

# Austin Exploration Limited

Based in Adelaide, Australia. Listed on the Australian Securities Exchange ("AKK")

## ANNUAL GENERAL MEETING

November 20, 2008



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## Managing Director's Report

David M. Schuette



# BUSINESS UPDATE

## Recent Positives

- Federal Judge extends evidence review period for Park City/RET law suit. 90 day turnaround plan remains on schedule
- A private investor commits \$1,000,000 to Austin's imminent drilling program at the Moses Austin Project
- Growing investor confidence in Moses Austin provides positive short- and long-term financial impacts for AKK
- Company enjoys stronger cash position going forward
- New Haynesville Shale play in northern Louisiana offers Austin the opportunity to drill in the Caddo Parish lease or offer the acreage to potential buyers.

# BUSINESS UPDATE (CONTINUED)

## Concerns

- Impact of sub prime difficulties in the US has created global economic uncertainty
- Heightened risk concerns disproportionately impact on the value of ASX small cap stocks
- The costs of steel and drilling related expenses remain relatively high compared to oil and gas sales, which have been dragged down by freefalling energy prices
- Time will be required to get the Park City drilling program back on track. Court case and 90 day plan should be resolved by end of January

# NON DRILLING RELATED CASH MANAGEMENT

- **Manage company operations within tight cash-flow environment**
  - *Promote significant savings opportunities*
    - Review of all management, staff and directors' salaries
    - Reduce monthly operating expenses
- **Generate cash by leveraging existing assets**
  - *Target opportunities include*
    - Sell higher risk lease holdings in St. Gabriel etc.
    - Put proceeds into Moses Austin Project to accelerate production income
    - Conclude Park City legal process and rapidly move AKK wells into production
- **Strengthen new capital raising efforts**
  - *FY2009 targeted strategy for further capital injections*
    - Completed 5,000,000 AKK shares placement with sophisticated investor at AUD\$0.20 (\$1,000,000)
    - Target further investors to fund Giddings Field well drilling program and other opportunities as they arise.

# FUNDAMENTALS GOING FORWARD

- Management must continue to lower operating expenses while emphasizing projects with *immediate cash flow opportunities*
- Continue the recent success of raising US based investment capital for projects like Moses Austin
- Drive the Park City legal process to a conclusion which includes an operator capable of completing the original plan
- Leverage previous dry hole projects with larger and more significantly capitalized companies. Farm-ins, strategic sales, etc.
  - Jeter Branch (Caddo Parish, Louisiana - Haynesville Shale Play)
  - St. Gabriel (Louisiana)

