



**Pawnee**  
Energy Limited

*To be renamed from Island Sky Australia Ltd (ASX:ISK)*

# Corporate Presentation

December 2013

# Investment Highlights: Pawnee Energy

- Leverage to quality emerging US unconventional play at the sweet spot of the development cycle, backed by first class management and Operator
- Experienced Board and Management team with a track record of value creation in the US unconventional sector
- Partnering with an experienced local Operator aligns interests and provides access to ground-floor acquisition opportunities
- Balanced portfolio of leases in Kansas and Colorado with near term development drilling and earlier stage exploration activity
- Oil focused prospects with low geological risks and strong rates of return typical of US tight oil plays
- Improving type curves for the play already being established by the Operator



Pronghorn State 16-15-48-1H wellsite in SE Colorado

# Board & Management Team

*Glenn Davis*

*Proposed Non-Executive Chairman*



- Lawyer and Company Director
- Current **Chairman of Beach Energy Limited** (market cap \$1.7B)

*Jayme McCoy*

*Proposed Non-Executive Director*



- Energy Executive with strong “in country” relationships
- **Founder and former MD of Sundance Energy Australia Limited**

*Hector Gordon*

*Proposed Non-Executive Director*



- Petroleum geologist
- **Chief Operating Officer and Director of Cooper Energy** and previously **MD of Somerton Energy** and **Executive Director / COO at Beach Energy**

*Oliver Foster*

*Proposed Non-Executive Director*



- Private energy/finance consultant and former petroleum geologist
- **Previously Head of Oil & Gas Research at Euroz Securities Limited**

*David Lindh, OAM*

*Current Non-Executive Director*



- Lawyer and Company Director
- Current **Chairman of Island Sky Australia** and a **Non-Executive Director of Bass Strait Oil Company**

*Neil Young*

*Proposed CEO*

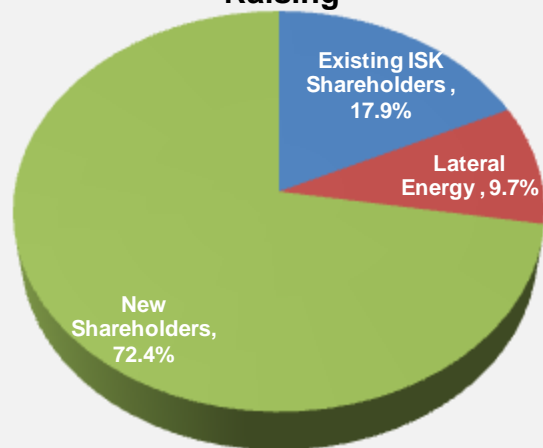


- Experienced energy executive
- Formerly with **Santos Limited, AO Energy Limited** and **Adelaide Energy Limited**

# Corporate Summary – Proposed Capital Raising

- Pawnee Energy will raise circa \$6M via the issue of 30M shares at \$0.20 per share (with provision to accept oversubscriptions for a further \$2M)
- Post consolidation and raising shares on issue of 41.4M
- Pro-forma market cap of \$8.3M (at \$0.20 per share)
- Proceeds from the raising to be used to fund the transaction, drilling and seismic costs, new acreage opportunities and general working capital expenses
- Bonus option issue of 1 option for every 2 ordinary shares held on 3 March 2014 announced

## Indicative Shareholder Structure Post Consolidation & Raising



## Capital Structure Post Consolidation and Offer

Ordinary Shares	41,428,252
Options (exercisable at \$0.25 - \$20)	8,963,107
Market Cap (at \$0.20 per share)	8,285,650
Funds Raised Under Prospectus	6,000,000

## Indicative Use of Funds

Lease Costs	1,500,000
Further Leasing, G&G & Drilling	2,500,000
General Working Capital	1,000,000
Cost of Issue & Re-compliance	1,000,000

See Appendix 1 for more details

# Indicative Transaction Timetable

<b>Event</b>	<b>Date</b>
Suspension of the Company's securities from trading on the ASX at the opening of trading	21 November 2013
General meeting approved change in nature and scale of activities	21 November 2013
Prospectus lodged with ASIC	27 November 2013
Opening date of Offer	28 November 2013
Closing Date of Offer	16 December 2013
Estimated date for re-compliance with ASX listing requirements	19 December 2013
Record Date to determine entitlements to participate in the Bonus Issue	3 March 2014

Note: Other than the Record Date, the timetable is indicative only and subject to change.





