

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Drillsearch Energy Limited (**Drillsearch**)

ABN

73 006 474 844

We Drillsearch give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | +Class of +securities issued or to be issued | <p>US\$25,000,000 6.0% senior, unsecured, guaranteed convertible bonds due 2018 (Convertible Bonds) issued by Drillsearch (Finance) Pty Limited (ACN 163 170 536) (Drillsearch Finance) and guaranteed by, and convertible into fully paid ordinary shares of Drillsearch.</p> <p>Note that these Convertible Bonds are to be consolidated and form a single series with the US\$100,000,000 aggregate principal amount of 6.0% Guaranteed Senior Unsecured Convertible Bonds due 2018 issued on 3 May 2013 by Drillsearch Finance.</p> |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 250 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

US\$25,000,000 in principal amount of the Convertible Bonds (which, at the initial conversion price of US\$1.66, are initially convertible into 15,060,240 fully paid ordinary shares in Drillsearch, as described in the Supplemental Offering Circular dated 13 May 2013 issued by Drillsearch Finance and Drillsearch (**Supplemental Offering Circular**).

The terms and conditions of the Convertible Bonds are set out in detail in the Supplemental Offering Circular and Original Offering Circular. In summary, the Convertible Bonds have the following terms:

- Term: Approximately 5 years with a maturity date of 1 September 2018 (**Maturity Date**).
- Coupon: 6.0% per annum, on a semi-annual basis.
- Initial Conversion Price: US\$1.66 (subject to adjustments).
- Conversion Right: Unless previously redeemed or purchased and cancelled, Noteholders will have the right to convert the Convertible Bonds into Ordinary Shares at the then applicable Conversion Price. The Conversion Right attaching to any Note may be exercised, at the option of the holder thereof, at any time on or after 13 June 2013 up to the tenth day prior to the Maturity Date.
- Redemption: Convertible Bonds are redeemable by the holder and Drillsearch Finance in certain circumstances.

For further information, please refer to the Supplemental Offering Circular and Original Offering Circular.

+ See chapter 19 for defined terms.

4	<p>Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No, however the Drillsearch shares issued and allotted on conversion of a Convertible Bond will be fully paid and will rank equally with the fully paid Drillsearch shares on issue on the date of conversion.</p>
5	Issue price or consideration	USD 200,000 and integral multiples of USD 100,000 in excess thereof.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The net proceeds will be used to partially fund capital expenditure requirement over the next 12-24 months and for general corporate purposes.
6a	<p>Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	No
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	N/A
6d	Number of ⁺ securities issued with security holder approval under rule 7.1A	N/A

⁺ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A					
6f	Number of +securities issued under an exception in rule 7.2	N/A					
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A					
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A					
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A					
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	13 May 2013					
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th data-bbox="686 1444 997 1489">Number</th> <th data-bbox="997 1444 1284 1489">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1489 997 1706">427,353,371 fully paid ordinary shares.</td> <td data-bbox="997 1489 1284 1706">Fully paid ordinary shares</td> </tr> </tbody> </table>	Number	+Class	427,353,371 fully paid ordinary shares.	Fully paid ordinary shares	
Number	+Class						
427,353,371 fully paid ordinary shares.	Fully paid ordinary shares						

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	1,200,000	10/11/13 37.6 cent options
	3,600,000	30/11/13 70.0 cent options
	1,000,000	30/09/14 60.0 cent options
	1,000,000	15/03/15 85.3 cent options
	500,000	03/01/16 70.1 cent options
	1,199,597	20/06/18 59.6 cent options
	2,627,956	25/07/18 59.6 cent options
	3,185,586	23/11/18 59.6 cent options
	58,192	09/12/18 59.6 cent options
		14,371,331
	1,541,172	Performance rights under the 2012 grant
	1,250	Convertible Bonds

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	There has been no change to Drillsearch's dividend policy. Before conversion, the Convertible Bonds do not carry any rights to participate in dividends.
-------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------

Part 2 - Pro rata issue

11 Is security holder approval required?	N/A for items 11 to 33
12 Is the issue renounceable or non-renounceable?	
13 Ratio in which the +securities will be offered	
14 +Class of +securities to which the offer relates	
15 +Record date to determine entitlements	
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17 Policy for deciding entitlements in relation to fractions	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

18 Names of countries in which the entity has security holders who will not be sent new offer documents

Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.

--

19 Closing date for receipt of acceptances or renunciations

--

+ See chapter 19 for defined terms.

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	
25	If the issue is contingent on security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do security holders sell their entitlements <i>in full</i> through a broker?	
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

32 How do security holders dispose of their entitlements (except by sale through a broker)?

33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1

(b) All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

--

39 +Class of +securities for which quotation is sought

--

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

--

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

--

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: 13 May 2013
Company secretary

Print name: Jean Moore

== == == == ==

+ See chapter 19 for defined terms.