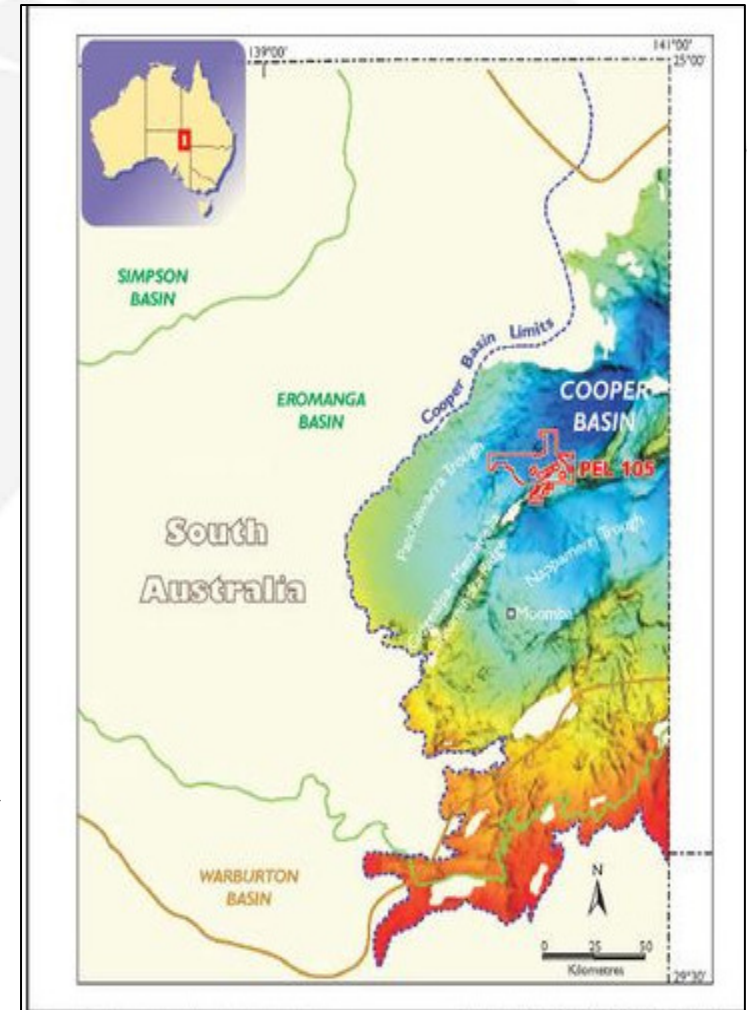


# **OIL AND GAS HOLDINGS**

## **General Update**

# COOPER BASIN PROSPECT, SOUTH AUSTRALIA

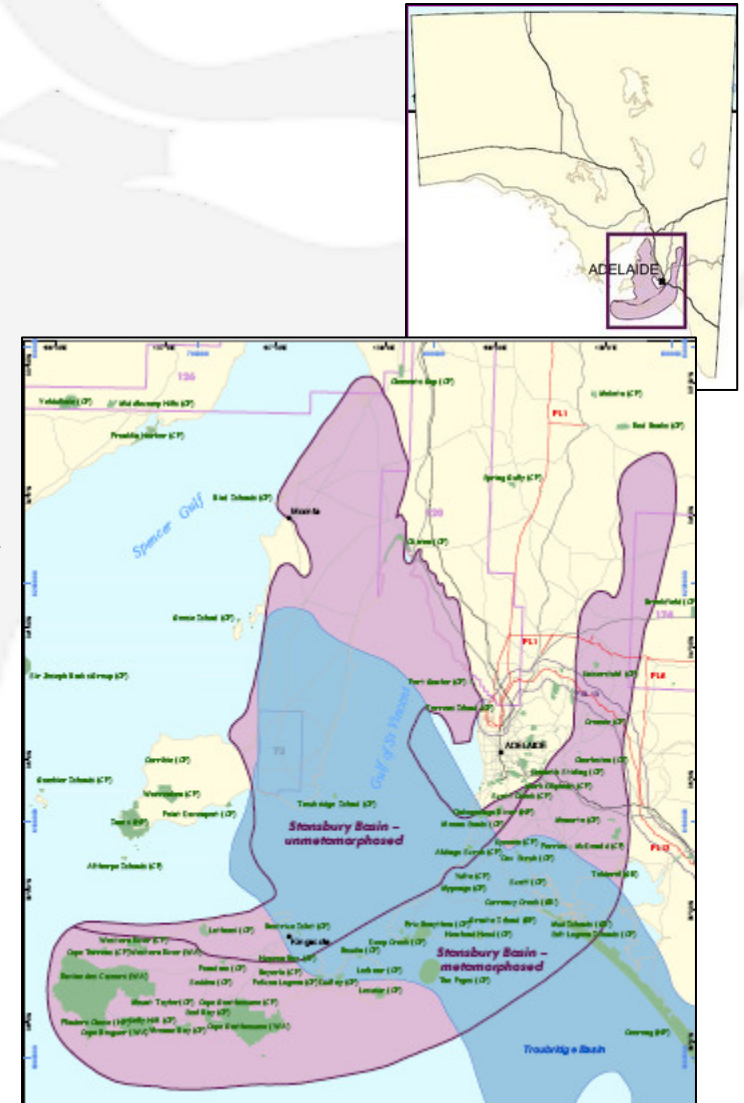
- Austin's PEL 105 licence contains estimated possible reserves (P10) of up to 6200 MMscf (6.2 billion cubic feet) of gas and 1040 kstb (1.04 million barrels) of oil/condensate
- Austin owns 100% interest of the PEL 105 license. Farm-in agreement with Adelaide Energy (ASX: "ADE) completed October 10, 2007 giving them the right to earn 50% of Austin's interest by funding the first well through to completion in 2008/09
- 2D seismic survey completed in early November 2008 to help determine initial drill site
- Target date for first well: Feb-April 2009