# Partnering with Experienced Operator

## McElvain Energy, Inc ('McElvain'):

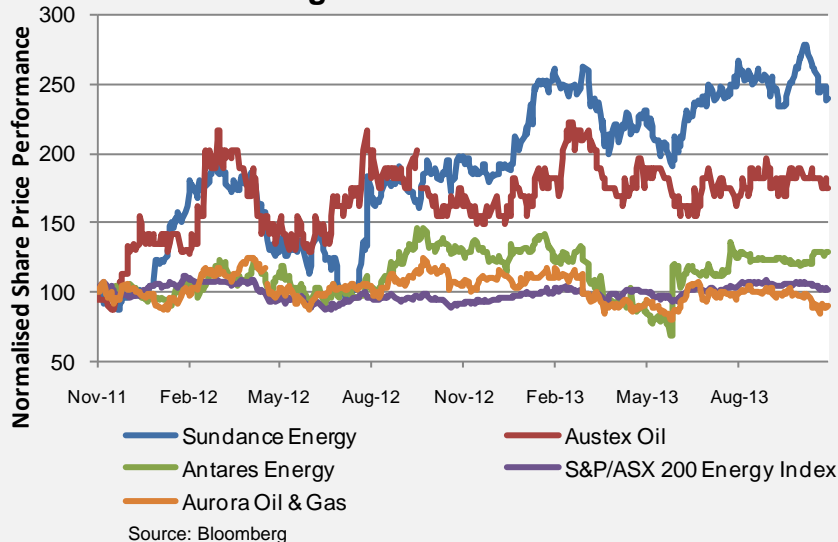
- Is a Denver based private company that has been controlled by the same family for four generations since it started in the oil and gas industry in the 1920s
- Has interests in >4,000 wells and operates ~250 wells
- Has reserves of >10mm boe and daily production of ~4,600 boe
- Is strategically focused on the Rockies/Mid-continent area, with assets in 5 States
- Has been rated by the *Oil and Gas Financial Journal* as one of the nation's top private oil and gas companies
- Is well known to the Board and has worked previously as the Operator for ASX listed companies
- McElvain will be the Operator of all the leases being acquired



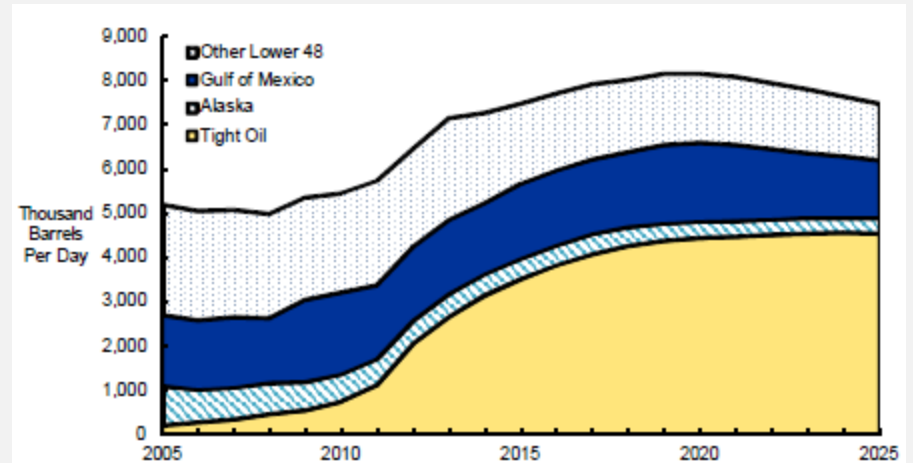
# Unconventional Resource Plays

- US unconventional oil and gas plays have revolutionised the world oil and gas industry and energy commodity markets in recent years
- Plays have targeted the liberation of oil and gas from low permeability source rocks through horizontal drilling and fracture stimulation
- Different plays have emerged over recent years, originally in gas basins in Texas and then in oilier plays such as the Bakken and Eagle Ford
- Investors (including those in ASX companies) have reaped strong returns from these plays, which have attractive risk (few dry holes) and return (high IRR and quick payback) characteristics

