

# BBY Energy Conference Presentation

*September 2014*



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The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

# Executive Summary



*Focused Vertical Producer in Northern Oklahoma Mississippi Lime*

## Company Highlights – September 2014

- **Lease acreage, develop and drill vertical wells targeting the Mississippi Lime in Northern Oklahoma**
- **~8,700 net acres in Kay County with solid infrastructure**
  - Proximate nearest refinery
  - Good availability of grid power
- **~75% IRRs on wells at \$85 oil. 65K BOE estimated recoverable reserves per well at current type curve**
  - ~\$10 F&D costs and ~\$5 LOE expenses per barrel
- **Highly consistent formation to date**
  - Only 1 of ~43 producing wells determined to be uneconomic
  - ~USD\$200K of expense before dry hole determination
- **74% liquids by volume today (55% oil and 19% NGLs)**
- **\$338M of 1P PV10 in 7/14 reserve report, 19mm BOE of proved reserves based on ~8,700 acres assessed in last reserve analysis**
- **Reserves/Production ratio of 30 years; production growth expected**

## Capitalization, Liquidity and Directors

<b>Ordinary Shares (mm)</b>	<b>557.5</b>
Preferred Shares (mm)	<u>116.7</u>
<b>Total Issued Shares</b>	<b>674.5</b>
Outstanding Options	88.8
Wtd. Avg. Option Price.	\$0.17
<b>Cash on hand (8/31)</b>	<b>USD\$13M</b>

**Michael Stone,**  
Non-Executive Chairman

**Richard Adrey,**  
Managing Director

**Nick Stone,**  
Non-Executive Director

**Russell Krause,**  
Non-Executive Director

**Justin Clyne,**  
Non-Executive Director/Co. Secretary

**Field development just beginning; wells now producing in most core zones with largely comparable performance to date; team in place to ramp production**

# Accomplishments over previous 12 months

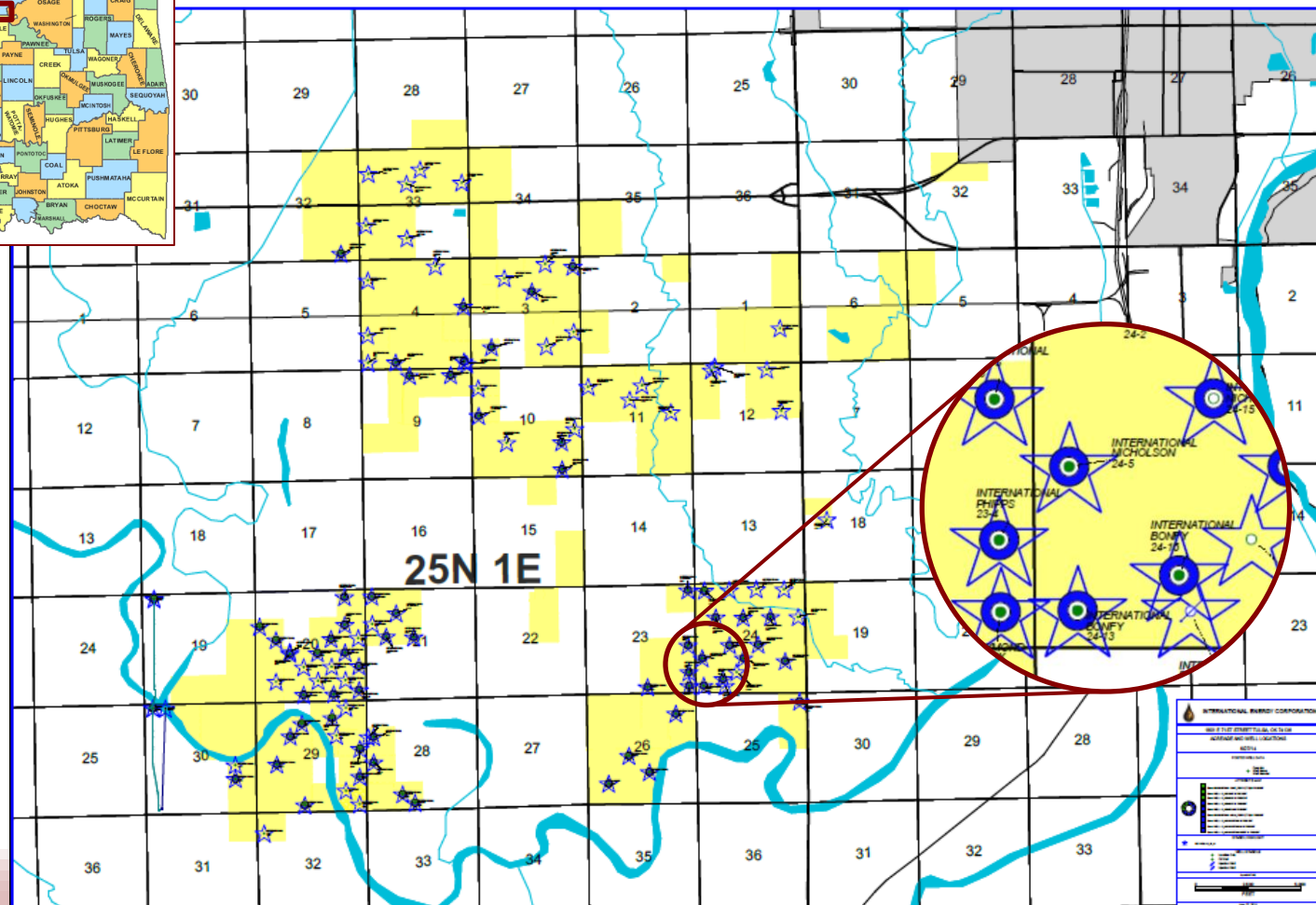
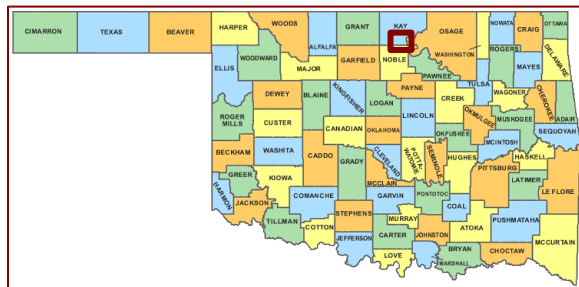
*Substantially stabilized and grown the company*