# YORKETOWN PROSPECT, SOUTH AUSTRALIA

- A “Direct Hydrocarbon Sensing” study was performed in September 2008 to pinpoint the next well site with the greatest potential for commercial production
- Drilling site candidates to be determined in CY 2009 with possible drilling during CY2009



# POLECAT CREEK, TEXAS

- **Acid stimulation was successfully completed in October 2008 on the Ezell 4-H (Polecat Creek) well in Falls County, Texas**
- **The well, which had generated initial daily production of 400-600 mcf gas and an average of 100 barrels of oil, entered a hyperbolic decline shortly after its October 2006 drilling, at rates of 50 mcf of gas and 1-2 barrels of oil per day**
- **Re-entry of Polecat Creek involved cleaning out to the top of the Georgetown formation, followed by drilling of a 3000-foot (915-meter) horizontal leg**
- **The well was “re-completed” through stimulation with 4,000 gallons of acid to contact new reservoirs and increase their permeability**
- **Polecat Creek is now producing 125 mcf of gas per day, with oil production of about 5 barrels a day**

# PARK CITY PROJECT, KENTUCKY

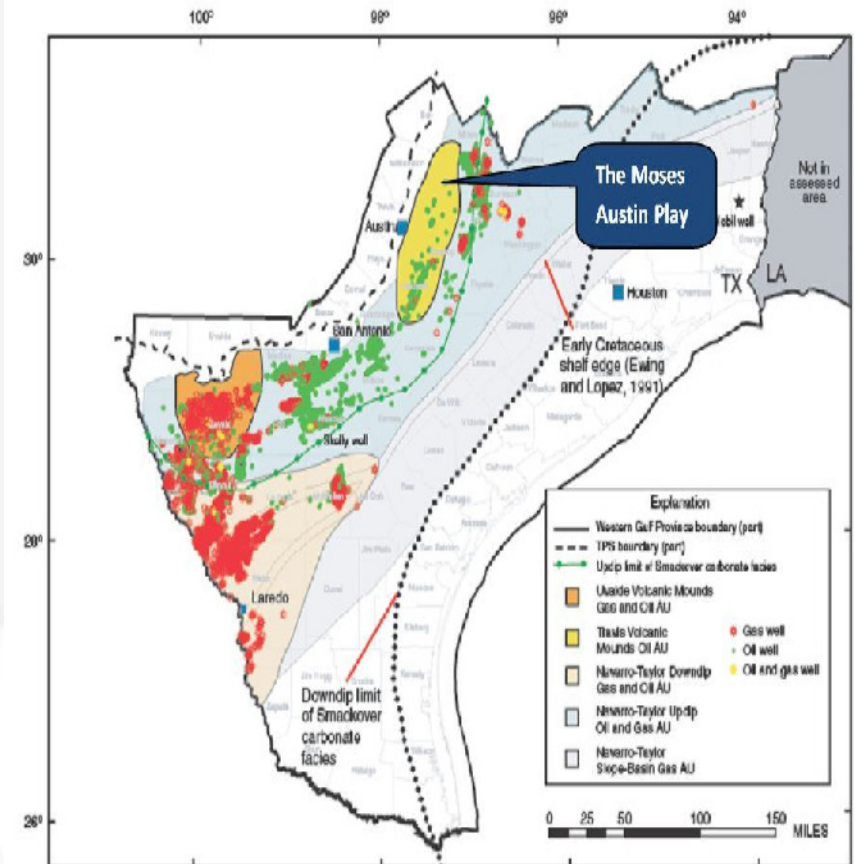
- **To date 18 wells have been drilled by Austin at Park City, with New Albany shale formations of adequate thickness to produce natural gas present in every one**
- **The project has encountered a series of delays associated with the inability of the operator, Resource Energy Technologies (RET), to complete the wells – jeopardizing Austin’s 2011 target for the completion of a five-phase 200-well drilling program**
- **Austin request for a Preliminary Injunction by the US Federal District Court, asking that RET places all revenues from the wells drilled to date into a court managed bank account is underway**
- **To date, no income from the sale of oil and gas by RET on behalf of Austin has been received by AKK.**