### Strong Sector Performance



### US Crude Oil Production Outlook



Source: IHS CERA, 18 June 2013 Presentation



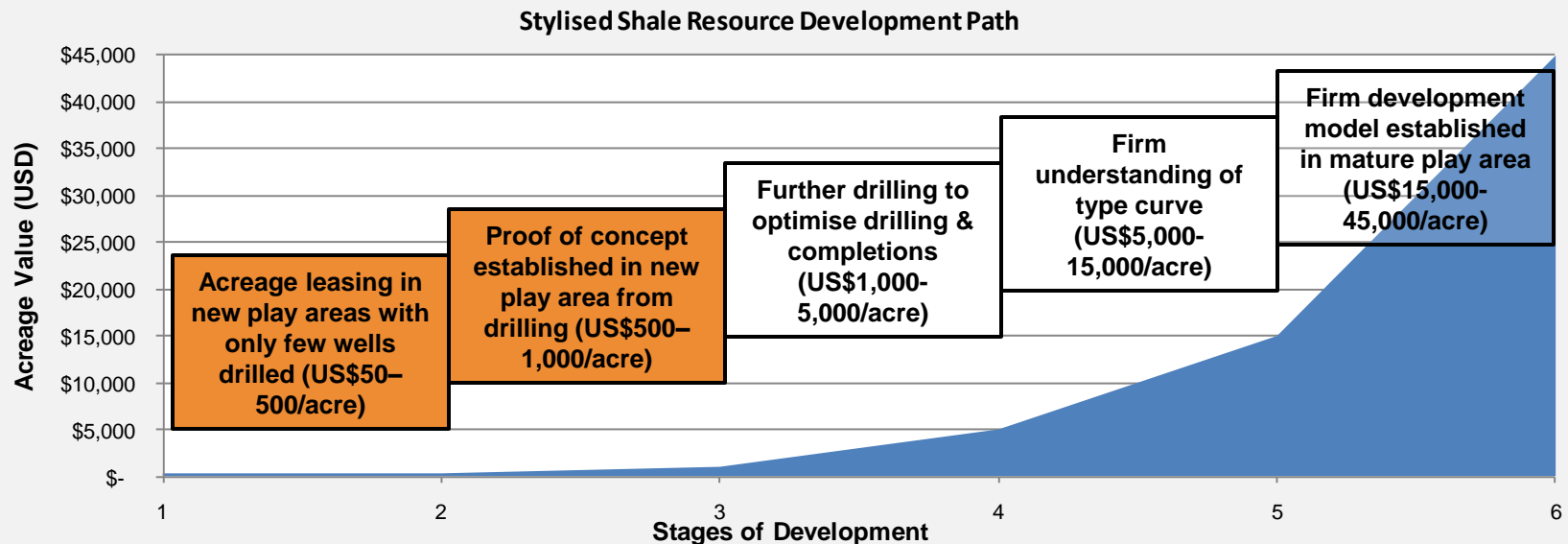
# Proven Relationship & Track Record

- Jayme McCoy was the founder of Sundance Energy (ASX:SEA) and Managing Director from listing through until May 2011
- Sundance Energy was listed on the ASX in April 2005 with a market cap of \$16M and currently has a market cap of \$470M
- During this time Sundance Energy established a track record of acquiring early stage acreage plays and selling down its interest as the play matured to lock in attractive returns on investments including:

Prospect	Basin	Divested	Comments
Ashland Prospect (Woodford Shale)	Oklahoma	Late 2007	78% IRR
Phoenix Propsect (Bakken Shale)	Williston	Mid 2009	435% IRR after acquiring acreage in 2007
Twister Prospect (Niobrara Shale)	DJ	Mid 2010	250% IRR after acquiring acreage in 2008/09
Bull Canyon/Silo (Niobrara Shale)	DJ	Late 2010	186% IRR after acquiring acreage in 2008/09
South Antelope (Bakken Shale)	Williston	Mid 2012	75% IRR after acquiring acreage in 2007

# Pawnee Energy's Strategy

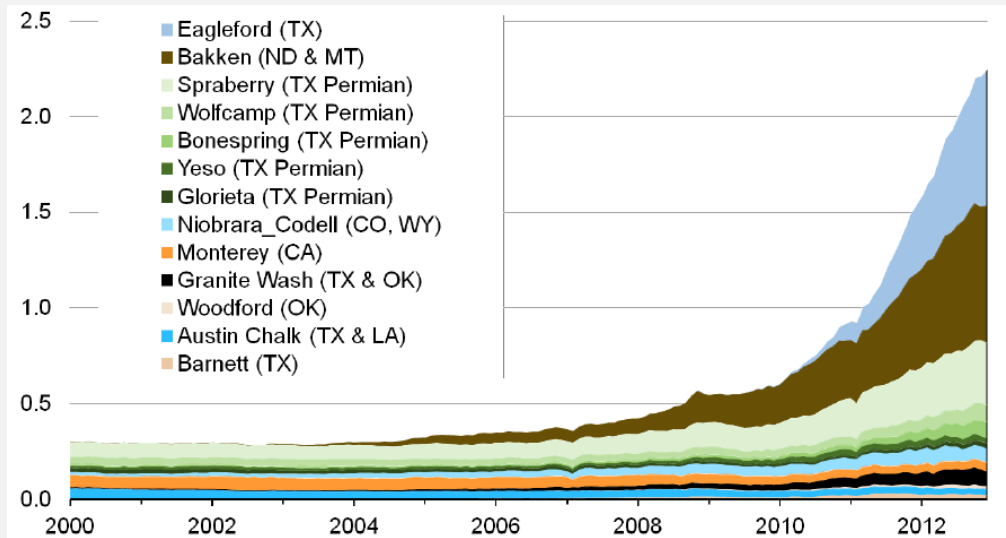
- Early entry into onshore US tight oil resource plays, in areas with excellent oil and gas infrastructure, that provide the ability to quickly enter production, generate positive cash flow and expand play areas
- Partnering with experienced Operator to leverage operational experience, minimise expenses and avoid Operatorship deal premiums
- Monetise assets as play areas mature and seek value accretive acquisition opportunities to complement organic growth
- Utilise conservative funding strategies to maximise shareholder returns
- Board has a proven track record in executing this business model



# Seed Asset Selection

- Global tight oil (and gas) production is currently all in the US and this is expected to continue to be the case in coming years
- >80% of tight oil production in the US comes from the Bakken, Eagle Ford and Permian
- Junior companies now have few opportunities to add value in these plays as they have matured and become well known large scale manufacturing operations
- Pawnee is focused on acquiring acreage in the emerging areas where acreage can be acquired cheaply, concepts proven, reserves established and assets on-sold as the play area matures
- Tight oil plays work in areas of historic oil production (such as Kansas and Colorado)
- This is an area that Pawnee has a competitive advantage working in due to existing relationships and prior experience in the region

