



# Austin Exploration Limited

Based in Adelaide Australia: listed on the Australian Securities Exchange ("AKK")

**ASX Announcement**

**4 February, 2010**

**For Immediate Release**

The Manager  
Companies Announcements Officer  
Australian Stock Exchange  
Electronic Lodgement

- **Reserve Report Completed for Sebree Oil Project, Kentucky, USA**
- **Ultimate Reserves Recoverable of 132,000 Barrels of Oil**
- **Proved Undeveloped Reserves of 379,000 Barrels of Oil**

Dear Sir/Madam,

The Board of Austin Exploration Limited (ASX: "AKK") is pleased to announce the completion of an independent oil and gas reserves evaluation for the Company's newly producing Sebree oil project in Northwest Kentucky, USA. The report concludes that 132,000 barrels of oil classified as "Ultimate Reserves Recoverable", and 379,000 barrels classified as "Proved Undeveloped Reserves", are present within the 157 acres of contiguous mineral leases jointly held by Austin's wholly owned subsidiary, Aus-Tex Exploration Inc., and KOS Energy of Canada.

The reserves report was commissioned by Austin as part of efforts to more clearly identify and prioritise the development and exploration investment opportunities at the Sebree project. The independent evaluation was conducted by Mr. Barry L. Whelan, an independent geologist and qualified reserves evaluator, whose final report is attached to this announcement. For the purposes of confidentiality, some Aus-Tex proprietary maps and other information have been removed from the report.

Guy Goudy, President of Aus-Tex Exploration, said: "I am delighted to have a third party reserve report that substantiates our internal pre acquisition value for the Sebree project. With the recent success of our Russell 1A well and recoverable reserves of this magnitude, I am confident that our US\$245,000 acquisition decision was a judicious one. Our 37.5% net revenue interest for oil recovered from this field will provide a platform for a very quick capital return and a foundation for growth at Aus-Tex. We look forward to utilising a similar business model for future prospect acquisitions in other geographic areas of the United States."

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## HIGHLIGHTS OF THE REPORT

This report covers several prospective horizons, which occur at depths of between 800 and 2,600 feet. The principal producing formation is the Tar Springs sand, with a secondary prospective zone in the McClosky "B" (sometimes called the O'Hara) limestone, and a tertiary prospective zone in the Penn sand.

A program of workovers is being performed on the various wells within Austin's acreage to enhance their past production. It is anticipated that the wells within the leases, when completed, will have a cumulative production in excess of 100 barrels of oil per day for several years.

**The report concludes that the following reserves are present within the currently held acreage:**

- 132,000 barrels of oil classified as "Ultimate Reserve Recoverable" (Value at US\$60/barrel: USD\$7,920,000)
- 379,000 barrels of oil classified as "Proved Undeveloped Reserves", representing the original oil in place in the reservoir.

**Ultimate Reserves Recoverable** - Reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

**Proved Undeveloped Reserves** - Reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

## ASSUMPTIONS AND SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVE DATA AND REVENUE ESTIMATES

**Economic** - The economic evaluation for Ultimate Recoverable Reserves is based on guidance provided by the independent geologist and calculated by management. A flat \$60 per barrel market price was used for this example. This is a present day undiscounted figure which does not take into account and does not include expenses such as development, work-over, cost of sales, taxes, abandonment and reclamation, lease operating expenses, water removal, and other currently indeterminable factors. The values represented are to the 100% interest of the property interest holders.

**Reserve Data Assumptions** - The data has been provided by the independent geologist. The estimation of reserves requires judgment and decisions based upon available geological, geophysical, engineering and economic data. These estimates can change significantly as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact upon oil and gas prices and costs change. The Company's estimates are based upon current production forecasts, prices and economic conditions. All of the Company's reserves are evaluated by an independent

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consulting geologist. As circumstances change and additional data becomes available, reserve estimates are reviewed and revised, either upward or downward. Although reasonable efforts have been made by the Company to ensure reserve estimates are accurate, revisions can arise as new geological, production and economic information becomes available.

**Further reporting requirements associated with proved undeveloped reserve classifications** - Further to the requirements of Section 5.4.2.b of NI 51-101, and since this property has been classified as having proved undeveloped reserves, the following information is required to be reported by the independent geologist:

1. The working interest of AUS-TEX in the project is 50%.
2. The property is located in Webster County, Kentucky.
3. The anticipated product is oil.
4. The level of risk is moderate.
  - a. The basis for the calculation of resources is the production history of offsetting producing wells, the history of production of the field, the history of the area, and State of Kentucky records.
  - b. The values were prepared by the author of this report who is independent of the Company.
5. The author of the report is a qualified reserves evaluator.
6. The resources are considered to be Proved Undeveloped.
7. The effective date of the estimate is December 31, 2009.
8. The significant positive factors for the project are the presence of producing properties offsetting the acreage, and the history of production in the field. The negative factors are the untested formations in the wells on the lease, the commerciality of any discovered petroleum, and the operational risks involved in workovers.

