



**Australian Stock Exchange Announcement**

Monday 30 November 2009

The Manager  
Companies Announcements Office  
Australian Stock Exchange  
Electronic Lodgement

Dear Sir/Madam

**Chairman's Address to the Annual General Meeting**

I would like to take this opportunity, as Chairman of your company, to address you about the operations of this year just past and to indicate to you the areas in which your company is looking to direct its activities in 2009-2010.

**Operations**

***Park City – Kentucky, USA***

The year 2008-2009 has been a most challenging year for the company. At this time last year, Chairman Paul Teisseire reported a positive outcome from the investment in the oil and gas leases at Park City in Kentucky, USA with gas flowing to the ATMOS gas production facility which was nearby. Four wells had been connected to the gas processing plant at that stage.

Seventeen 17 wells had been drilled and additional drilling was planned. Based on positive reports by the operator of the field, the company was anticipating its first income from oil and gas sales.

Difficulties with the operator of the project emerged and after several unsuccessful attempts to resolve the issues Austin commenced litigation against the operator and all work was suspended. After nearly a year of court proceedings Austin was finally able to take control of the project in July of 2009 while also acquiring an additional 25% working interest.

During this same period the ATMOS gas processing plant was offline for significant periods of time and the recent large declines in worldwide oil and gas prices led to the company re-evaluating the best approach forward for this project. The new reality of \$3 per mcf gas and \$50 per barrel of oil required us to make significant adjustments to our plans and our forward looking assumptions. During this period, production was suspended until litigation was settled.

The company assembled a new team of experts and began implementing a revised approach designed to lower expenses, improve results and geologically test the remaining acreage.

Since late July 2009 the company has re-commenced a completion program at four wells that had previously tested positive for both oil and gas. Utilizing a unique set of drilling and completion techniques Austin was able to complete these wells with flows that were better than there previous flows while also achieving expense levels capable of supporting the new reality of lower hydrocarbon prices.



Since early Augusts three of the wells have been flowing oil to sales with the most recent pickup occurring November 26<sup>th</sup>. Stabilized oil flow rates have now been reached and although cumulative output from these three wells fluctuates, average daily flows are between fifteen to twenty five barrels of oil per day. These wells are also producing commercial quantities of natural gas however the gas has been shut-in while Austin awaits the re-opening of the ATMOS processing plant. This is now expected to become operational in January 2010.

The fourth of these wells will be connected as a gas only well.

During this same period the company has been acquiring additional geologically supported mineral leases and is looking to have over 2,000 total acres under its control by the time ATMOS re-opens the gas processing plant in January.

Upon the official re-opening of the gas processing plant Austin anticipates the immediate connection of all currently producing gas wells and the recompletion of the previously drilled gas rich Devonian Shale wells. All acreage currently held by Austin includes this formation.

### ***PEL 105 – Cooper Basin, South Australia***

Up until recently, Austin was party to a farmin agreement with Adelaide Energy Limited which provided for Adelaide Energy to be the operator and to earn 50% of Austin's interest by funding the first well.

However, in November 2009 Austin was able to secure a joint venture with Adelaide Energy, Adelaide Energy having completed extensive additional seismic surveys to further define the location at which the partners now intend to drill the Pirie #1 well.

The drilling of PEL 105 represents an exciting period in our company's history. The Cooper Basin region is home to many of Australia's most prolific on-shore Oil & Gas wells. Coupled with the extensive seismic work undertaken by Adelaide Energy to identify a highly prospective target, the company is encouraged with the significant opportunity this presents for our shareholders.

It is expected that a rig may be secured for drilling in the second quarter of 2010.

Park City and PEL 105 are the two areas of interest will be the early focus for development in 2010.

### **Capital Raising**

A number of smaller successful capital raisings have taken place during the year. Capital raised has primarily been used to support ongoing business development and establish a foundation to enable the company to expand its operations in oil and gas exploration and development.



In October 2009 negotiations commenced to seek a significant capital input to enable the company to further expand its exploration and development activities.

Ultimately, these negotiations led to a fully underwritten Rights Issue to existing shareholders. I am very pleased today to announce that under the 1:1 Rights Issue, the company shareholders have applied for nearly 32% of the available new shares.

I am gratified for this level of support from our existing shareholder base as we re-capitalize the company and move forward with the next level of exploration and development.

## **People**

This last year, too, has seen changes at the board level which has enabled the company to revitalize its skills at the board level.

In March 2009 Mr Paul Teisseire retired as a director to provide more support to his other business and personal interests. Paul brought invaluable legal and commercial expertise to the company during his time as a director and chairman.

In July 2009 the board appointed Mr Guy Goudy as a director, based in Sydney. Guy has formal qualifications in business studies and in the last three years was employed in the financial services sector and has been an authorized representative with a leading stock broking and financial advisory firm. His expertise has been invaluable in assisting the company through its re-capitalisation phase.

Guy Goudy was also joined on the board by Mr William Kefalianos in July 2009. William is the principal of accounting firm MMI Financial Partners Pty Ltd, based in Melbourne and his financial expertise is already bringing results for the company's financial control and planning requirements.

In August 2009, Mr David Schuette, former Managing Director of Austin left the company and Austin's wholly owned subsidiary in America, Aus-Tex Exploration Inc. Mr Guy Goudy has been appointed as director/president of Aus-Tex Exploration Inc.

Dr James Edwards continues as the company's non executive director, resident in America.

## **The Path Forward**

Austin in Australia, and its wholly owned subsidiary Aus-Tex Exploration in America are now poised to move forward with targeted operations in both countries.

The net result of the Rights Issue capital raising will see \$6.5 million deposited with the company in December 2009.

The board will stringently review its expenditure levels with a view to ensuring that exploration and development of oil and gas resources receive the financial focus.



Within the Rights Issue Prospectus, the company announced that it would focus on the following:

- Development of the Park City oil and gas operation. With initial capital input from the capital raising, the company will be looking to have Park City as a self funding operation;
- Whilst the drilling of the first well in PEL105 in the Cooper basin is to be funded by Adelaide Energy, infrastructure and completion costs to bring the well to production are to be shared by the joint venture.

The partnership also has a commitment to drill a second well following the completion of the first. Funds will be allocated to ensure that future commitments in PEL 105 can be met by the company;

- The company will also search for highly prospective exploration areas both in Australia and America, but with a view to minimize risk in what is inevitably a risky environment; and
- The company also plans, with shareholder approval, to eliminate its debt to Newtak Pty Ltd which has been incurred under a Participation Agreement related to the initial development of Park City in Kentucky USA.

## Acknowledgements

I acknowledge the considerable efforts of our small team during the year. Their commitment and dedication has been and will be pivotal in driving our business forward. I also acknowledge my fellow Board members and our company secretary for their valuable contributions during the year. We are confident about the company's potential and the opportunities we have before us.

Dominic Pellicano

**Chairman**