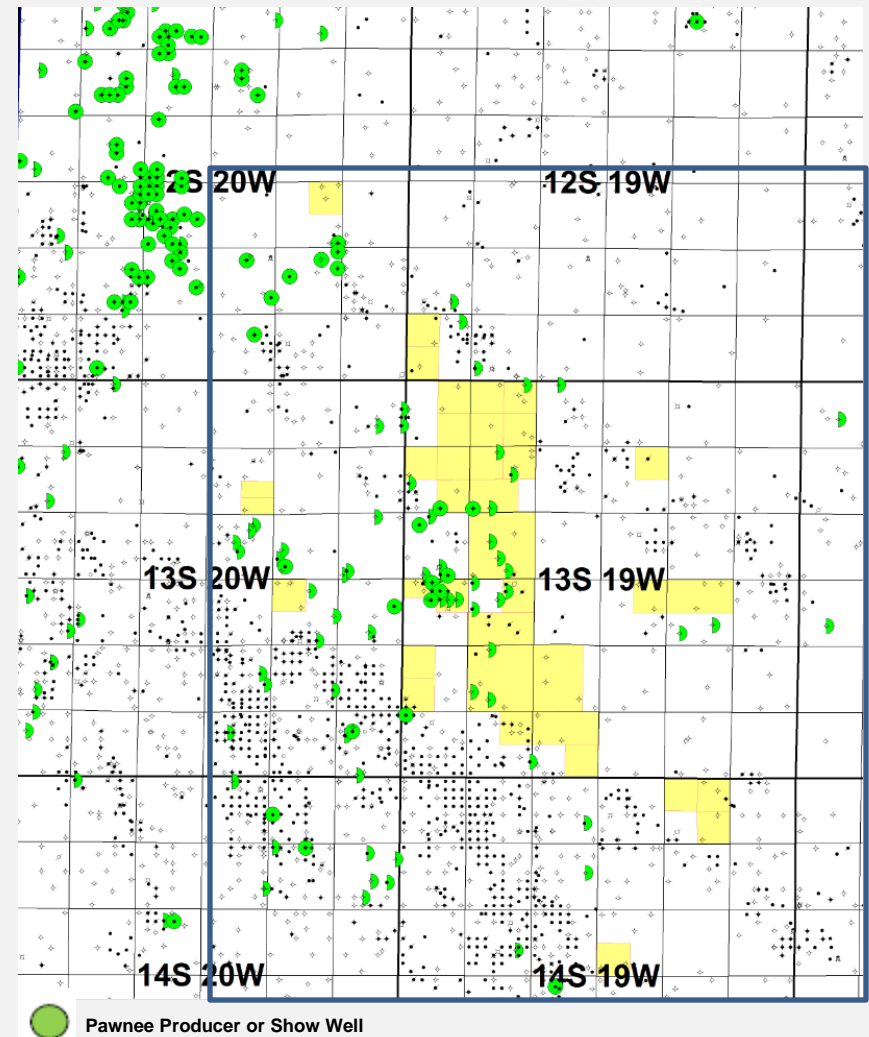
**Tight Oil Production For Select Plays (MMbbl/d)**



Source: Outlook for shale gas and tight oil development in the US, Adam Sieminski

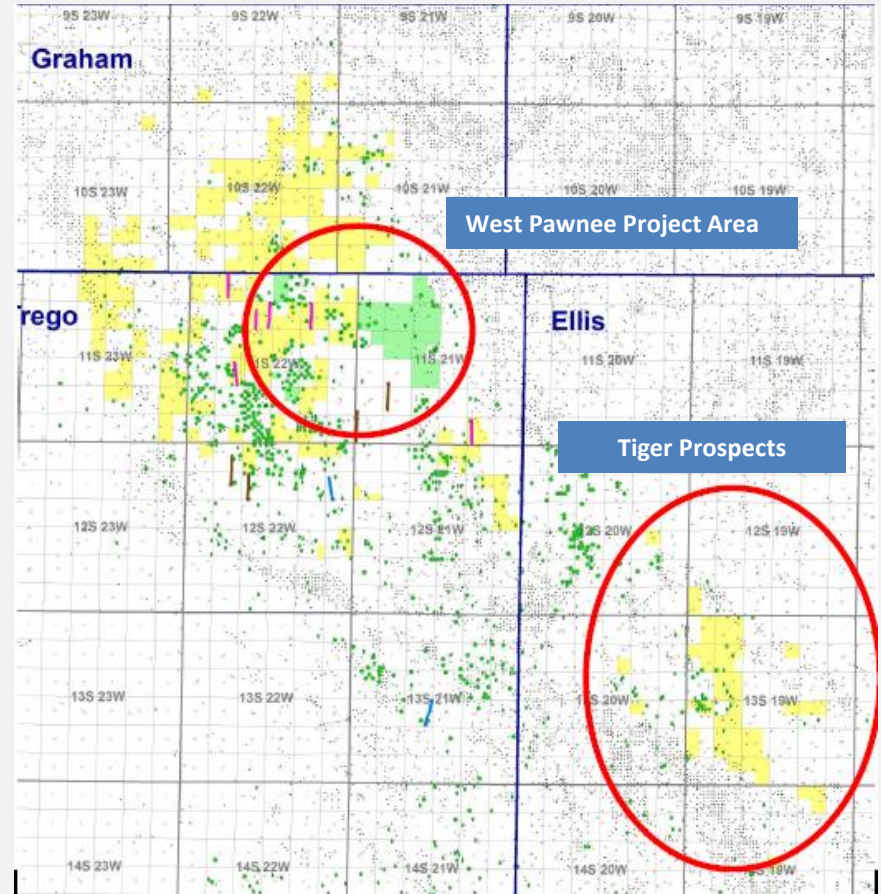
# Tiger Leases

- Located in an emerging oil resource play on the western edge of the Central Kansas Uplift in Ellis County
- Agreement to buy a 25% WI (78% NRI) in 7,525 gross acres for US\$500/acre (US\$100k deposit paid)
- Operator intends to acquire 3D seismic in the first quarter of 2014 to identify targets for drilling in mid 2014 (or earlier)
- Drilling activity will primarily be targeting the Pennsylvanian aged Pawnee Formation with horizontal drilling and fracture stimulation
- Several secondary objectives including Lansing/Kansas City formations to be completed vertically



