

23rd December

Drillsearch reaches landmark agreements with SW Queensland Traditional Owners

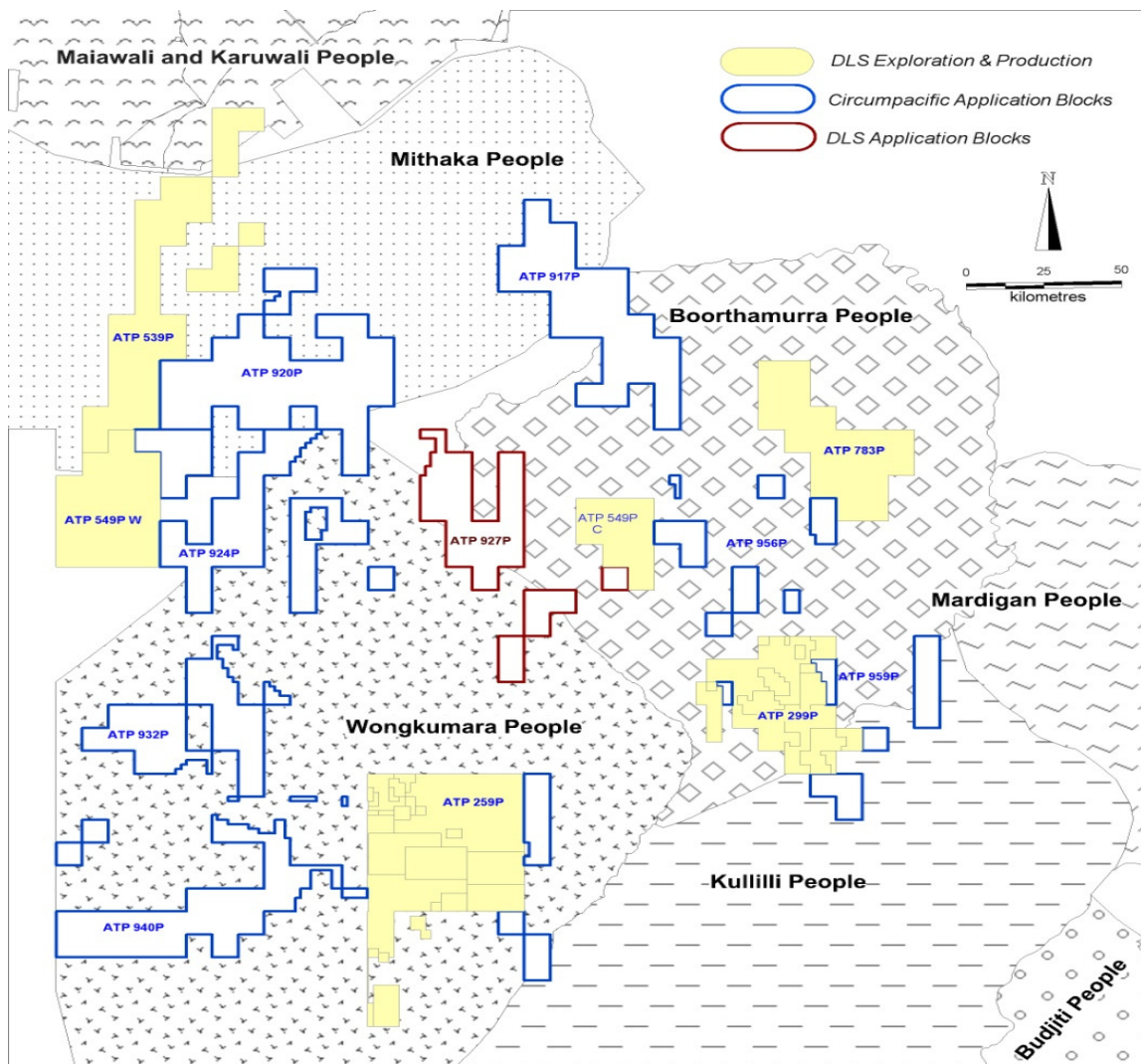
- **Landmark Native Title Agreements reached covering six SW Queensland Block award areas**
- **ATP exploration permits expected to be issued in mid 2011**
- **Agreements cover Drillsearch's key position in Nappamerri Trough Shale Gas Fairway**
- **Shale gas drilling in adjacent acreage indicates significant shale gas potential in Drillsearch key acreage ATP 940P**

Drillsearch Energy Ltd (ASX: DLS) is pleased to announce that it has reached landmark agreements with both the Wangkamurra and Kullilli Traditional Owners covering [6] pending Authority to Prospect (ATP) exploration award block application areas in SW Queensland.