# MOSES AUSTIN PROJECT, TEXAS

Designed to follow the recent re-entry successes of the Apache Energy Corp. and others at the historic Giddings Field – one of the most productive fields in the US

- Targeting the Eagleford Oil Shale, Buda and Georgetown formations: gently dipping, fractured carbonate reservoirs with near-vertical fractures
- The initial lease acquired by Austin is part of a larger geographic resource play that has recently seen a significant increase in drilling activity, due in large part to technological improvements
- Low risk development of previously producing wells
- Oil and gas pipeline infrastructure easily accessible, with ample excess capacity in existing systems
- Numerous paved roads offer easy access to the field and surrounding infrastructure
- First well of the play (ODC #4) is now being drilled

## Central Texas, USA





# **GROWTH OUTLOOK**

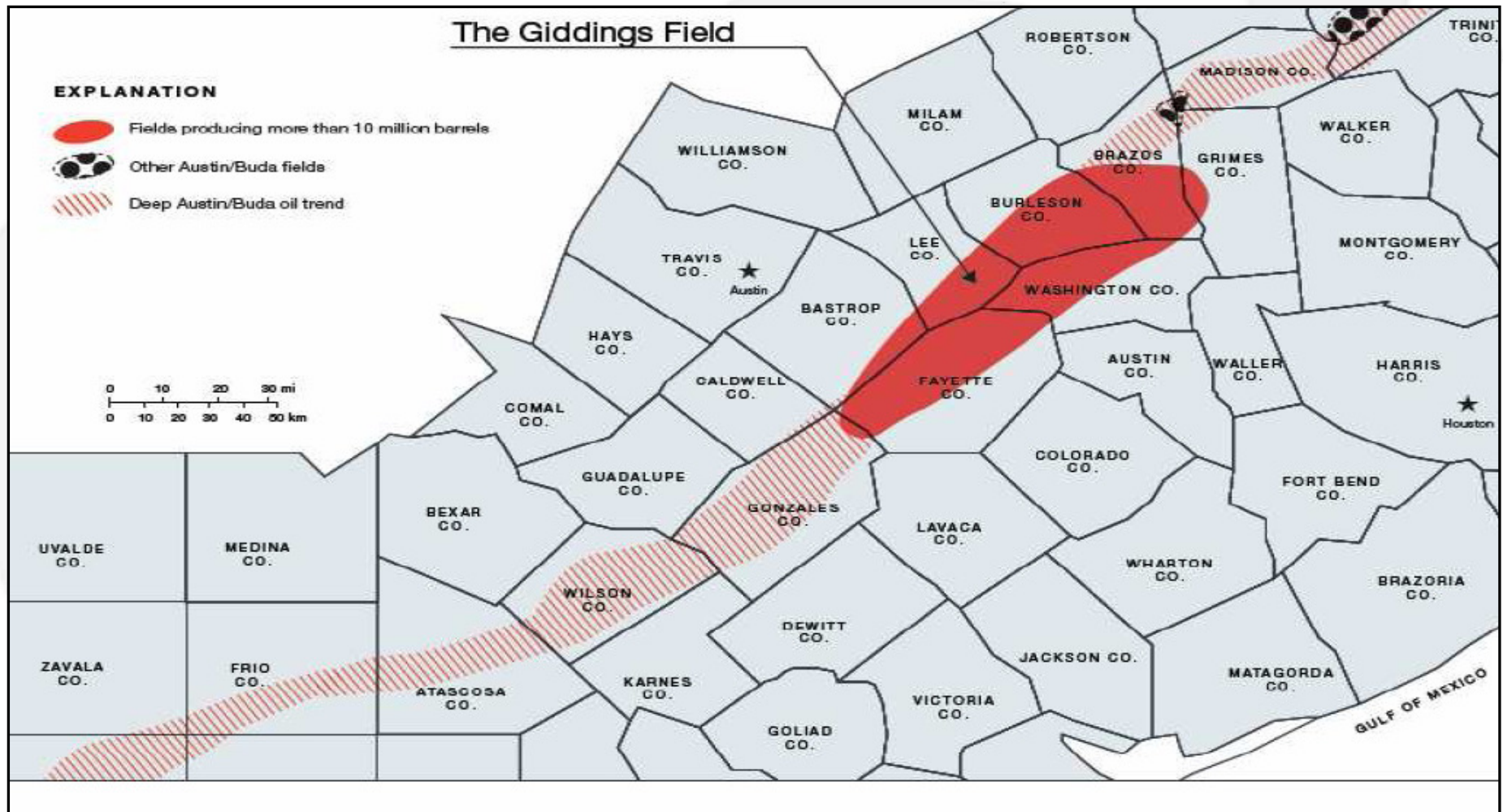
## **Opportunities and Areas of Focus**

# EXPANSION AT THE GIDDINGS FIELD, TEXAS

- **Roll out Moses Austin acquisition and development program**
  - Multiple wells similar to the ODC #4 can be leased within Austin's 40 square mile initial target area
  - Newly completed neighboring gas wells are commonly producing between 500 mcf and 1.6 MMcf of gas per day. Recently finished oil wells are often producing 50-150 barrels of oil per day
  - Typical total expenses for the re-completion of each well are expected to be between US\$750,000 and \$1,200,000
  - At the levels of production encountered at neighboring wells, initial production income for Austin from each well could be:
    - Up to US\$1,500,000 per year (using \$7 market price) for gas
    - Up to US\$1,350,000 per year (using \$60 market price) for oil

# GIDDINGS FIELD - OLD WELLS, NEW OPPORTUNITIES

Austin has identified hundreds of wells in the primary target area (marked in red) which could be re-entered and deepened by less than 1,000 feet – allowing for the penetration of deeper proven oil and gas pay zones