- ✓ Grown daily production by 98%
- ✓ 47 wells currently producing
- ✓ Raised ~\$25mm AUD in new equity
- ✓ Significantly upgraded reserves with \$338m of 1P PV 10
- ✓ Added ~3,200 new acres without leaving geographic footprint
- ✓ Reduced annual non US overhead expenses by ~AUD\$1mm and refocused that spend on field operations and new wells
- ✓ Significantly advanced in the construction of moderate gathering infrastructure to improve corporate flexibility in realized proceeds for our natural gas and liquids
- ✓ Successfully implemented new accounting system
- ✓ Restructuring US corporate structure in part to capitalize on US based tax incentives

**Good progress this year but much still to accomplish**

# Acreage Overview – ~8,700 acres outside Ponca City

*Just beginning the long term field development*



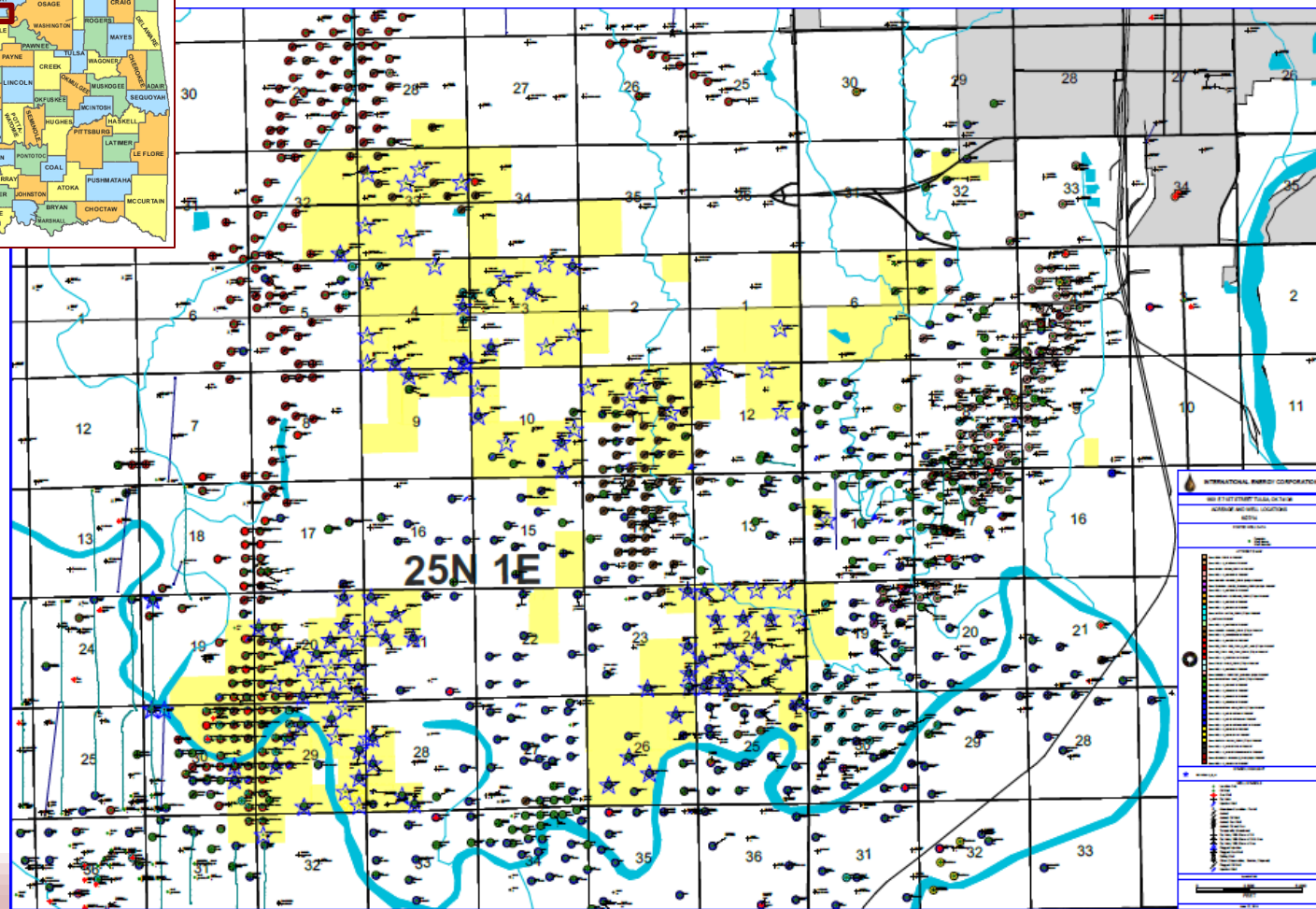
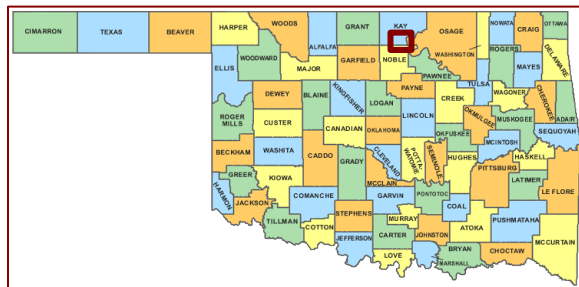
## Highlights

