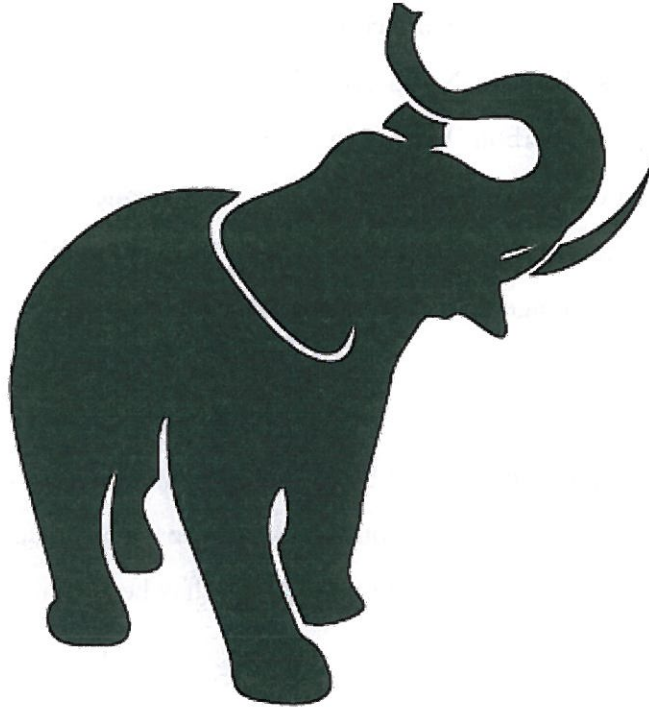


# AUSTIN EXPLORATION LIMITED

ABN 98 114 198 471



## Fourth Quarter Report FY2011

**For the three months ended**  
June 30, 2011

**With Australian and USA**  
**Activity updates through**  
July 29, 2011

## OVERVIEW OF OPERATIONS AND ACTIVITIES

### AUSTRALIAN OPERATIONS (Austin Exploration Limited)

The Company is pleased to report to shareholders that the past 3 months has been a very successful period for Austin Exploration. The Company continues to be cash flow positive from operations and has secured 2 major oil and gas fields in North America. These projects are located in 2 of the 4 most recognized and prolific hydrocarbon basins in North America. Importantly, Austin has secured controlling interests in each of these major fields, with a net revenue interest of more than 70% in Texas - Eagle Ford Shale - and more than 65% in Colorado – Niobrara Shale. In addition to these high net revenue interests, the major acreage positions should secure growth and a long term future for Austin Exploration.

The Board of Directors is highly encouraged by the institutional support and confidence shown by the investment community with the successful completion of the recent placement. The Company is also pleased to report that Hartleys of Perth, Western Australia, has been mandated to act as the Company's corporate advisor.

### USA OPERATIONS (*Aus-Tex Exploration, Inc.*)

#### Colorado - Niobrara

The Company negotiated a large mineral position in Colorado covering some 11,000 acres in the Niobrara DJ Sub-Basin in Fremont County. The Company is currently working to settle on the Pathfinder project by August 15, 2011. The land title work is being completed by Energy West Corporation along with a Phase 1 environmental evaluation which is being completed by Savici Environmental Engineers. \$US1.54 million is being held in escrow by Chase Bank until closing on August 15, 2011.

The Niobrara Pathfinder project is located entirely in Fremont County, Colorado. It is west of the historic Florence Field (discovered in 1862). For the Pathfinder project, an extensive technical review was completed and the project was recommended to the Board and approved during May 2011. An MOU was signed with TPEP which is the 15% WI partner as well as the AKK operator for the first two years. The final agreement with TPEP has been signed.

AusTex signed a sublease with Cimarex/Prize/Newmont Mining, for 10,430 acres in the Pathfinder project. An additional 900 acres has been acquired in the same area (South of Cimarex sublease) that is currently being evaluated for environmental issues and title as well. The Pathfinder project is to deliver a Net Revenue Interest of 65.01% to Aus-Tex with 85% Working Interest.

### Texas – Eagle Ford Project

**Birch Prospect:** As of June 30<sup>th</sup>, the Company has acquired approximately half of its targeted 5000 acre Eagle Ford project. Drilling preparations, including land work, permitting and AFE's have begun. Currently, the vertical well design is being completed on the first well. Aus-Tex maintains a 93.5% WI and a 70.125% NRI for the Company.

**Yolanda Villarreal:** As of the 26<sup>th</sup> June, the well has produced 18,488 barrels of oil. Total production for the months of April, May and June is 2553.05 Bbls.

### Kentucky USA

Shareholder approval for the Kentucky Exploration, LLC was obtained on June 17<sup>th</sup> for the joint venture with Newtak.

Since the approval of the Kentucky Exploration, LLC company by /shareholders in the last week of June 2011, the new company has been formed and duly registered in the state of Kentucky at the capital in Frankfurt. As agreed by the Board of Directors, the \$US1.75 million expenditure, approved by the AKK Board and shareholders, is required to be spent by AusTex to match the Newtak prior expenditures and will start when the Company is formed on July 1, 2011.

Five wells are now in production and output has increased to 12 barrels per day.

The Salt Water Injection well is now in operation and the well is now accepting water from 2 oil producing wells.

Applications for permits in Sebree for Russell # 7 and Russell # 6 have been granted. Testing and completion work continue on these wells.

Russell 5 is being completed and readied for production in July 2011.

Russell 6 will be ready for production in August 2011.

### **ATMOS Gas Company**

The legal appeal process continues between ATMOS and the landowners and this activity has the gas gathering system and the processing plant idle and therefore Kentucky Park City gas is in an idle state at this time. This legal process is projected to take approximately one year. No new information is available as of this date.