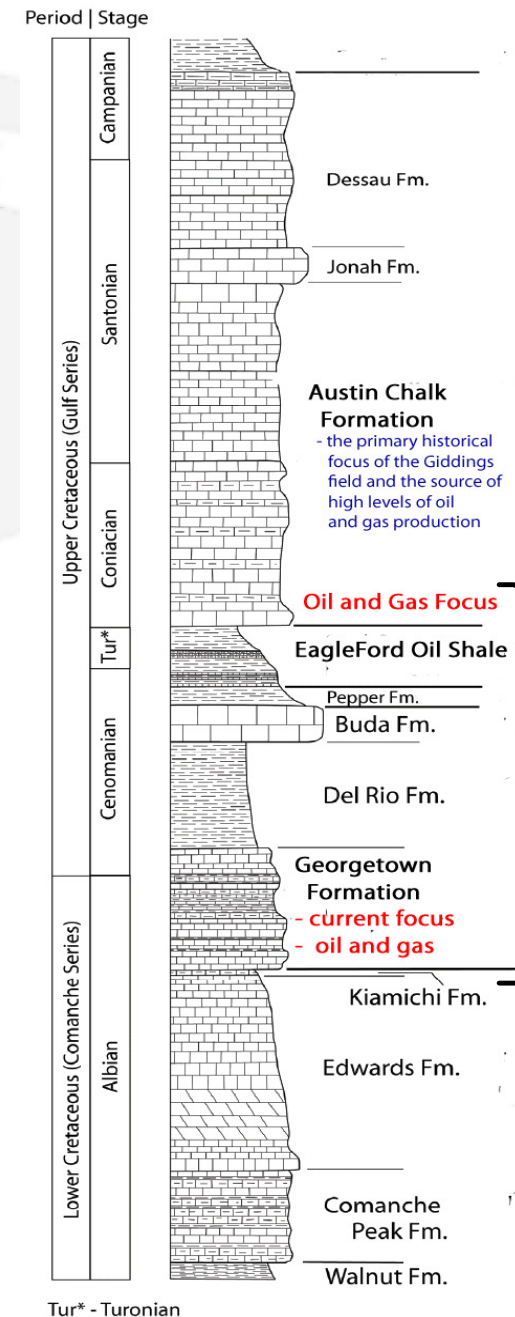
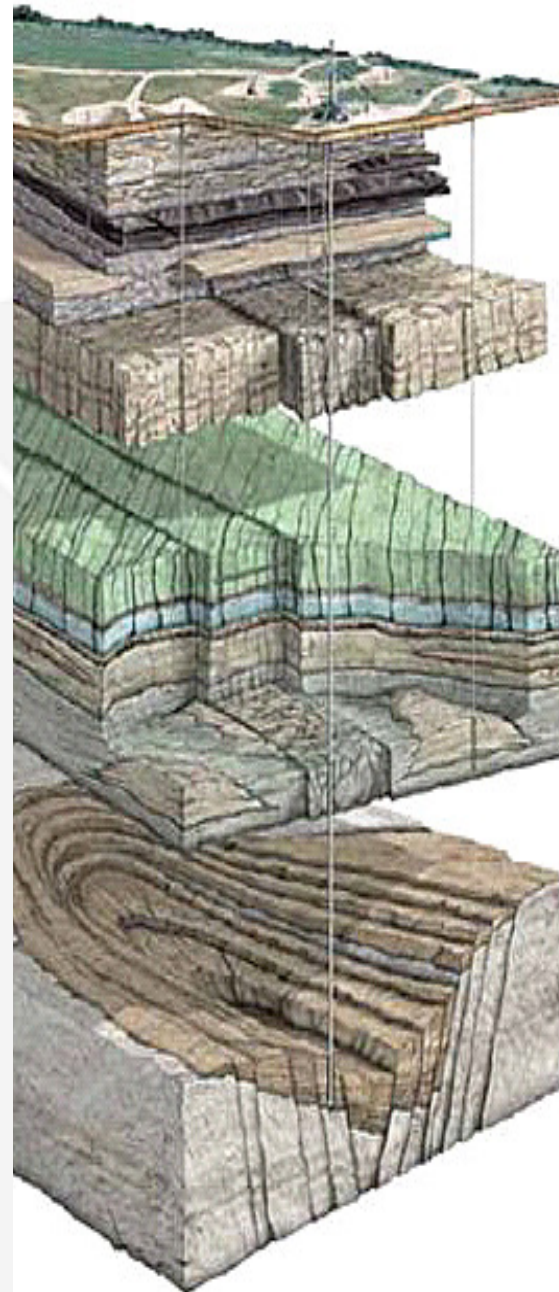


# GIDDINGS FIELD - FORMATIONS OF FOCUS

By extending the existing well bore less than 1,000 feet past the already drilled and produced Austin Chalk formations, the company can easily penetrate the proven Eagleford, Buda and Georgetown formations which contain oil and gas.