## **SUMMARY OF HELD INTEREST**

- Working Interest of 100%
  - 50% to Aus-Tex
  - 50% to KOS Energy
- Net Revenue Interest of 75%
  - 50% to Aus-Tex (37.5%)
  - 50% to KOS Energy (37.5%)
- Remaining Revenue Interest
  - 25% to seven individual interest holders

# Austin Exploration Limited


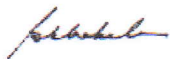
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## COMPETENT PERSONS CERTIFICATE OF QUALIFICATIONS

I, **BARRY L. WHELAN**, of the city of Vancouver, Province of British Columbia, do hereby certify:

1. That I did prepare a review of the Russell/Majors project for Aus-Tex.
2. That I am a Professional Geoscientist in the Province of British Columbia and that I have in excess of forty years experience as a Geologist, fifteen years with Gulf Oil Corporation and twenty five years as a Consulting Geologist.
3. That I have experience in exploration and development geology in North America, South America, Asia, Africa and Europe and that I have resided and worked in the area which is covered in this report.
4. That I have performed evaluations of a similar type to this evaluation continuously starting in 1970 with Gulf Oil Corporation and subsequently as a consultant to individuals and companies since 1980.
5. That I have conducted the evaluation in accordance with generally accepted industry standards.
6. That I have no interest, direct or indirect, nor do I expect to receive any direct or indirect interest in the properties evaluated in this report or in Aus-Tex.
7. That a personal field inspection of the property was not made. The report was generated by material from public records and the private files of operator, and the joint venture partner.
8. That the joint venture partner provided ownership data.

Dated at Vancouver, British Columbia on the 29nd day of January, 2010



"**BARRY L. WHELAN, P. GEO.**"

[

### MEDIA AND INVESTOR CONTACT:

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Please visit the company web site for more information on this property and other projects that the company maintains an interest in. <http://www.austinexploration.com/>

**ENDS**

# **Aus-Tex Exploration Inc.**

## **STATEMENT OF RESERVE DATA AND OTHER OIL AND GAS INFORMATION**

for the

**Russell/Majors Leases**

**WEBSTER COUNTY, KENTUCKY**

**EFFECTIVE DECEMBER 31, 2009**

**PREPARED JANUARY 29, 2010**

**by B.L. Whelan, P. Geo.**

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## 1.0 INTRODUCTION

The statement of resource data and other oil and gas information set out below has an effective date of December 31, 2009 and a preparation date of January 29, 2010. The resource data set forth below is in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (COGEH) and the reserves definitions contained in NI 51-101 and the COGEH. The subject resources are categorized as Proved Undeveloped. The geologic risk of discovering these resources has not been incorporated in the future net revenue forecast. **The Resource Data summarizes the reserves from the Russell and Majors leases held by Aus-Tex Resources Inc. and the net present values of future net revenue for these resources using constant prices and costs and forecast prices and costs.** Additional information not required by NI 51-101 has been supplied to provide additional information, which is relevant to the readers of this information.

**It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the Company's resources. There is no assurance that the constant prices and cost assumptions and forecast prices and cost assumptions will be attained and variances could be material. The recovery and resource estimates of oil and natural gas provided herein are estimates only and there is no guarantee that the estimated resources will be recovered. Actual recovery of oil and natural gas may be greater or less than the estimates provided herein.**

## 2.0 EXECUTIVE SUMMARY

The Company has a 50% working interest, 37.5% net revenue interest on leases of approximately 157 acres in Webster County, Kentucky (Figure 1, 2).

The leases, commonly referred to as the Russell/Majors Leases, are more or less 157 acres located in Webster County, Kentucky. The Russell lease of 62 acres is recorded in Book 143, Pages 64-69 in the County Recorder's Office in Webster County, Kentucky. The Majors lease of 58 acres is recorded in Book 146, Pages 272-273 in the County Recorder's Office in Webster County, Kentucky. The second Majors lease of 37 acres is recorded in Book 146, pages 722-723 in the County Recorder's Office in Webster County, Kentucky.

There are several prospective horizons, which occur between 800 and 2600 feet. The principal producing formation is the Tar Springs sand, with a secondary prospective zone in the McClosky "B" (sometimes called the O'Hara) limestone and a tertiary prospective zone in the Penn sand. A program of workovers is being performed on the various wells to enhance the current or past production. It is anticipated that the wells within the leases, when completed, will produce a cumulative production of 100 barrels of oil per day.

The prospect lies within an area actively engaged in the production of hydrocarbons such that transportation for product is available.

The resources for the prospect are classified as Proved Undeveloped. The cases within the report are the best estimate of potential production and recovery. The current program comprises working over the Tar Springs wells in the field by penetrating the formations using a hydraulic jet perforating system and allowing the fluids contained to have better access to the well bore. The workover is to rehabilitate wells that have either not been productive for several years or have been producing marginal returns. It is assumed that the hydrocarbon in place will be oil with some gas based upon the prior production history.

This report has been prepared for Aus-Tex Resources Inc. at the request of Mr. Kenny Hill a Director of Aus-Tex Resources Inc.