- Significant acreage yet to be drilled but in a concentrated area with finite geological risk
- Moving toward greater well density
- Continue to add acreage, 60% growth in last 12 months
- Acreage density and attendant market share yielding commercial benefits

**Substantial inventory of undrilled PUDs locations.  
Concentrated area with expected consistency**

# Substantial Historical Well Data

*Long history of operations in the surrounding area*



## Highlights

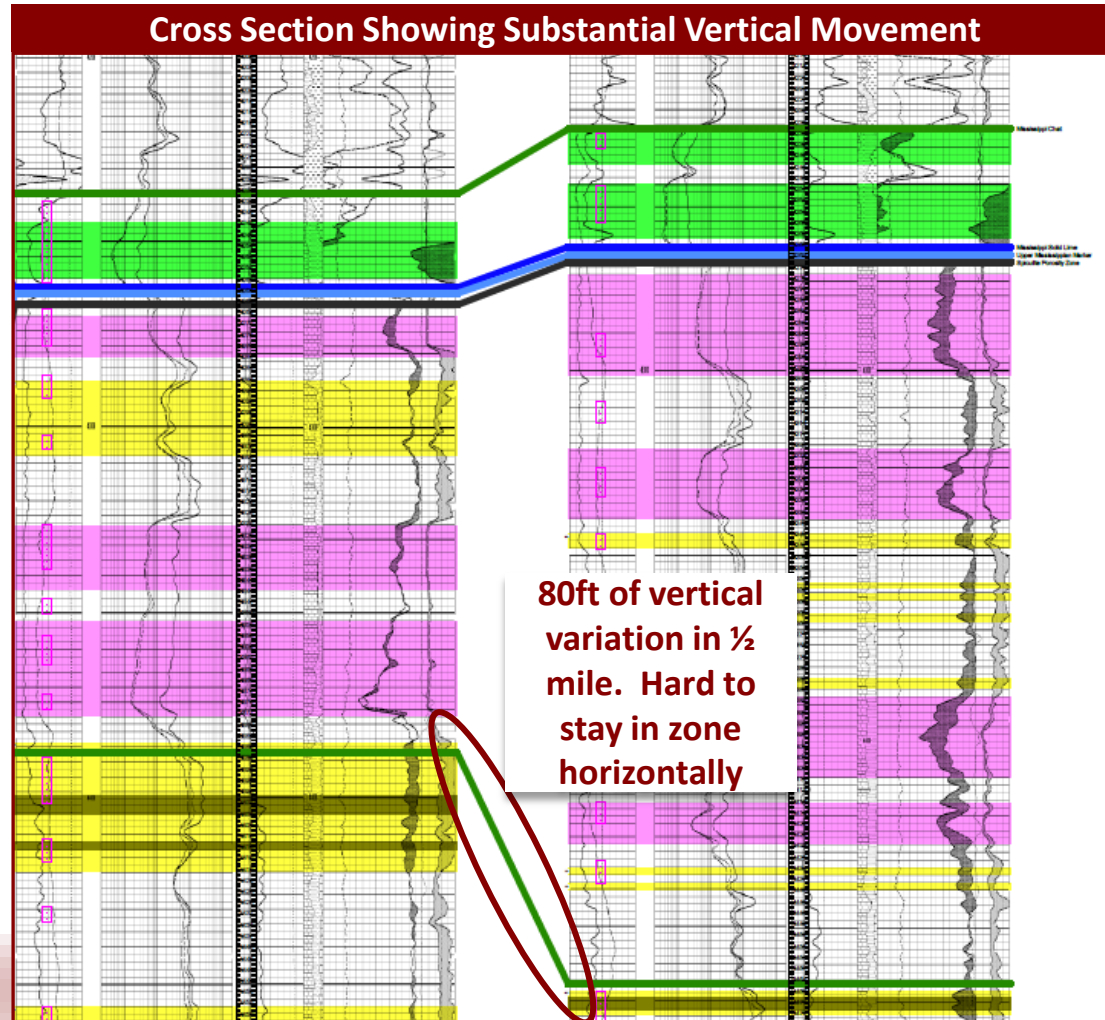
- The area has been the subject of 100+ years of exploration – drilling for oil in a well known oil field
- Technological advances make completion of the Mississippi Lime viable
- Lime largely untouched historically
- Prior activity means good availability of infrastructure in the area

**New completion techniques re-open an oily and highly productive area for substantial additional activity. No “wildcatting” here**



