quarter 2012. Following this, the Drillsearch-QGC Shale Gas Joint Venture plans to drill several shale gas exploration wells.

For further information please contact:



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About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional 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. The company also has offshore exploration interests in the Gippsland Basin.