

2 February 2012

PEL 91 - Western Flank Oil Development Update

- **Bauer and Hanson Oil discoveries completed for future production**
- **Initial production testing completed with significant initial flow rates in line with expectations**
- **Independent reserves assessment underway with results expected shortly**

Drillsearch Energy Limited (ASX: DLS) is pleased to provide this update on the development of the Bauer and Hanson oil discoveries in PEL 91. The PEL 91 Joint Venture is Drillsearch 60 percent and Beach Energy Ltd 40 percent.

The Company was advised by Beach Energy as Operator that all four Bauer wells and the Hanson-1 exploration well (see attached map) have been completed as production wells and initial production testing performed as follows:

Bauer-1, completed on 18 January 2012, was perforated across 6.0 metres of the McKinlay and Namur Formations. The well was flow-tested for one hour using the rig tanks, with initial production measured at a rate of 6,048 BOPD.

Bauer-3, completed on 21 January 2012, was perforated across 5.3 metres of the McKinlay Formation. The well was flow-tested for one hour, with initial production measured at a rate of 1,152 BOPD.

Hanson-1, completed on 23 January 2012, was perforated across 2.7 metres of the McKinlay Formation. The well was then flow-tested for one hour, with initial production measured at a rate of 763 BOPD.

Bauer-2 and **Bauer-4** wells were completed between 23 to 26 January 2012, and will be perforated and flow-tested at a later date.

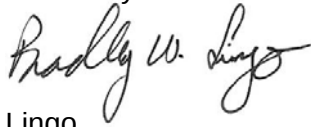
These initial production test results will be used to refine the Joint Venture's production forecast and Reserve estimates for the Bauer and Hanson Oil Fields. Construction of the Bauer production facilities is currently under way as scheduled with first production targeted to commence before the end of the June Quarter 2012.

This data will be incorporated into independent Reserves estimates which are in the process of being reviewed and finalised with Gaffney, Cline and Associates.

Drillsearch Managing Director, Brad Lingo said, "These results are very encouraging and remain well on track with the development of our oil discoveries in the Western Flank Oil Fairway. We expect these discoveries to move into production in the coming quarter and this will in turn, drive a step change in both our future production profile and the cash generative capacity of the Company.

"We look forward to advising the market of future production guidance from the Bauer and Hanson Oil Fields in the near term."

Yours faithfully



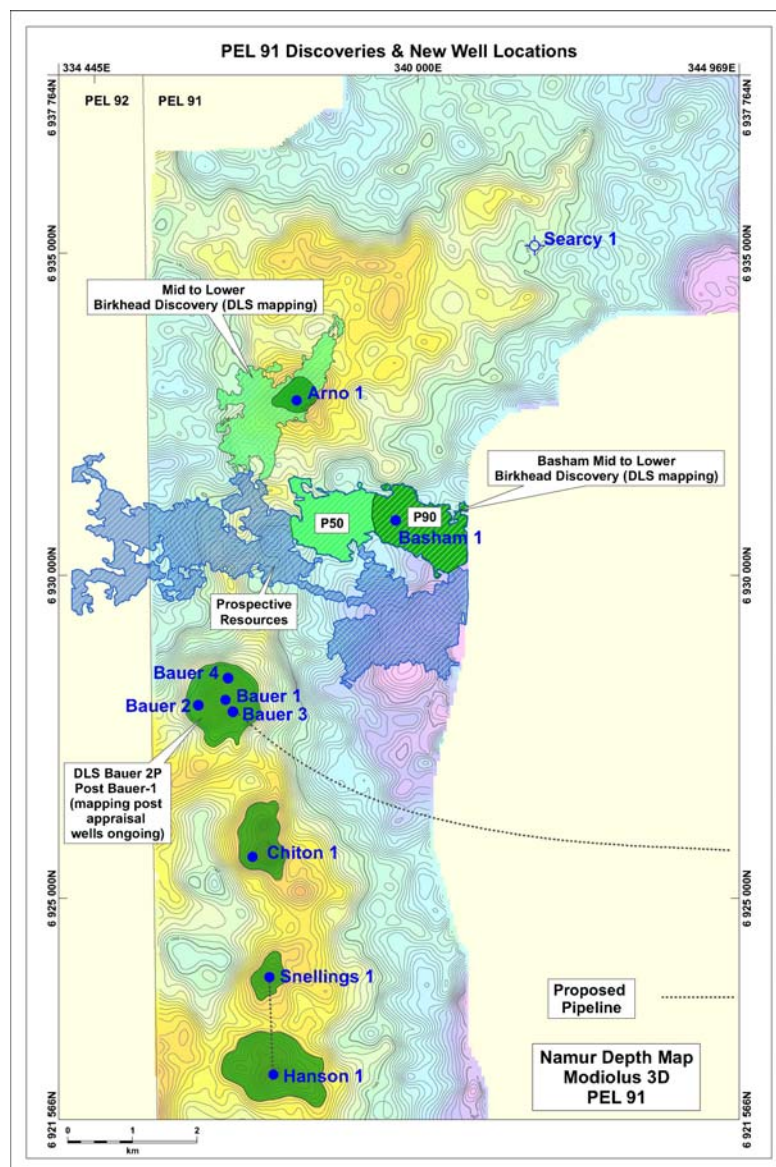
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About Drillsearch Energy Limited (ASX: DLS), which listed on ASX in 1987, explores and develops conventional and unconventional oil and gas projects. Drillsearch has a strategic spread of petroleum exploration and production acreage in Australia's 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.

Competent Person Statement

Information on the Reserves and Resources in this release has been compiled by Mr. David Evans, Chief Technical Officer of Drillsearch who has given his consent as of the date of this release to the inclusion of this statement and the information in the form and the context in which they appear in this release.