The agreements cover the Native Title claims of the Wangkamurra and Kullilli Traditional Owners covering ATP exploration permit areas 940P, 932P, 924, 927, 920 and 959 (see accompanying map) which are located all or in part within the Traditional Lands of the Wangkamurra and Kullilli Traditional Owners. In addition to securing the necessary agreements relating to Native Title, Drillsearch and the Wangkamurra and Kullilli Traditional Owners have also entered into Cultural Heritage Management Plan Agreements necessary to be able to conduct exploration and production activities with the ATPs. Drillsearch was assisted throughout the negotiation process by Brisbane-based Hopgood Ganim Lawyers and Unidel as lead negotiators and facilitators.

Securing these Native Title and Cultural Heritage Management Plan agreements is a mandatory pre-requisite to the Queensland Government being able to offer the award of and issue the formal ATP exploration licenses to Drillsearch. It has taken over a year to complete this stage of the process. Before the actual ATP exploration permits can be offered and awarded to Drillsearch, the Queensland Government must complete additional steps including the issuing of Right to Negotiate notices and undertake certain gazettal notices. Drillsearch has been advised by the Queensland Government that the Right to Negotiate and other gazettal notices will be issued early in 2011. Upon completion of this process, a formal offer and award of the ATP exploration licenses should be made. Drillsearch was awarded preferred bidder status for each of these ATP exploration blocks in late 2007.

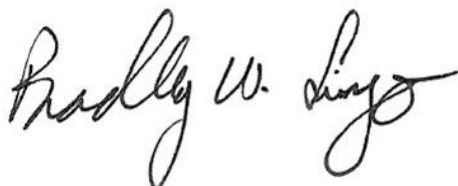
Managing Director Brad Lingo stated: "This is a great outcome for Drillsearch and is the start of a good long term relationship between Drillsearch and the Wangkamurra and Kullilli Traditional Owners. We approached these negotiations differently than other companies and instead of immediately jumping into a government-driven process where the Traditional Owners were required to sit down and negotiate we actually respectfully asked the Wangkamurra and Kullilli Traditional Owners if they would like to sit down and have a reasonable discussion about their Native Title over the ATPs exploration permit areas and about the Cultural Heritage Management issues that needed to be addressed. In the end we feel that this has established a much better relationship between Drillsearch and the Wangkamurra and Kullilli Peoples which is absolutely essential to our successful exploration and production activities in the SW Queensland Cooper Basin. We also feel that this resulted in reaching agreement much more quickly than the government-driven approach. The entire effort was made much easier I think from all parties perspective through the great efforts that Hopgood Ganim Lawyers and Unidel."



Mr. Lingo continued "Reaching agreement over this area was very important for Drillsearch and in particular the ATP 940P area. Drillsearch's technical assessment of this block is highly encouraging for conventional oil and gas and we believe this block also holds a major position in the emerging shale gas fairway in the Nappamerri Trough of the Cooper Basin. We believe the position we hold actually is a sweet spot in the emerging shale gas play in the Central Cooper Basin. The results publicly announced about Beach's Encounter-1 shale gas exploration well are extremely

encouraging for us showing approximately 200 meters of very gassy shale seams located right on the Western Boundary of ATP 940P which covers approximately 2500 km². Encounter-1 was drilled within x km of the ATP 940P boundary. This result and the technical work we have been doing on this block over the last year give us a great deal of confidence of the very significant potential we hold in the heart of this play.”

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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.