# Best Targeted Vertically – Large HZ Operators Leaving

*Formation is poorly suited to horizontal completion*



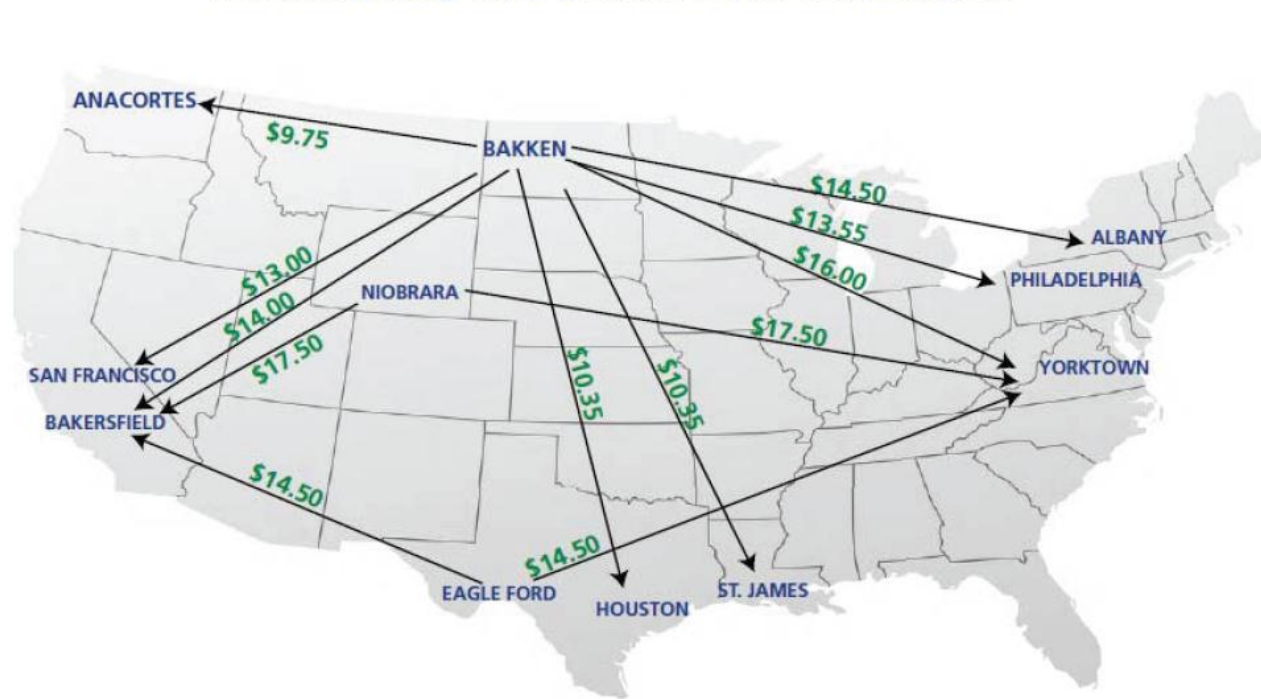
**AusTex geology delivers superior IRRs to vertical not horizontal drillers**

# Located Near Key Infrastructure

*Co-location with refinery and good gas infrastructure in the area*

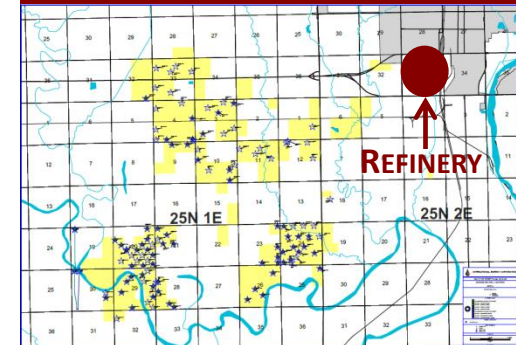
**Unlike many of the major oil plays in the US where transport is expensive...**

**Rails Transporting Crude From Mid-west to Coastal Regions**

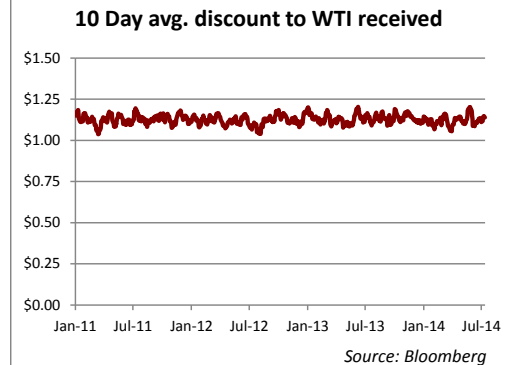


Source: Morgan Stanley Global Energy Teach In (5/14)

**...AOK is well located...**



**...and transport costs are low**



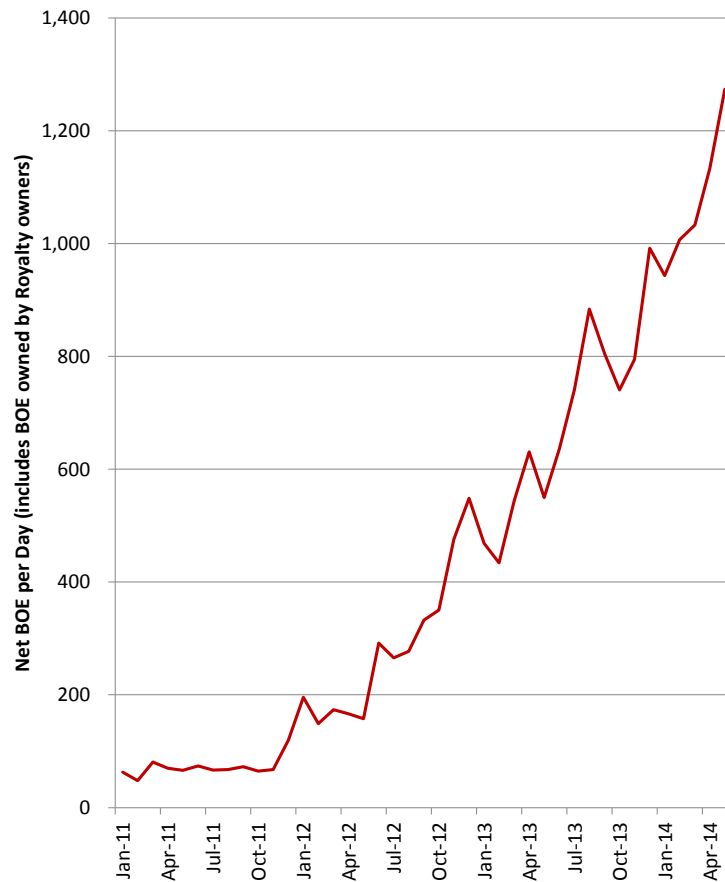
**Transport costs ~1/10<sup>th</sup> of the Bakken. Proximity to refining capacity creates permanent structural cost advantage to competitive fields**



