

Investor Update

The 2011 year will be an exciting time for Drillsearch. We have a high level of activity planned and the Board and Management are very optimistic regarding the Company's future prospects.

Drilling program set to commence

Our five well drilling program is planned to commence in mid to late March 2011. This program, located in the PEL 91 permit in the Cooper-Eromanga Basin's prolific Western Flank Oil Fairway, targets five high quality prospects.

We have good reason to be confident in our chances of drilling success. The prospects to be drilled have been covered by and identified using 3D seismic analysis. Historical success

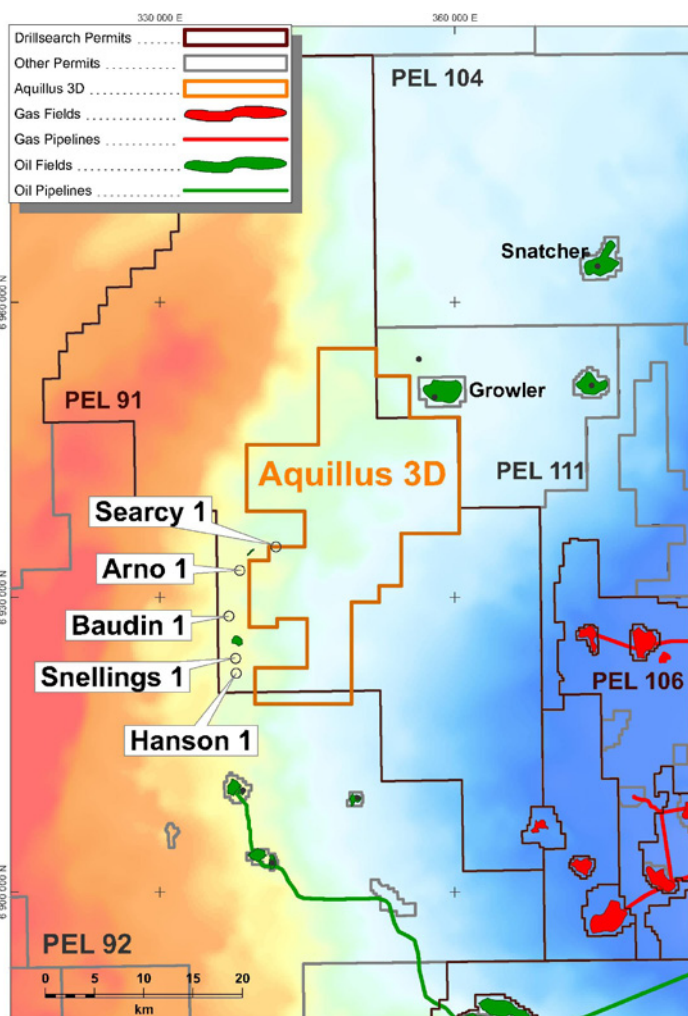
rates when drilling on 3D seismic in the Cooper-Eromanga Basin have been over 50% in total and even higher for Drillsearch alone.

Our PEL 91 acreage is located in prime oil and gas territory which remains significantly underexplored. In 2009, we made our first commercial discovery in PEL 91 at our Chiton project. This has since been successfully developed and brought into production. Furthermore, PEL 91 is situated

in the middle of three other permits extending along the Western Flank Oil Fairway which contain multiple additional commercial discoveries.

Our drilling program will be a period of intense activity and frequent newsflow. The expected drill time for each well is within 20 days, meaning the entire five well program should be completed within a relatively short time period.

PEL 91 - Proposed Well Locations



PEL 91 - 5 well drill program prospective resources

Prospect	Recoverable	
	Mean (bbls)	High (bbls)
Hanson	820,000	2,000,000
Baudin	520,000	1,100,000
Searcy	1,100,000	2,200,000
Snellings	580,000	1,170,000
Arno	1,100,000	2,200,000

The economic case for drilling in the Cooper-Eromanga Basin is compelling. Each well costs around \$1.8m to drill and then up to another \$2m for testing and production facilities. As noted, historical success rates in the region when drilling on 3D seismic are very high at over 50%. First year operating cashflow from each successful discovery with a recoverable reserve of 500,000 bbls is around \$8m per annum at current oil prices, which implies an attractive projected payback period on invested capital of well below 1 year.

Weather-proofing our operations

In 2010, the Cooper-Eromanga Basin was hit by a "once-in-a-generation" flooding event. For Drillsearch, this led to production downtime at our Chiton oil facility and a delay to our planned drilling program.

In response to this event, we have taken active measures to mitigate the impact of future weather events on our operations. These include:

- A new road to our Chiton oil facility – this was constructed in 2010 and provides us with a superior access route. Importantly, this road is on higher ground than the old road and will enable access during times of flooding from the nearby Cooper Creek.