Figure 1. Location Map

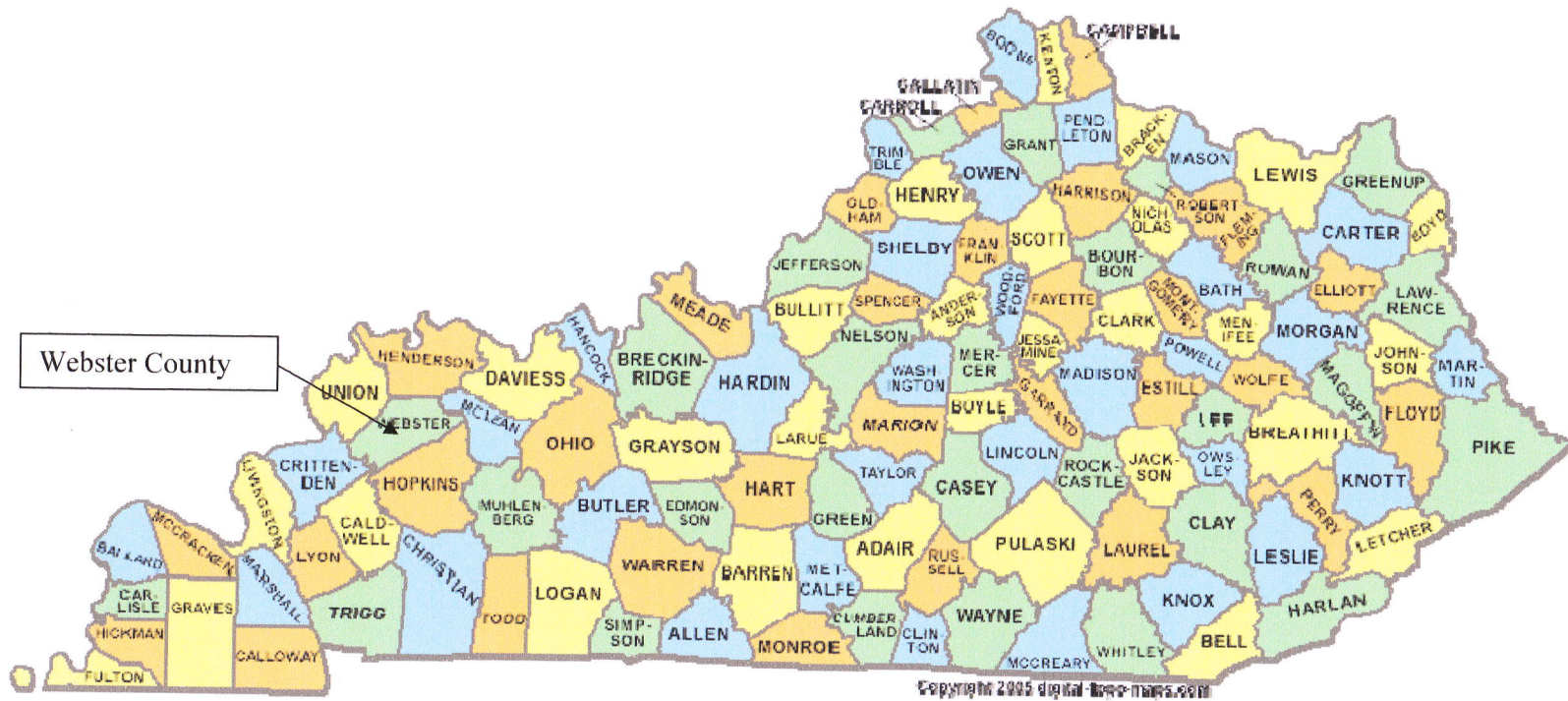


Figure 2, County Location Map, Kentucky

Table 1, leases

Property	County	acres	W.I.%	N.R.I.%	Status
Russell	Webster	62	50	37.5	Active
Majors	Webster	58	50	37.5	Active
Majors	Webster	37	50	37.5	Active

**VOLUMETRIC RESOURCES ESTIMATES  
RESERVOIR DATA, OIL RESOURCES  
Proved Undeveloped**

**Table 2, Volumetric Resources Estimates**

Pool and Location Russell/Majors Webster County Kentucky	Drainage area (acres)	Avg. Net Pay (feet)	Porosity (%)	Water saturation (%)	Formation Factor	Original OIP (Mbbbls)	Expected Recovery 35% Mbbbls	Net to Company 37.5% NRI Mbbbls
Tar Springs (1700')	40	9	15	5	1.05	379	132	49.7

Cautionary statement: There is no certainty that the reserves will be commercially viable.