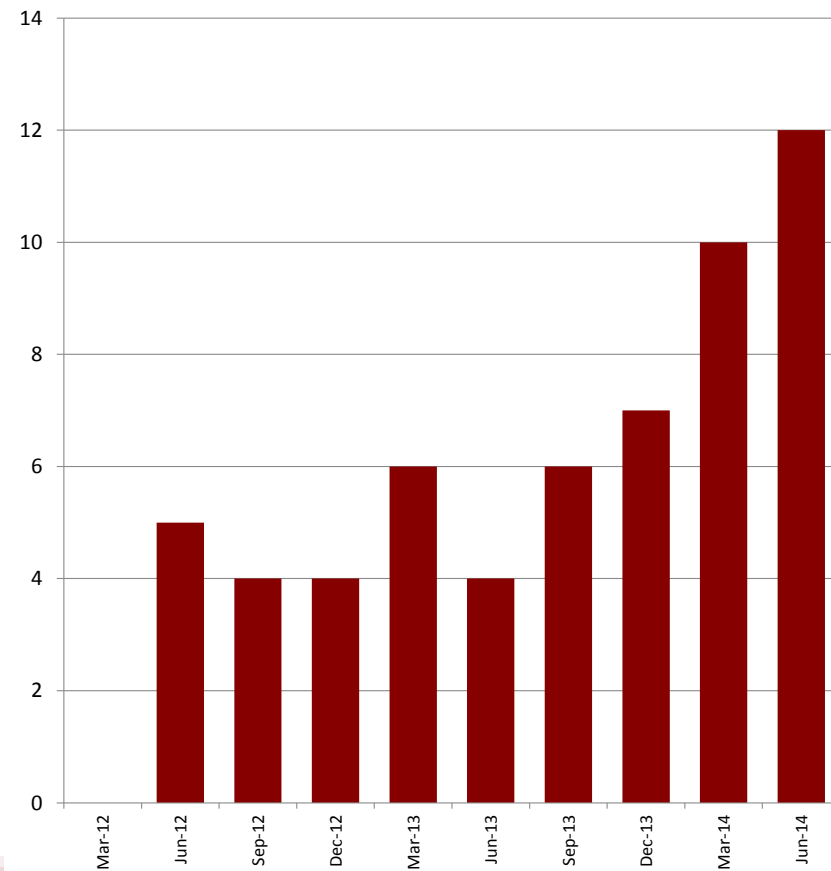
# Converting “Potential” into “Production”

*Company's activities have ramped up significantly over the last 24 months*

**Daily Gross Flowing Barrel Equivalent per Day**



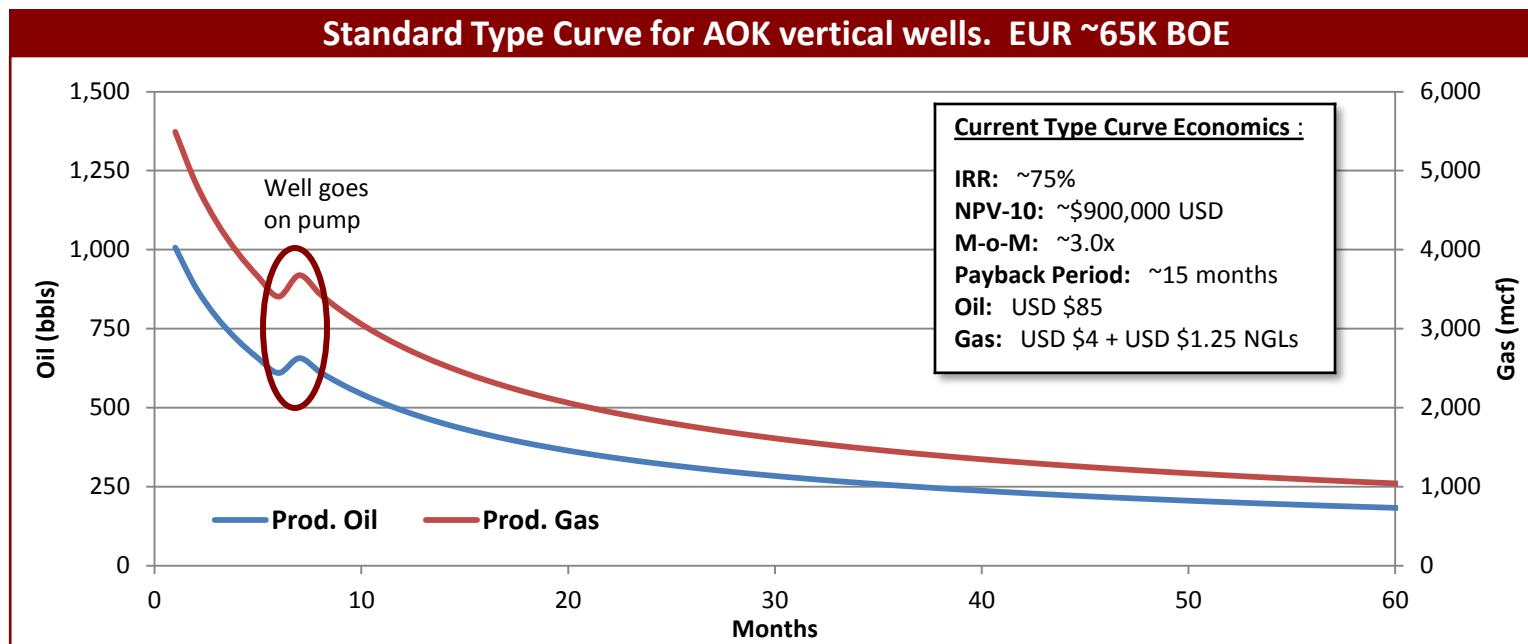
**New Wells Drilled per Quarter**



**Successfully managing growth;  
sufficiently capitalized to continue/accelerate pace**

# Compelling Returns on New Well Capital

*Given low cost to extract, returns remain attractive at oil prices much lower than today*