# West Pawnee Option Agreement

- Located nearby to the Tiger leases in Trego County
- Option to acquire a 25% WI (76% NRI) in ~4,378 gross acres for US\$500/acre
- Option expected to be exercised in late December
- Acreage covered by high quality 3D seismic
- Drilling activity is planned to commence in the June quarter of 2014
- Drilling activity is planned to primarily target the Pennsylvanian aged Pawnee formation from horizontal completion
- Operator has already drilled 6 horizontal/fracture stimulated wells in adjacent leases



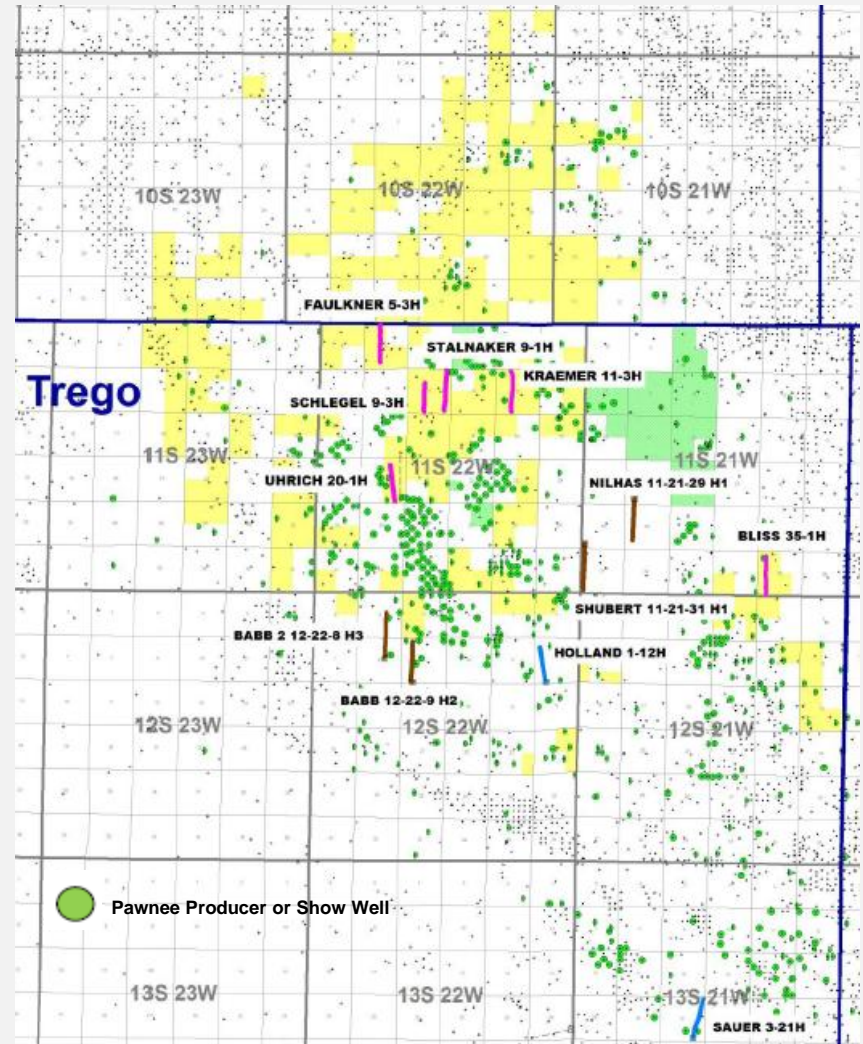
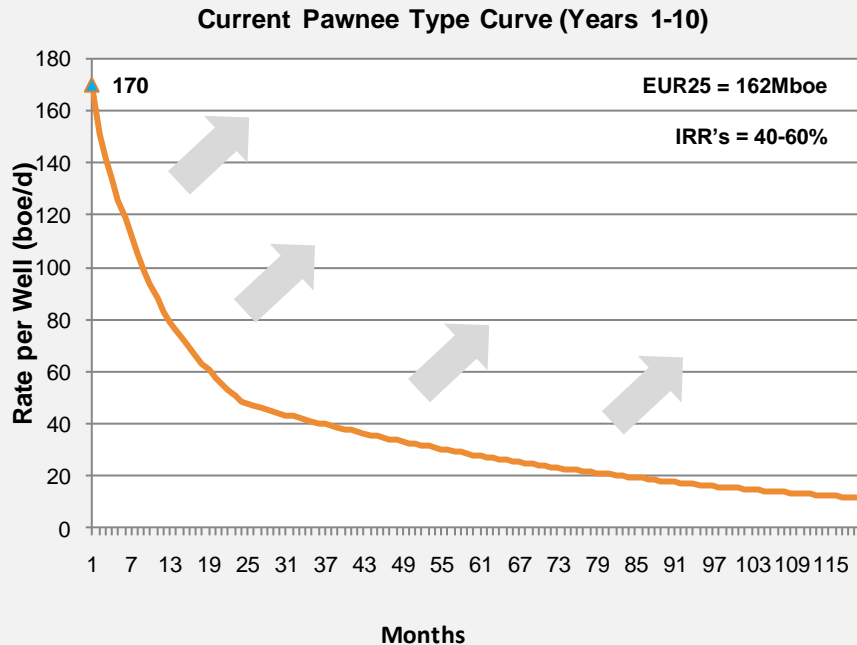