**SUMMARY OF THE PETROLEUM RESOURCES AND NET PRESENT VALUE OF FUTURE NET REVENUE, FORECAST  
PRICES AS OF DECEMBER 31, 2009**

Table 3

Product Classification	Ultimate Reserves Recoverable	Remaining Reserves		Net Present Values (\$000s)									
		Company		Before Income Taxes					After Income Taxes				
Proved undeveloped	Mbbbls	Gross (50%)	Net (37.5%)	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Oil		Mbbbls	Mbbbls										
Most Likely Case 100 bopd	132	66	49.7	\$3,631	\$2,959	\$2,482	\$2,129	\$1,859	\$2,578	\$2,101	\$1,762	\$1,512	\$1,320

### 3.0 OIL AND NATURAL GAS RESOURCES AND NET PRESENT VALUE OF FUTURE NET REVENUE

Following the guidelines of National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities, the author B.L. Whelan, P. Geo., prepared a report (the "Report") dated January 29, 2010. The Report evaluated as of December 31, 2009, the Russell/Majors leases as acquired by Aus-Tex with respect to potential oil and natural gas reserves and the net present value of future net revenue attributable to such reserves as evaluated in the Report based on constant and forecast price and cost assumptions. The tables summarize the data contained in the Report and as a result may contain slightly different numbers than such report due to rounding. The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest cost and general and administrative costs, but after providing for the estimated royalties, production costs, development costs, and abandonment costs for only those wells assigned reserves by the author.

The Report is based on data supplied by the Company and the author's opinion of reasonable practices in the industry. The extent and character of ownership and of all factual data pertaining to the Company's properties were supplied by the Company and accepted without further investigation. The author accepted this data as presented and did not conduct title searches or field inspections.

The undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by the author may not represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized within the Report. The recovery and reserve estimates of the Company's oil and natural gas reserves provided within the Report are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided in the report.

All numbers are in United States dollars unless otherwise noted. The following tables are derived from the realistic case scenario.

#### 3.1 OIL AND NATURAL GAS RESOURCES BASED ON CONSTANT PRICES AND COSTS

Table 4

Classification	Oil (36°API)		
	Gross (Mbbbls)	Recoverable (Mbbbls)	Net to Company (Mbbbls)
Proved Undeveloped	379	132	49.7

#### 3.2 NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON CONSTANT PRICES AND COSTS

Table 5

Classification	Before Deducting Income Taxes			After Deducting Income Taxes		
	Discounted at			Discounted at		
	0%	10%	15%	0%	10%	15%
Proved Undeveloped	\$2,415	\$1,676	\$1,443	\$1,715	\$1,190	\$1,024

**3.3 TOTAL FUTURE NET REVENUE (UNDISCOUNTED) BASED ON CONSTANT PRICES AND COSTS**

Table 6

Classification	Revenue	Royalties	Operating Costs	Workover and tie-in	Salt water injection well	Lease costs	Future Net Revenue Before Income Taxes	Taxes	Future Net Revenue After Income Taxes
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved Undeveloped	\$3,763	\$941	\$40	\$82.5	\$35	\$245	\$2,415	\$700	\$1,715

**3.4 FUTURE NET REVENUE BY PRODUCTION GROUP BASED UPON CONSTANT PRICES AND COSTS**

Table 7

Classification	Future Net revenue Before Income Tax
	Discounted @ 10%/year
	(\$000s)
Proved Undeveloped	Oil \$1,676 (100%)

**3.5 OIL AND NATURAL GAS RESOURCES BASED ON FORECAST PRICES AND COSTS (TOTAL TO AUS-TEX. NET)**

Table 8

Classification	Oil (36°API)		
	Gross (Mbbbls)	Recoverable (Mbbbls)	Net to Company (Mbbbls)
Proved Undeveloped	379	132	49.7

**3.6 NET PRESENT VALUES OF FUTURE NET REVENUE BASED ON FORECAST PRICES AND COSTS**

Table 9

Classification	Before Deducting Income Taxes			After Deducting Income Taxes		
	Discounted at			Discounted at		
	0%	10%	15%	0%	10%	15%
Proved Undeveloped	\$3,631	\$2,482	\$2,129	\$2,578	\$1,762	\$1,512

**3.7 TOTAL FUTURE NET REVENUE (UNDISCOUNTED) BASED ON FORECAST PRICES AND COSTS**

Table 10

Classification	Revenue	Royalties	Operating Costs	Workover and tie-in	Salt water injection well	Lease costs	Future Net Revenue Before Income Taxes	Taxes	Future Net Revenue After Income Taxes
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Proved Undeveloped	\$5,384	\$1,346	\$40	\$83	\$35	\$245	\$3,631	\$1,053	\$2,578

### 3.8 FUTURE NET REVENUE BY PRODUCTION GROUP BASED ON FORECAST PRICES AND COSTS

Table 11

Classification		Future Net revenue
		Before Income Tax
		Discounted @ 10%/year
		(\$000s)
Proved Undeveloped	Oil	\$2,482 (100%)

## 4.0 PRICING ASSUMPTIONS

### 4.1 REAL PRICES AND COSTS

The author employed the following pricing, exchange rate and inflation rates from the Sproule website ([www.sproule.com/prices/defaultprices.htm](http://www.sproule.com/prices/defaultprices.htm)), in estimating the Company's resources data using Natural Gas Price Forecasts as of December 31, 2009).