## Current Type Curve Economics at Varying Commodity Pricing:

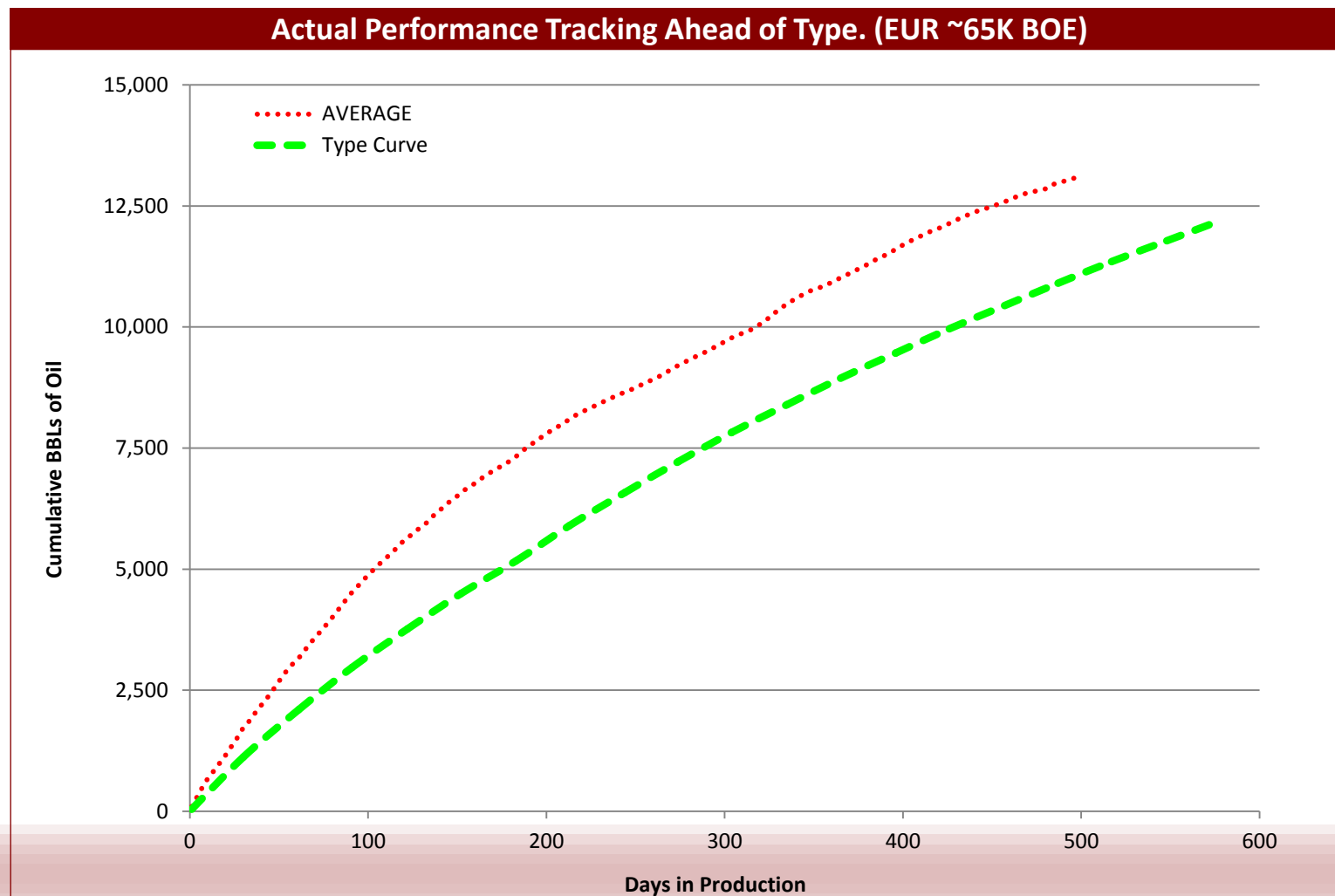
Oil Price (\$USD)	\$105	\$95	\$85	\$75	\$65	\$55
NPV-10 (\$USD)	\$1,281,000	\$1,089,000	\$896,000	\$703,000	\$510,000	\$317,000
IRR (%)	114%	94%	75%	59%	44%	31%

**NB: Impact of 10% reduction in IP on the Current Type Curve:** IRR ~ 62%, NPV-10 ~ USD \$744,000, M-o-M ~2.7x, Payback Period ~17 months

**Current type curve indicates some of the best drill bit returns on capital in the US oil field today. New wells create compelling value if they stay at the type curve**