### **Mississippi Ellislie Well**

**Ellislie:** The average production for the month of June was 43.49 BOPD. Total production for the months of April, May and June is 4110.4 Bbls. The well continues to produce at consistent rates.

**Commencement:** The average production for the month of June was 102 BOPD. Total production for the months of May and June is 5899.11 Bbls. This well continues to produce at consistently higher than projected rates.

**Mississippi #3:** During the last quarter of 2011, it is planned to drill and complete a 3<sup>rd</sup> Mississippi well. Austin's position will be 50% WI and 37.5% NRI. The cost is projected to be \$US500,000 for 50% WI.

### **Louisiana Bombing Range Well**

After various commercial and technical evaluations, it is being recommended that this well be abandoned due to the high risk it poses as compared to the projected Mississippi # 3 well.

**PEL 105, COOPER Basin. South Australia**

Austin Exploration holds a 50% working interest in joint venture with Adelaide Energy in PEL 105 - an area of 437 square kilometres, located approximately 60 kilometers north of Moomba in South Australia. P10 reserves for the JVs planned Pirie #1 well in PEL 105 are estimated at 23 Million barrels of oil. Estimated recovery is calculated at 1 Million barrels of oil per well with an estimated well life of nine years. Spacing on the license area allows for five additional wells.

Due to an unprecedented amount of flooding in the area, access to the drill site has still not been possible. Until the area dries out sufficiently to allow access, Austin is unable to finalise exploration programs in conjunction with our JV partner. The Department of Primary Industries and Resources of South Australia (PIRSA) has granted an indefinite suspension over the license whilst flooding restricts access to the area. Austin will continue to monitor the status of the site and will update shareholders once a more precise timeline for drilling has been reached.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AUSTIN EXPLORATION LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

30 JUNE 2011

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	333,646	1,040,793
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(20,361)	(193,551)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	17,281	65,543
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
<b>Net Operating Cash Flows</b>		<b>(47,537)</b>	<b>(1,368,553)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(198,608)	(1,914,734)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (Recognition of Kentucky JV following shareholder approval)	(385,144)	(385,144)
<b>Net investing cash flows</b>		<b>(583,752)</b>	<b>(2,299,878)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(631,289)</b>	<b>(3,668,431)</b>

1.13	Total operating and investing cash flows (brought forward)	(631,289)	(3,668,431)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	8,878,666	10,075,666
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(65,703)	(144,739)
	<b>Net financing cash flows</b>	<b>8,812,963</b>	<b>9,930,927</b>
	<b>Net increase (decrease) in cash held</b>	<b>8,181,674</b>	<b>6,262,496</b>
1.20	Cash at beginning of quarter/year to date	1,606,718	3,598,032
1.21	Exchange rate adjustments to item 1.20	(180,388)	(252,524)
1.22	<b>Cash at end of quarter</b>	<b>9,608,004</b>	<b>9,608,004</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	137,634
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONSULTING AND CONTRACT FEES TO DIRECTORS AND OFFICERS

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities		
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A
4.1 Exploration and evaluation	\$1,601,501
4.2 Development	\$3,297,209
4.3 Production	\$471,030
4.4 Administration	\$990,660
<b>Total</b>	<b>\$6,360,400</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	9,558,004	1,556,718
5.2 Deposits at call	50,000	50,000
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>9,608,004</b>	<b>1,606,718</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Seychelles Austin held a working interest of 4% and a NRI of 65%.	Working Interest of 4% and NRI of 65%	0%
6.2	Interests in mining tenements acquired or increased	“Birch Prospect”, Burlson County, Texas Aus-Tex holds a working interest of 93.5% and a NRI of 70.125%	0%	Working Interest of 93.5% and a NRI of 70.125%



“Niobrara” Burleson County, Texas	Aus-Tex holds a working interest of 80% and a NRI of 65%	0%	Working Interest of 80% and a NRI of 65%
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### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions				
7.3 <b>+Ordinary securities</b>	591,163,760	591,163,760		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	255,212,042	255,212,042	\$0.035	\$0.035
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	<b>Options</b> (description and conversion factor)		<i>Exercise price</i>	<i>Expiry date</i>
	5,400,000 "2011" A Class Options		\$0.30	30/06/2011
	12,600,000 "2011" B Class Options		\$0.50	30/06/2011
	12,600,000 "2011" C Class Options		\$0.75	30/06/2011
	541,667 "2012" D Class Options		\$0.24	28/02/2012
	333,333 "2012" E Class Options		\$0.24	01/03/2012
	500,000 "2011" F Class Options		\$0.20	15/10/2011
	10,000,000 "2011" G Class Options		\$0.10	30/11/2011
	146,512,930 "2011" Listed Options		\$0.10	19/11/2011
	1,200,000 "2012" H Class Options		\$0.10	23/11/2012
	207,750,000 "2013" I Class Listed Options		\$0.055	06/07/2013
	163,295,975 "2012" J Class Listed Options		\$0.055	06/07/2012
7.8	Issued during quarter	207,750,000	\$0.055	06/07/2013
		163,295,975	\$0.055	06/07/2012
7.9	Exercised during quarter			
7.10	Expired during quarter	5,400,000	\$0.30	30/06/2011
		12,600,000	\$0.50	30/06/2011
		12,600,000	\$0.75	30/06/2011
7.11	<b>Debentures</b> (totals only)			
7.12	<b>Unsecured notes</b> (totals only)			

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

.....  
(Director/Company secretary)

Date: 29/07/2011

Print name: David Nairn

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