Table 12

Oil/Condensate (\$US/Mcf)	Inflation Rate %
\$61.63	2

### 4.2 PRICING ASSUMPTIONS – FORECAST PRICES AND COSTS

The author employed the following pricing, exchange rate and inflation rates from the Sproule website ([www.sproule.com/prices/defaultprices.htm](http://www.sproule.com/prices/defaultprices.htm)), in estimating the Company's resources data using Oil Price Forecast as of the 31<sup>st</sup> of December 31, 2009,

Table 13

Year Forecast	Oil/Condensate (\$US/bbl)	Operating expense Inflation rate/year
2010	\$79.17	
2011	\$84.46	5%
2012	\$86.89	5%
2013	\$90.20	5%
2014	\$92.01	5%
2015	\$93.85	5%
2016	\$95.72	5%
2017	\$97.64	5%
2018	\$99.59	5%
2019	\$101.58	5%
2020	\$103.61	5%
Thereafter escalated at 2% per year		

## 5.0 RECONCILIATION OF COMPANY NET RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS

The following table sets forth a reconciliation of the changes in the Company's light and medium crude oil, heavy oil and associated and non-associated gas (combined) reserves as at December 31, 2009 based on the forecast price and cost assumptions. This report is the first report of reserves and thus there is no reconciliation of reserves.

## **6.0 RECONCILIATION OF CHANGES IN NET PRESENT VALUE OF FUTURE RESERVES DISCOUNTED AT 10%, FORECAST PRICES (\$000)**

N/A

## **7.0 FUTURE DEVELOPMENT COSTS**

The Company intends to participate in the workover of several wells on the leases in 2010. Once the initial workover is successful, additional workovers of the wells will be required to drain the reservoir. The cost per recompletion is estimated at \$25,000. There are up to seven wells available for workovers and subsequently there may be additional new zones for recompletions.

## **8.0 SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES DATA**

The estimation of reserves requires judgment and decisions based upon available geological, geophysical, engineering and economic data. These estimates can change substantially as additional information from ongoing development activities and production performance becomes available and as economic and political conditions impact oil and gas prices and costs change. The Company's estimates are based on current production forecasts, prices and economic conditions. All of the Company's reserves are evaluated by an independent person, the author, an independent consulting geologist.

As circumstances change and additional data becomes available, reserve estimates change. Based on new information, reserve estimates are reviewed and revised, either upward or downward, as warranted. Although reasonable efforts have been made by the Company to ensure reserve estimates are accurate, revisions arise as new information becomes available. As new geological, production and economic information is incorporated into the process of estimating, the accuracy of the reserve estimates improves. Such revisions can be either positive or negative.

Further to the requirements of Section 5.4.2.b of NI 51-101, and since this property has been classified as having proved undeveloped, the following information is required:

1. The working interest of AUS-TEX in the project is 50%.
2. The property is located in Webster County, Kentucky.
3. The anticipated product is oil.
4. The level of risk is moderate.
5.
  - a) The basis for the calculation of resources is the production history of offsetting producing wells, the history of production of the field, the history of the area and State of Kentucky records.
  - b) The values were prepared by the author of this report who is independent of the Company.
6. The author of the report is a qualified reserves evaluator.
7. The resources are considered to be Proved Undeveloped.
8. The effective date of the estimate is December 31, 2009.
9. The significant positive factors for the project are the presence of producing properties offsetting the acreage, and the history of production in the field. The negative factors are the untested formations in the wells on the lease, the commerciality of any discovered petroleum and the operational risks involved in workovers.

## **9.0 OIL AND GAS PROPERTIES**

The following descriptions are applicable to the Russell/Majors leases at December 31, 2009.

### **9.1 GENERAL**

The leases contain more or less 157 acres located in Webster County, Kentucky. Aus-Tex. has a 50% working interest, 37.5% net revenue interest. The lease information was supplied by the seller of the lease and has not been verified by the author.

The prospect lies in Western Kentucky within the Illinois Basin. The dominant feature to the east of the property is the Rome Trough which runs from northeastern Kentucky to south-central Kentucky on the eastern flank of the Cincinnati Arch and contains multiple gas prone formations. The principal producing formation in the area is the Tar Springs. Secondary prospective zones are the McClosky "B" at 2700 feet and the Penn at 800 feet.

## 9.2 GEOLOGY

The Devonian rocks of Kentucky accumulated in a gradually deepening epeiric sea. This is inferred from the upward facies change from carbonate at the base to clay-rich shale at the top and from the lack of evidence of subaerial exposure within the sequence.

The Mississippian System in Kentucky is represented by mostly marine sedimentary rocks which originally extended across the entire State. These rocks record a widespread shallowing of the seas during Mississippian time, with basinal and prodeltaic shales and siltstones succeeded by shelf limestones and dolomites and coastal sandstones and shales.

Pennsylvanian strata once formed a continuous deposit across central Kentucky and the Cincinnati arch. Erosion since the close of the Paleozoic has removed many hundreds, perhaps thousands, of feet of Pennsylvanian and older strata from the structurally higher areas such as the Cincinnati arch, which separates the two basins, and has resulted in the present outcrop pattern (Figure 3, 4).