# Type Curve Remains on Target

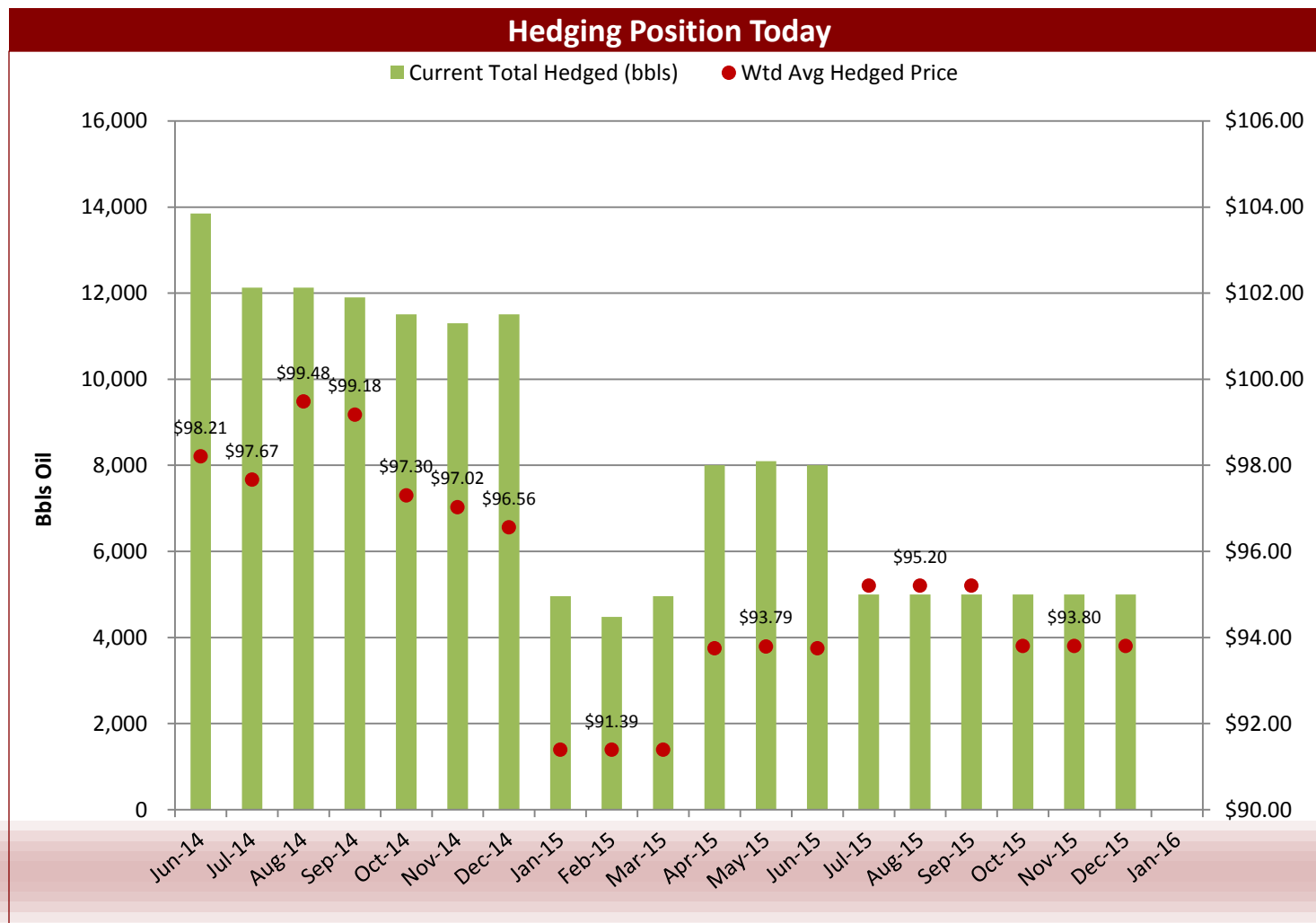
*Individual well performance registering generally ahead of type*



**Type curve continues to appear appropriately conservative,  
average performance ~20% better than type at 1 year**

# Hedging Position

*Conservatively hedging just existing production along our decline curve*



**Will hedge two years out to ensure capital return and de-risk**

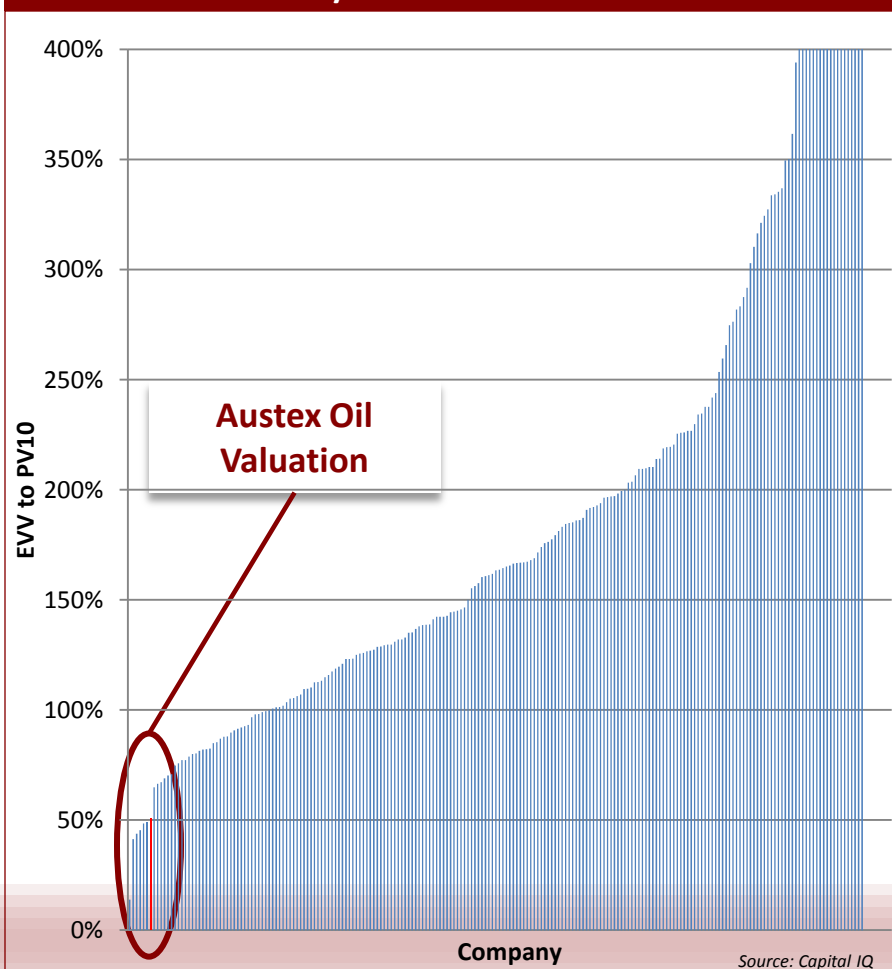
1-July-14 Reserve Report Discounted Cash Flow					
(\$000 USD)	Discount Rate				
	0%	5%	10%	15%	20%
PDP	\$72,968	\$51,467	\$41,121	\$35,073	\$31,070
PDNP	\$45,063	\$31,303	\$24,288	\$20,076	\$17,241
PUD	\$692,514	\$407,247	\$273,026	\$194,851	\$146,488
<b>Total Proved</b>	<b>\$810,545</b>	<b>\$490,017</b>	<b>\$338,436</b>	<b>\$250,000</b>	<b>\$194,799</b>
Probable	\$287,769	\$166,006	\$108,032	\$75,600	\$55,399
<b>2P</b>	<b>\$1,098,314</b>	<b>\$656,023</b>	<b>\$446,468</b>	<b>\$325,600</b>	<b>\$250,198</b>