# Pawnee Formation Horizontal Drilling Activity

Recent horizontal drilling activity in the Pawnee Formation:

- 6 horizontal wells drilled by McElvain (magenta)
- 4 horizontal wells drilled by Sam Gary Jr (brown)
- 2 horizontal wells drilled by MidCon (blue)

Type curve improving from ongoing drilling activity

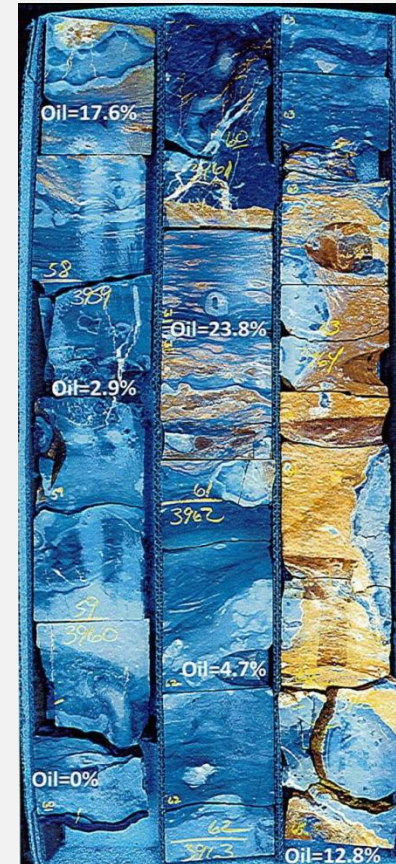




# Pawnee Technical Comparison

Pawnee well productivity improving and moving up to high quality well established oil plays

	Pawnee	Eagle Ford (oil)	Bakken
<b>Depth</b>	3,000 - 5,000'	6,000 - 8,000'	7,000 - 11,000'
<b>Reservoir storage capacity</b>			
Thickness	20-35'	75 - 300'	< 150'
Porosity	10 - 18%	4 - 15%	8 - 12%
Water saturation (Sw)	30 - 45%	15 - 45%	15 - 25%
OOIP per section	4 - 5 mmbo	30 - 50 mmboe	10 - 15 mmboe
<b>Reservoir production potential</b>			
Absolute permeability	< 0.1 mD on Average	< 0.1 mD	< 0.1 mD
Water saturation (Sw)	30 - 45%	15 - 45%	15 - 25%
Reservoir pressure	0.3 - 0.4 psi/ft	0.5 - 0.8 psi/ft	0.5 - 0.7 psi/ft
Gas-oil-ratio (GOR)	100	500 - 2,000	500 - 1,000
Frac'cability of rock	Mod. Fraccable	Brittle, fracs easy	Brittle, fracs easy
Lithology	Chert/Ls	Calcerous shale	Dolomite silt
Clay content	8%	8 - 11%	5 - 10%
IP Horizontal Well	170+ boe/d	750 - 1,000 boe/d	500 - 1,000 boe/d
<b>Summary</b>			
Average Well Cost	3.5 (US\$M)	9 (US\$M)	9 (US\$M)
IP (boe/d) / Well Cost (US\$) Metric	49	97	83
Average Acreage Costs	500 (US\$)	10,000 - 40,000 (US\$)	10,000 - 40,000 (US\$)

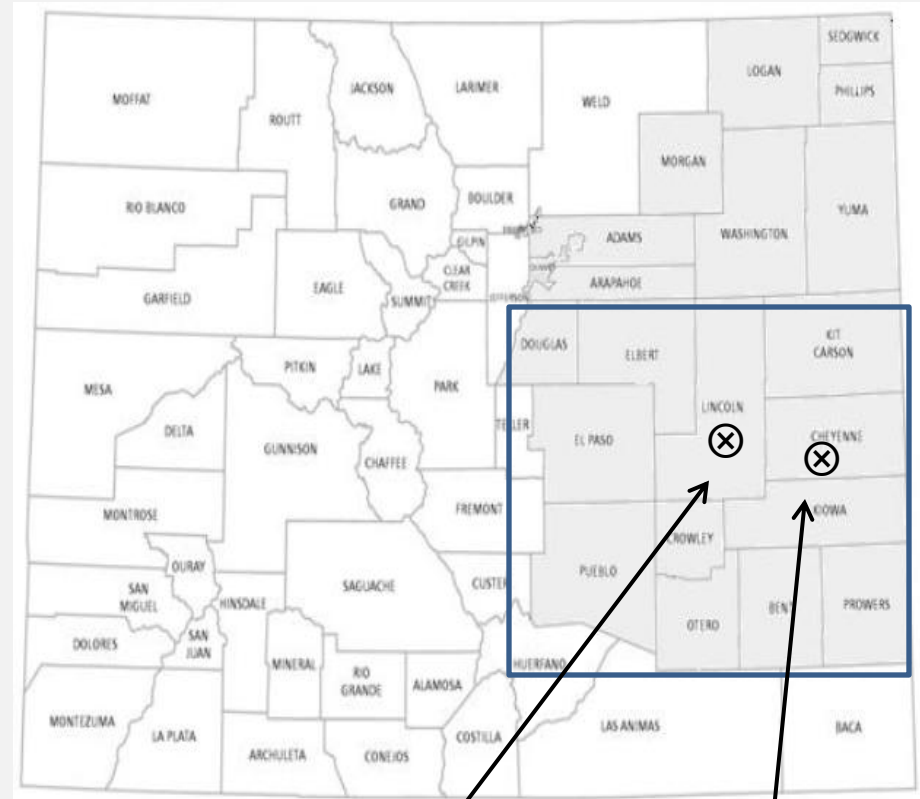


**Pawnee Core**

Mixed oil fluorescence (yellowish-brown) and mineral fluorescence (pale blue to dark blue)