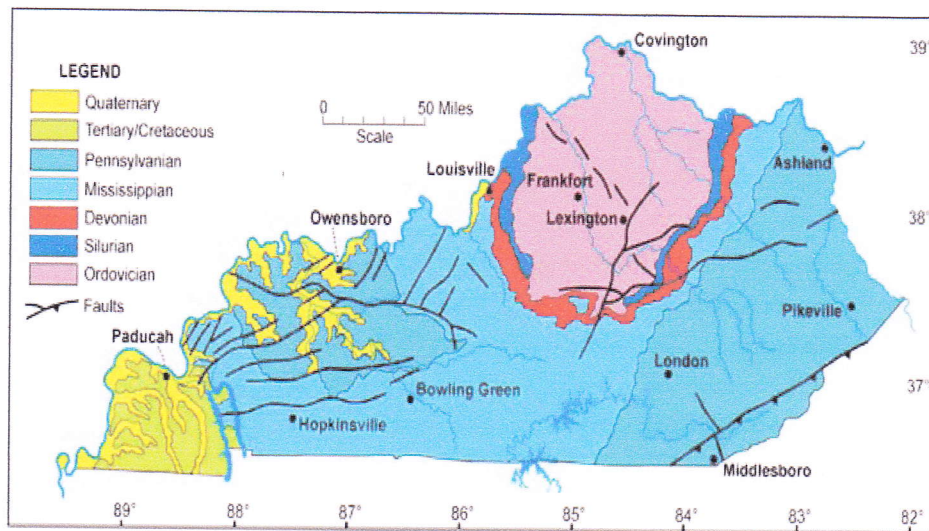


Figure 3, Geology of Kentucky





Figure 4, major tectonic features in Kentucky and adjacent areas (after Gooding, P.J., 1992)