The Georgetown formation is currently producing significant amounts of natural gas at several new nearby wells.

Typical gas wells in this area produce between 500mcf and 1.6 MMcf of gas per day, while typical oil wells produce 50-150 barrels of oil per day.

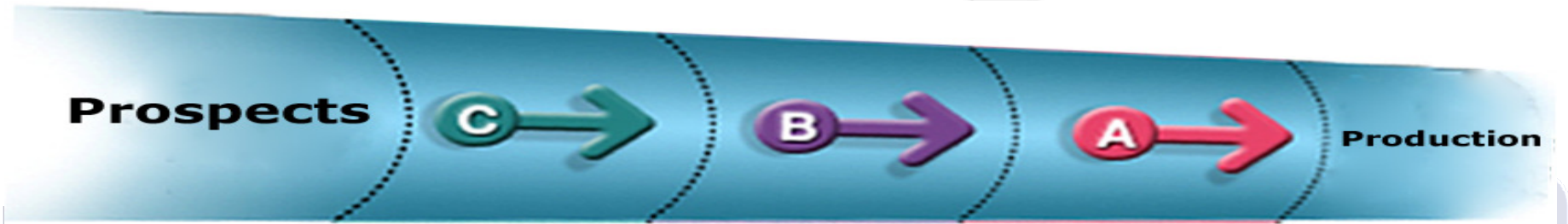




# GIDDINGS FIELD - FUTURE PROSPECTS

- **Generate a consistent flow of re-completion drilling prospects through a predetermined “profile qualification process”**
- **Designed to progress multiple well opportunities through a disciplined process that produces qualified wells for Austin to develop quickly and efficiently**
- **Qualified wells share several basic fundamentals:**
  - The process is engineering, geological and location focused
  - Specific depths and previous production
  - Can be drilled within three months of acquiring drilling rights
  - Low cost re-completion expenses in comparison to new wells.

# GIDDINGS FIELD - PROSPECT QUALIFICATION



## Research Team Analyzes Hundreds of Candidates

Confirm desired profile

Drill Depth through Austin Chalk

Previously or currently producing

Casing in place

Access to market

## Well Candidates Narrowed for Technical Review

Availability

Small drilling unit acreage available for lease

Within financial targets for lease expenses

Number of well candidates on the lease

## Physical Inspection of Location and State records

Well is easily accessible

Pad is still intact for location build out

Confirm Research results

Operator and Rig available

AFE target range acceptable \$750k - \$1.2m

## Presentations to Pre-qualified Investors

Multiple wells are put into a investment partnership

Roughly \$3M for six ODC type wells

All well candidates are ready to drill

Investment buys a NRI % in every well

No working interest exposure to investor

**SIGNIFICANT PRIVATE CAPITAL IS  
AVAILABLE IN THE UNITED STATES**

**TO DEVELOP EXISTING LEASES AND  
IDENTIFY NEW OPPORTUNITIES**

# CAPITAL RAISING BUSINESS MODEL

- Raise further equity when appropriate
- Undertake partnership venture for specific drilling programs
- Consider debt funding if balance sheet ratio allows

# CONCLUSIONS

## Short Term

- Cash position is positive for near term development needs
- Management is focused on lowering expenses and generating additional cash-flow
- If successful, the first Moses Austin well (ODC #4) is anticipated to be producing first quarter of 2009
- Polecat Creek well is now delivering an increased income stream
- Steady progress is being made at PEL 73 and 105 licences in South Australia

## Going Forward

- US private investor interests in existing prospects offer Austin new development and acquisition opportunities
- PEL 105 should see drilling activity in early calendar 2009. Drilling expenses to be covered by third parties
- Initial well success at ODC #4 will provide a foundation for increased private capital expansion and new drilling program targets
- A conclusion to the operator issues at Park City will provide AKK with additional drilling and cash-flow opportunities

# Austin Exploration Limited

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# Thank You