Investor Update



Weather-proofing our operations *continued*

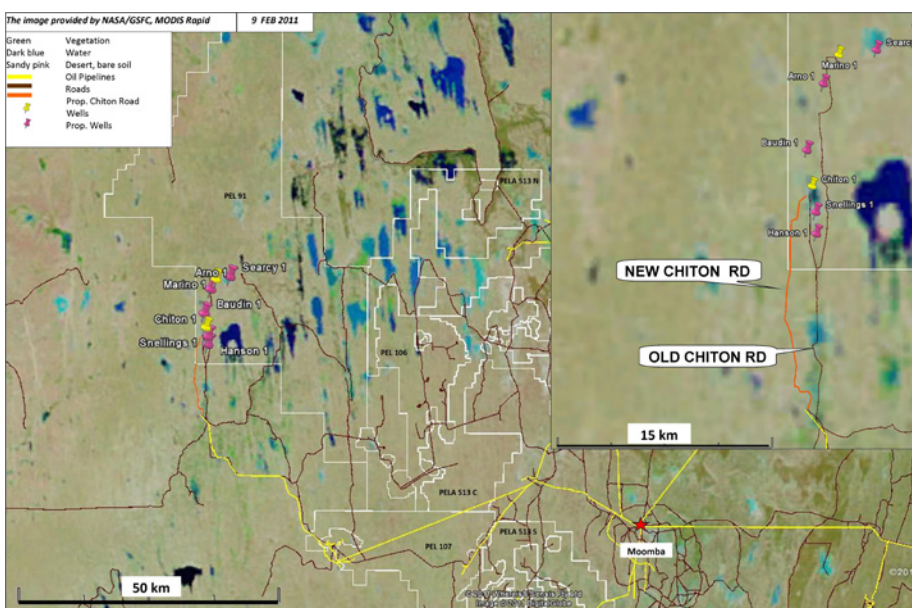
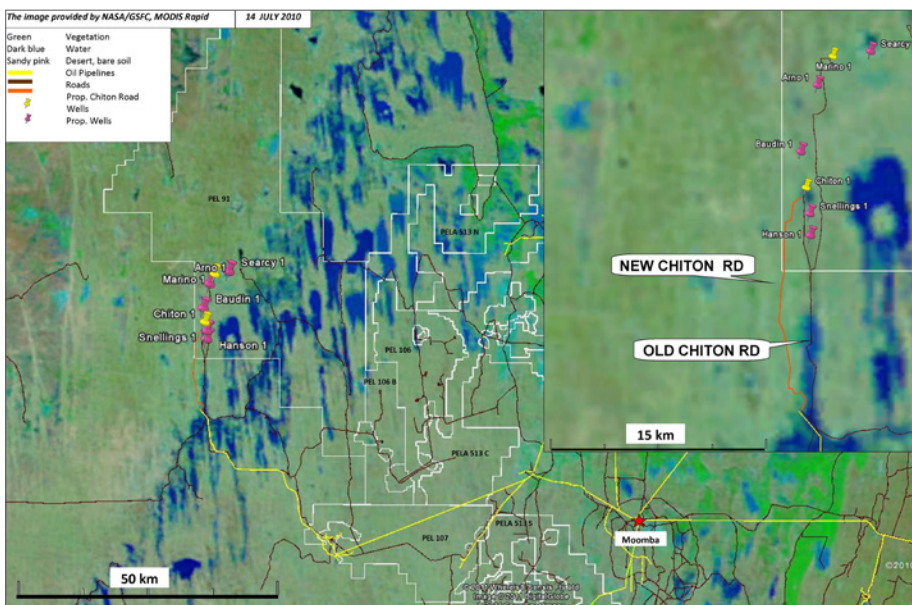
- A new forward supply camp – this has been built in conjunction with Beach Energy and Cooper Energy and is located on the western side of the Cooper Creek. This camp will provide us with an alternative supply source for our operations in PEL 91 should future flooding occur.

The two cyclones and extreme floods which have hit Queensland over the past six weeks have been tragic. Our hearts go out to all those who have lost loved ones or been

impacted in some way by these terrible events.

In contrast to the 2010 floods, the heaviest rains have fallen in the eastern part of the Basin and the pathway of these flood waters has been into the Murray-Darling Basin and the expected flows in the Cooper Creek are expected to peak in mid-April in the Western Cooper Basin at much lower levels than during 2010. Accordingly, we are hopeful there will be minimal impact on our Western Cooper area.

Satellite photo showing flooding July 2010 & Feb 2011



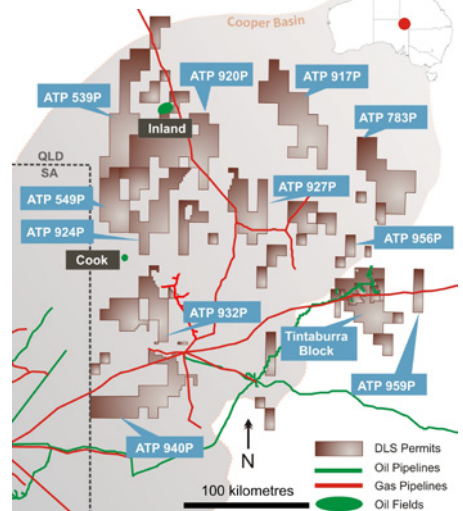
Strategic direction remains unchanged

We were naturally disappointed that our proposed friendly merger with Innamincka Petroleum was ultimately unsuccessful. Our view was that there were significant strategic and synergistic benefits from combining our respective asset bases and that a merger would be in the best interests of the shareholders of both companies.

That said, we have now well and truly moved on from this event. Our strategic direction and sole focus remains the creation of significant shareholder value through oil and gas exploration and production in the Cooper-Eromanga Basin. Drillsearch holds one of the largest exploration acreage positions in the Basin, providing the Company and its shareholders with significant opportunities for growth.

Near-term, we will be looking to achieve growth from organic means only focusing on our substantial positions in the Western Flank Oil Fairway. Specifically, this will include our five well drilling program in PEL 91 and our ongoing efforts to commercialise the liquids in our Wet Gas business. We are also looking forward to finally getting into significant activities in SW Queensland targeting an oil fairway stretching from the Inland Oil Field in the NE down to the Cook and Cusiner Oil Fields in the SW.

DLS Permits with Cook and Inland Oil Fields Highlighted



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