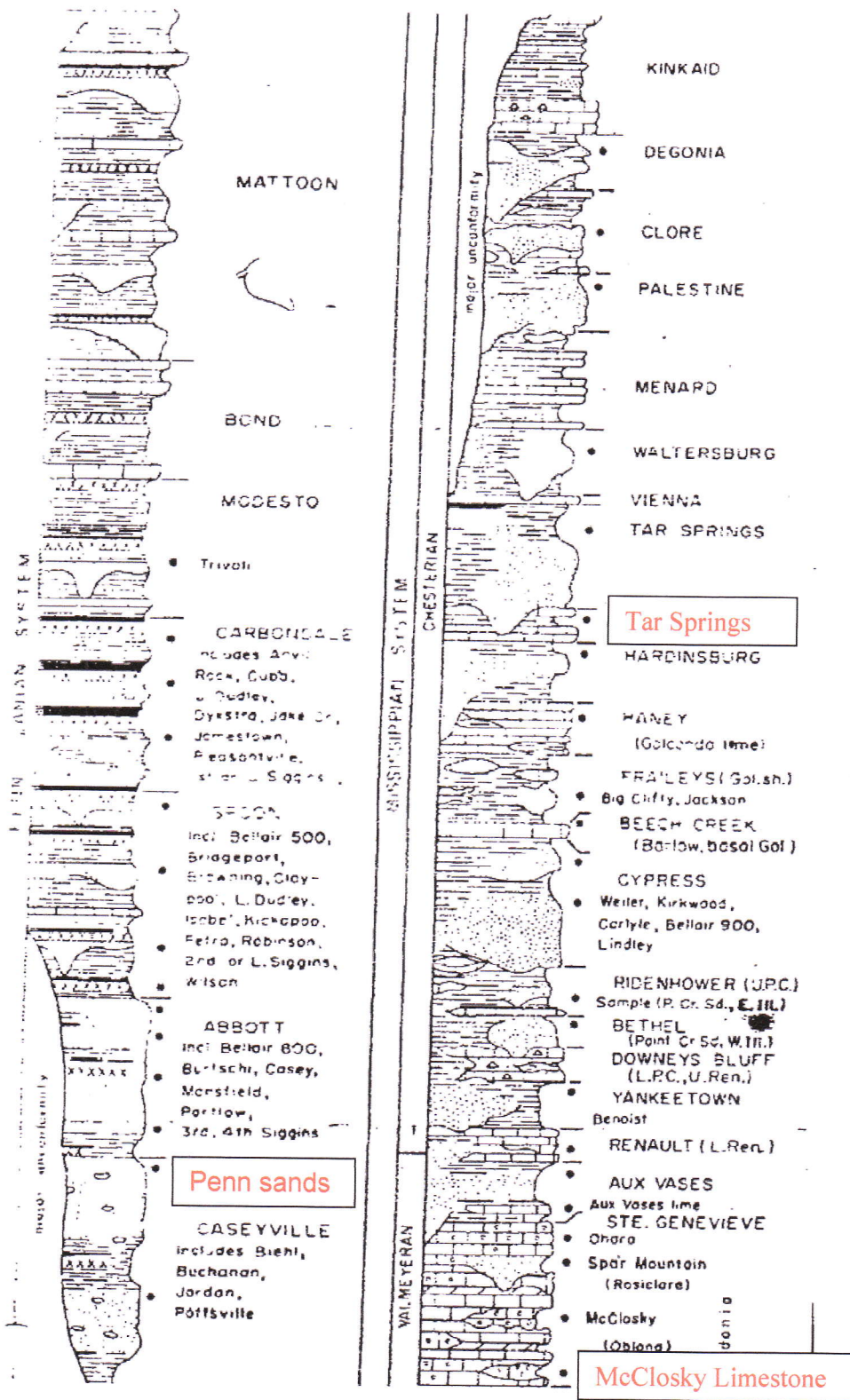


Figure 5 stratigraphic column, western Kentucky

The Tar Springs "A" sand is a Mississippian sand which from its form is a channel sand (Figure 6). Production has been obtained from the Tar Springs since 1956. The McClosky is a limestone which is or has been productive in several wells, notably the KOS Russell 1A. There are two Penn sand completions (Figure 6) to the west of the leases.

### **9.3 PRODUCTION**

Production has just begun on the Russell/Majors leases with the first workover so that reliable production numbers are not yet available. Production will be obtained principally from the Tar Springs and secondarily from the McClosky formations. The Penn sands are a tertiary prospect and have been producers in the past but the sands are erratic in their presence in the area and difficult to correlate.

The State of Kentucky Oil and Gas Division website lists oil production for Webster County for the last recorded year (2007) as 112,308 barrels with total production since first production in excess of 36 million barrels. The available records for the Russell farm from Ashland Oil for the period 1956 – 1965 indicate that the wells produced 450,000 barrels of oil from the Tar Springs.

### **9.4 RESERVOIR CHARACTERISTICS**

Formation	Tar Springs sand
Drainage per well	10 acres
Net pay, average	9 feet
Porosity	15%
Salt Water Saturation	5%
Formation Factor	1.05
Recovery Factor	35%

## **10.0 COSTS TO BE INCURRED**

### **10.1 LEASE COSTS**

Costs incurred by the Company on oil and natural gas properties for the period ended December 31, 2009 were \$0 (\$U.S).

## **11.0 EXPLORATION AND DEVELOPMENT ACTIVITIES**

### **11.1 EXPLORATION COSTS**

Estimated exploration costs, geological and geophysical, for the period ended December 31, 2009 were \$0.

### **11.2 WORKOVER COSTS**

Estimated costs to workover existing well bore on the lease are \$25,000. Workovers on five wells are anticipated.

### **11.3 CAPITAL COSTS**

The following capital costs are anticipated and included in the cash flow statements:

- 1 Salt water injection well, \$70,000, Aus-Tex share \$35,000.
- 2 Flow line and electricity, burrow beneath highway for wells # 6 and 7, \$15,000, Aus-Tex share \$7,500.

#### 11.4 OPERATING COSTS

Operating costs per well are estimated to be \$200 per month escalating at 5% per year.

#### 12.0 PROPERTIES WITH NO ATTRIBUTED RESERVES

There are no properties which have no attributed reserves.

#### 13.0 FORWARD CONTRACTS

N/A

#### 14.0 ABANDONMENT AND RECLAMATION COSTS

A sum of \$9,000 was allocated to abandonment costs during various years. The records for the state show that current average abandonment costs are currently less than \$3,000.

#### 15.0 TAX HORIZON

The US entity as of the date of this report was taxable in the USA. A tax rate of 29% was assumed.

#### 16.0 PRODUCTION ESTIMATES

The following table discloses for the product type the total estimated volume of future production for twenty years from the start of production from the project to the Company's interest at forecast prices with an initial flow rate of 100 bopd/well.

Table 14

	Oil (bbls)
Webster County	61,056

#### 17.0 PRODUCTION HISTORY

N/A

#### 18.0 PRODUCTION VOLUME BY FIELD

N/A

## 19.0 ABBREVIATIONS AND CONVERSIONS

In this document, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousands of barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMBTU	million British Thermal Units
bbls/d	barrels per day	Bcf	billion cubic feet
bopd	barrels of oil per day	GJ	gigajoule
NGLs	natural gas liquids		
stb	stock tank barrels		

API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrel of oil equivalent per day
m3	cubic meters
\$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

## 20.0 NOTES AND DEFINITIONS

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

**“Reserves”** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

**“Proved”** reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

**“Developed Producing”** reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

**“Developed Non-Producing”** reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

**“Undeveloped”** reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator’s assessment as to the reserves that will be recorded from specific wells, facilities and completion intervals in the pool and their respective development and production status.

**“Probable”** reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

**“Probability”** refers to the degree of certainty associated with the estimates of reserves. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

P90 refers to a level in which at there is at least a 90 percent probability that the quantities recovered will be equal or exceed the estimated proved reserves.

P50 refers to a level in which at there is at least a 50 percent probability that the quantities recovered will be equal or exceed the estimated proved + probable reserves.