# SE Colorado Exploration Agreement

- Agreement to jointly lease acreage on ground floor terms in an emerging tight oil play in Colorado
- Plan to secure acreage cheaply and shoot 3D seismic to firm up drill targets
- Drilling to target Pennsylvanian and Mississippian aged formations similar to Kansas leases
- Exploration agreement covers activity in the 21 counties highlighted with initial leasing activity to be focused in the box shown
- Activity/interest in the area has been heightened as the result of the Chesapeake Pronghorn State 16-15-48-1H well which reportedly flowed 2,000bopd from a Mississippian aged formation in Cheyenne County



Nighthawk Energy plc Arikaree Creek Oil Field

Pronghorn State 16-15-48-1H

# Planned Activity

## Active work program planned with near term production potential

Activity					
Quarter Ending	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15
<b>Tiger Leases</b>					
Purchase (in Dec 13 Qtr)					
3D Seismic					
Reserves Report					
Vertical Wells Drilled		1	1		
Horizontal Wells Drilled			1*	1	2
<b>West Pawnee Leases</b>					
Purchase (Exercise of Option in Dec 13 Qtr)					
Reserves Report					
3D Seismic (Already Covered)					
Vertical Wells Drilled					
Horizontal Wells Drilled		1*	1	1	1
<b>SE Colorado Leases</b>					
Leasing					
3D Seismic					
Vertical Wells Drilled				2	
Horizontal Wells Drilled				1	2
<b>Total Wells Drilled</b>	0	3	3	5	5
<b>Cumulative Wells Drilled</b>	0	3	6	11	16
<b>Net Forecast Production (Average bopd)</b>	0	62	118	256	455

\* Horizontal commitment wells

Note: Activity levels and timing are subject to JV and government approvals, rig and services availability and cash flow from operations and financing.

# Why Invest?

- ✓ Ground floor entry into emerging, highly prospective tight oil plays in Kansas and Colorado
- ✓ Board and management team with proven track record of adding value through origination and development of US unconventional plays
- ✓ Partnering with an experienced Operator allows the Company to benefit from access to deal flow and strong technical capability
- ✓ Operator has already de-risked the Kansas play geologically and its improving well performances support strong economic returns
- ✓ Strong development pipeline and news flow
- ✓ Incoming investors to Pawnee Energy are participating with current shareholders on ground floor terms
- ✓ Positioned for price re-rating in the short term

# Appendix 1 - Indicative Capital Structure and Use of Funds

## Current Capital Structure - Post Consolidation

Current Shares on Issue*	7,428,252
Current Options on Issue (Exercisable at \$0.25 - \$20.0)	963,107
Last Price	0.200

\* Assuming Second Placement Approved at General Meeting on 21/11 has occurred

## Securities Issued

Issue Price	0.200
Shares Offered Under Prospectus	30,000,000
<b>Funds Raised from Offer</b>	<b>6,000,000</b>
Placement of Shares to Lateral Energy	4,000,000
Options to be Issued (Exercisable at \$0.25 - \$0.40)	8,000,000

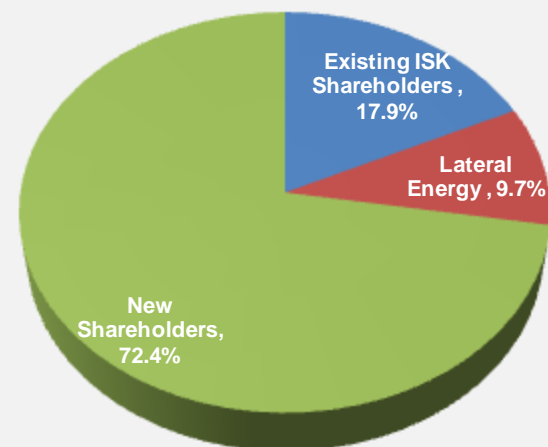
## Capital Structure Post Consolidation and Offer

Ordinary Shares	41,428,252
Options (exercisable at \$0.25 - \$20)	8,963,107
Market Cap (at \$0.20 per share)	8,285,650
Enterprise Value	2,285,650

## Bonus Option Issue

Bonus Loyalty Options to be Issued (Exercisable at \$0.25)	20,714,126
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## Indicative Shareholder Structure Post Consolidation and Raising



## Indicative Use of Funds

Amount Raised	6,000,000
Less Lease Costs	1,500,000
Less Further Leasing, G&G & Drilling	2,500,000
Less General Working Capital	1,000,000
Less Cost of Issue & Re-compliance	1,000,000