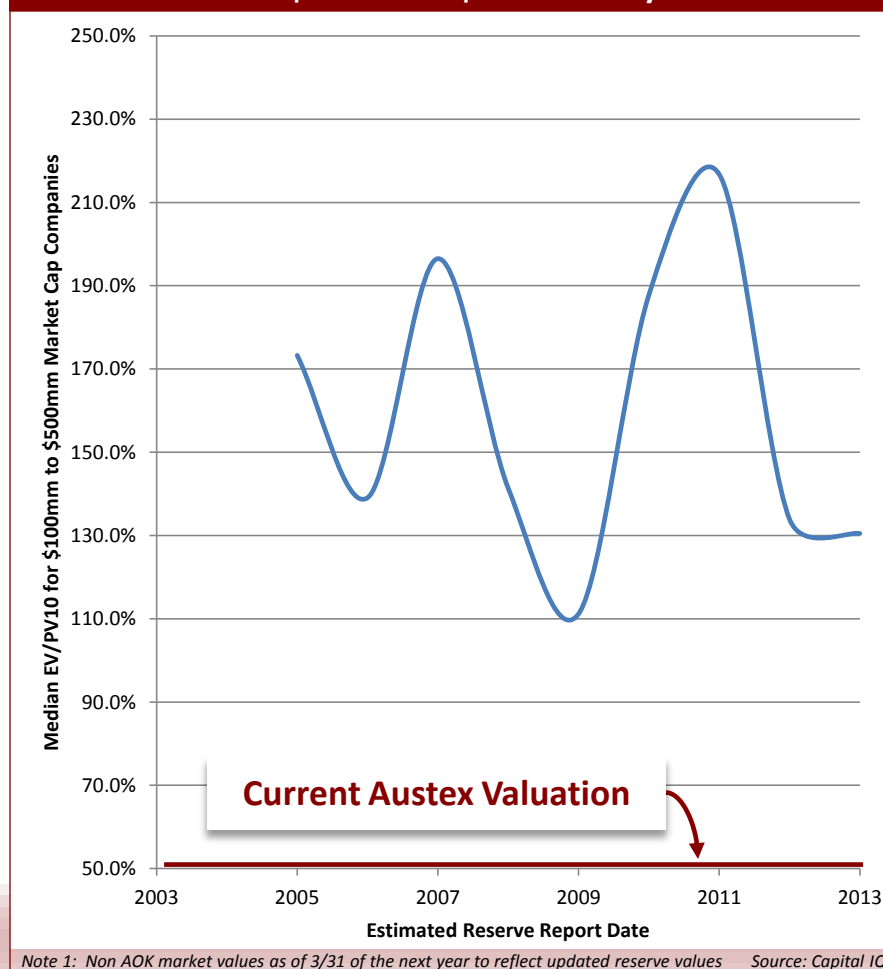
# Value of Reserves Not Yet Fully Recognized

Low relative value versus universe of 211 publicly traded E&P companies with reported PV10 statistics

Current Austex EV/PV10 Value versus E&P Universe



Median \$100MM - \$500MM EV/PV10<sup>1</sup>



**With the significant increase in drilling pace, our reserves have become much more known. One of the reasons for this discount has therefore diminished**

# Update on Goals for 2014

*Tracking slightly ahead of expectations but always more to do*

## What we said in January

- Exit 2014 with 1,600 flowing gross BOE per day (Dec'14 run rate)
  - Gross production excludes non-owned working interests but includes amounts owed in royalties and production taxes
- Reduce Australian/Public Company overhead by \$1MM per year (equivalent to almost two wells)
- Average drilling pace of roughly 3 newly drilled wells per month
  - Slower in first half of the year given the limitations imposed by the existing Convertible Note
- Improve spud to sales cycle
  - Gathering issues in the north near resolution
  - Cycle should start to improve in H2'14
- Maintain existing F&D (~\$10) and Snake River LOE (~\$5) costs

## Status Update

### ON TRACK

July result of 1,254 with many wells awaiting infrastructure

### COMPLETE

### OUTPERFORMING

### IN PROCESS

Gathering system to two sales points under construction now. Pressure relief should occur in Q3

### ON TRACK

**Making good progress. Gathering issue relief is Company's first priority.  
Drilling pace will continue while the weather is amenable**