P10 refers to a level in which at there is at least a 10 percent probability that the quantities recovered will be equal or exceed the estimated proved + probable reserves + possible reserves.

**“Undiscovered Resources”** are defined as those quantities of oil or gas estimated on a given date to be contained in accumulations yet to be discovered. The estimated potentially recoverable portion of undiscovered resources is classified as prospective resources.

**“Prospective Resources”** are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. They are technically viable and economic to recover.

The following terms, used in the preparation of the Report (as defined herein) and this document have the following meanings:

**“Associated gas”** means the gas cap overlying a crude oil accumulation in a reservoir.

**“Constant prices and costs”** means prices and costs used in an estimate that are:

- (a) the Company’s prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purpose of paragraph (a), the reporting issuer’s prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

**“Company”** or **“Aus-Tex .”** means Aus-Tex Resources Inc.

**“Crude oil”** or **“Oil”** means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

**“Development costs”** means costs incurred to obtain access to reserves and to provide facilities for extracting,

treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

**“Development well”** means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

**“Exploration costs”** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, **“Exploratory well”** means a well that is not a development well, a service well or a stratigraphic test well.
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defense, and maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

**“Field”** means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to denote localized geological features, in contrast to broader terms such as “basin”, “trend”, “province”, “play” or “area of interest”.

**“Future prices and costs”** means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future;
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Company issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be

extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

**“Future income tax expenses”** means future income tax expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer’s oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

**“Future net revenue”** means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs.

**“Gross”** means:

- (a) in relation to the Company’s interest in production or reserves, its “Company gross reserves”, are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company;
- (b) in relation to wells, the total number of wells in which the Company has an interest; and
- (c) in relation to properties, the total area of properties in which the Company has an interest.

**“Natural gas”** means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural gas can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

**“Natural gas liquids”** means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

**“Net”** means:

- (a) in relation to the Company’s interest in production or reserves its working interest (operating or non operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;
- (b) in relation to the Company’s interest in wells, the number of wells obtained by aggregating the Company’s working interest in each of its gross wells; and
- (c) in relation to the Company’s interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

**“Non-associated gas”** means an accumulation of natural gas in a reservoir where there is no crude oil.

**“Operating costs”** or **“production costs”** means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

**“Production”** means recovering, gathering, treating, field or plant processing (for example, processing gas to extract



natural gas liquids) and field storage of oil and gas.

**“Property”** includes:

- (a) fee ownership or a lease, concession, agreement, permit, license or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;
- (b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
- (c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as “producer” of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

**“Property acquisition costs”** means costs incurred to acquire a property (directly by purchase or lease or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;
- (c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

**“Proved property”** means a property or part of a property to which reserves have been specifically attributed.

**“Reservoir”** means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

**“Service well”** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

**“Solution gas”** means natural gas dissolved in crude oil.

**“Stratigraphic test well”** means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) exploratory type” if not drilled into a proved property; or (b) “development type”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “evaluation wells”.

**“Support equipment and facilities”** means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

**“Unproved property”** means a property or part of a property to which no reserves have been specifically attributed.

**“Well abandonment costs”** means costs of abandoning a well and surface lease reclamation. They do not include costs of abandoning the gathering system, suspended wells, batteries, plants, or processing facilities.

## **21.0 REFERENCES**

Finley, Robert J., 2007, Carbon Sequestration, FutureGen, Carbon and Coal Gasification Development in the Illinois Basin, Illinois State Geological Survey, December 2007, Lexington, Kentucky

Gooding, P.J., 1992, Unconformity at the top of the Knox Group (Cambrian and Ordovician) in the subsurface of south-central Kentucky: Kentucky Geological Survey Thesis Series 4, Series 11, 40 p., 5 plates.

Kentucky Geological Survey, KGS Databases, Maps, and Publications, Oil & Gas Records

## 22.0 CERTIFICATE OF QUALIFICATIONS

I, **BARRY L. WHELAN**, of the city of Vancouver, Province of British Columbia, do hereby certify:

1. That I did prepare a review of the Russell/Majors project for Aus-Tex.
2. That I am a Professional Geoscientist in the Province of British Columbia and that I have in excess of forty years experience as a Geologist, fifteen years with Gulf Oil Corporation and twenty five years as a Consulting Geologist.
3. That I have experience in exploration and development geology in North America, South America, Asia, Africa and Europe and that I have resided and worked in the area which is covered in this report.
4. That I have performed evaluations of a similar type to this evaluation continuously starting in 1970 with Gulf Oil Corporation and subsequently as a consultant to individuals and companies since 1980.
5. That I have conducted the evaluation in accordance with generally accepted industry standards.
6. That I have no interest, direct or indirect, nor do I expect to receive any direct or indirect interest in the properties evaluated in this report or in Aus-Tex.
7. That a personal field inspection of the property was not made. The report was generated by material from public records and the private files of operator, and the joint venture partner.
8. That the joint venture partner provided ownership data.

**Dated at Vancouver, British Columbia on the 29nd day of January, 2010**



**“BARRY L. WHELAN, P. GEO.”**

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