# Appendix 2 - Lease Summary

## Low cost acreage acquisitions with attractive initial production rates

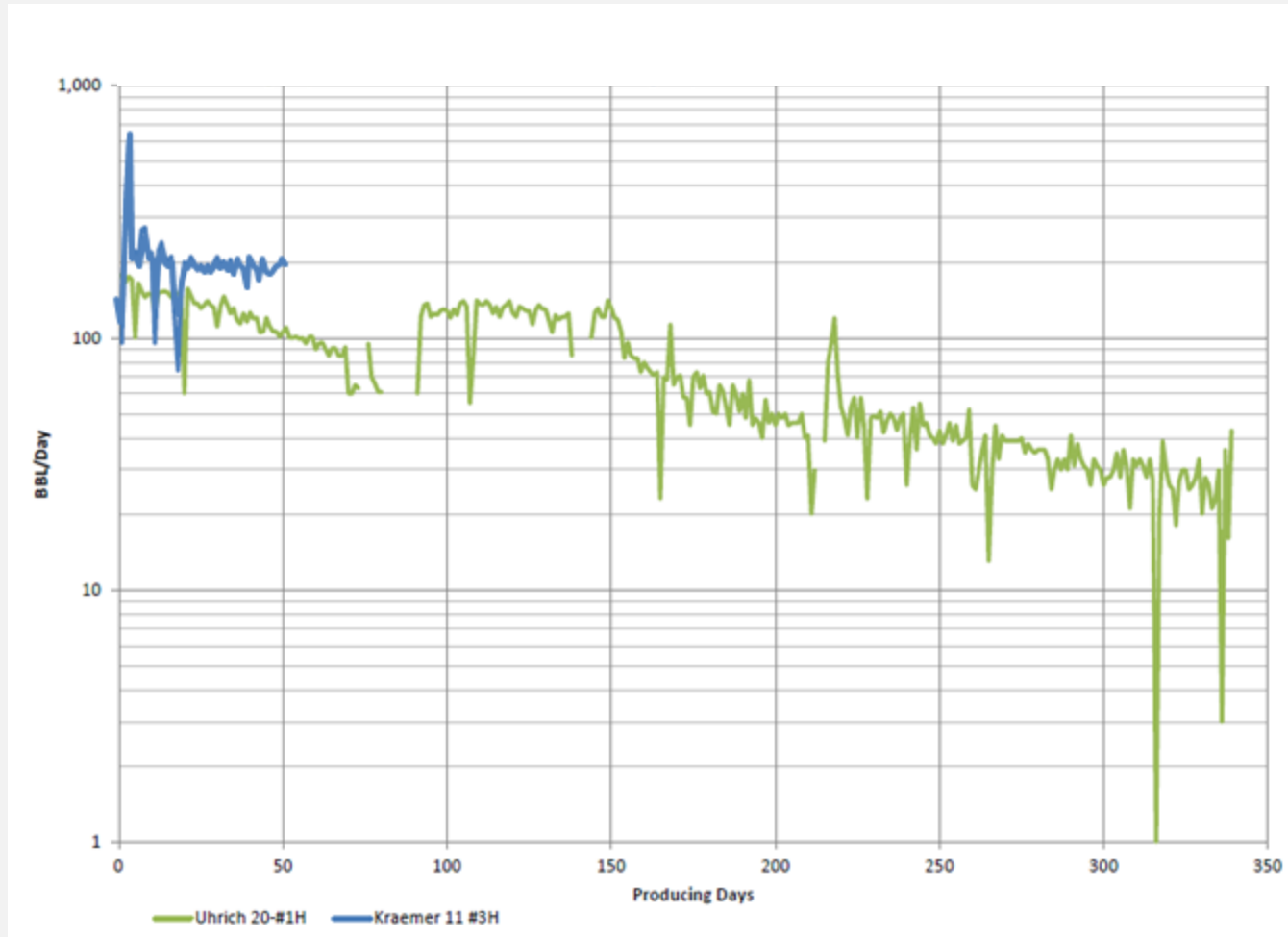
Acreage	Lease Area	Tiger	West Pawnee	Minimum	SE Colorado*	Maximum
	Gross Acres	7,525	4,378	11,903	15,000	26,903
	Working Interest (%)	25%	25%	25%	30%	30%
	<b>Net Acres</b>	<b>1,881</b>	<b>1,095</b>	<b>2,976</b>	<b>4,500</b>	<b>7,476</b>
	Purchase (US\$/acre)	500	500	500	100	100
	Buy in Costs (US\$M)	0.94	0.55	1.49	0.45	1.94
	<b>Buy in Costs (A\$M)</b>	<b>1.02</b>	<b>0.59</b>	<b>1.62</b>	<b>0.49</b>	<b>2.11</b>

Production	Lease Area	Tiger	West Pawnee	Minimum	SE Colorado*	Maximum
	Net Revenue Interest	78%	76%	n/a	80%	n/a
	IP – Vertical (boe/d)	50	50	50	100	100
	IP – Horizontal (boe/d)	170	170	170	350	350
	Well Costs – Vertical (US\$M)	0.45	0.45	0.45	0.50	0.50
	Well Costs – Horizontal (US\$M)	3.50	3.50	3.50	5.00	5.00

\*SE Colorado acreage is subject to an exploration agreement and is yet to be leased.  
 Note: IP and well costs are estimates based on current data.



# Appendix 3 – Improving Production Rates



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