



# Austin Exploration Limited

*Building a balanced portfolio of hydrocarbon prospects*

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31 July 2007

## ASX Announcement

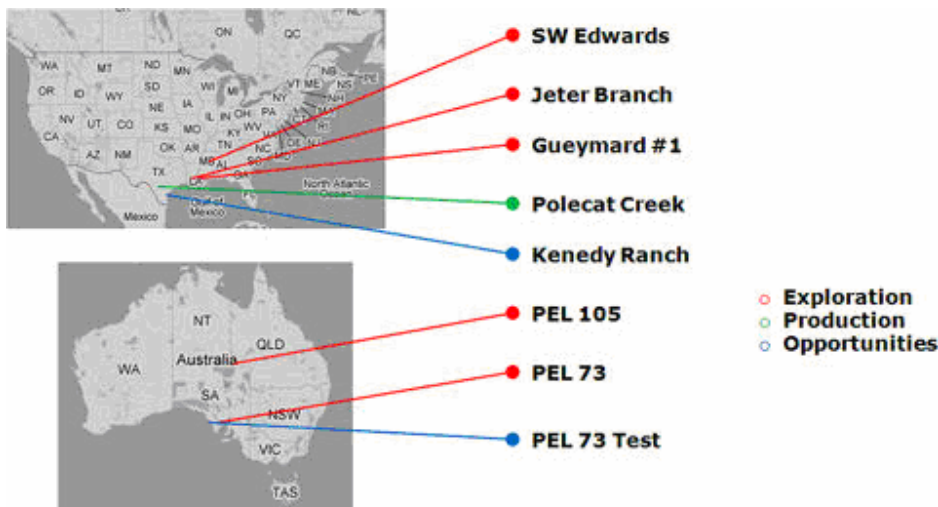
## Fiscal 4<sup>th</sup> Quarter Activities and Financial Report

### MANAGING DIRECTOR COMMENTS

The past two quarters for Austin Exploration Limited (Austin) were characterized by major progress in terms of corporate governance and key operational strengths. That progress has given the company a more formal business infrastructure and operating model that in turn allows for the opportunity to financially and technically evaluate our spread of oil and gas assets better.

Our Q4 oil and gas exploration focus has produced some upside for the company, although not meeting our income expectations. As an example, our St. Gabriel field exploration efforts have achieved success within our AFE exploration budgets, yet physical issues such as old well casing integrity and various geologic obstructions have prevented us from reaching our targeted depths. The mechanical and geologic obstructions encountered at Gueymard #1 were unfortunate but will not stop our efforts to reach the targeted sands. We plan to drill this well from the same platform as Gueymard #1.

Although we have seen some disappointment with our share price we continue to see significant confidence from the private investor community. I am confident that our significant cash reserves coupled with a solid business model and the strength of the private capital markets will give Austin a strong position for our second fiscal year that began in July of 2007. A snapshot of our current oil and gas focus is best represented by the following graphic.



## **KEY ACTIVITIES UPDATE - CORPORATE**

Mr. Paul Davies has given notice of his intention to retire as Chief Financial Officer and Secretary with the company and will begin his transition into a Director role over the coming months. Paul will continue to play an active role helping the company interact with the private investment community and the financial markets. He will continue to provide strategic advice to Austin's officers and employees. I want to thank Mr. Davies for fulfilling these essential roles and assisting the company in our early development stages. The company is also pleased to announce the appointment of Mr. Graham Allan Seppelt of Adelaide, South Australia as its new Company Secretary.

## **KEY ACTIVITIES UPDATE - PRINCIPAL ASSETS**

### **Two Australian Projects:**

The company believes that onshore Australia represents one of the most under explored regions of the world particularly given its political stability and provides an outstanding opportunity for significant development both in terms of new prospects and the further development of known resources. It is this view that has driven Austin Exploration to be domiciled in Australia.

### **PROSPECT 1:** Yorktown Prospect PEL 73 (Stansbury Basin, South Australia)

Austin Exploration has earned a 16.67% working interest in PEL 73 by paying 33.33% of the costs of drilling the first well.

PEL 73 contains the Yorketown Prospect which is located 96 kilometers west of Adelaide and relatively close to established infrastructure. PEL 73 covers an area of 625 square kilometers and is within the Stansbury Basin, which basin has been the subject of both onshore and offshore oil and gas exploration since the 1930s. DMS Exploration has performed an analysis of the entire area of the Stansbury Basin prospective for hydrocarbons (4.5 million acres). This revealed the presence of a previously unrecognized sub-basin which is believed to be the source of known oil seepage found since the 19th century on south west facing beaches and in various harbors of the Fleurieu Peninsula and Kangaroo Island in South Australia.

The presence of an active hydrocarbon system is not in question. The Yorketown Prospect is 105 square kilometers (26,000 acres) in area, located onshore near the southern tip of Yorke Peninsula. The Prospect is estimated to have a large potential in a dolomitized limestone reservoir with good porosity.

Austin exploration Limited has recently received a wire line log analysis of the Gravestock #1 well in this PEL 73 prospect. A final geologic report for this well has been submitted to the Department of Primary Industries and Resources of South Australia (PIRSA).

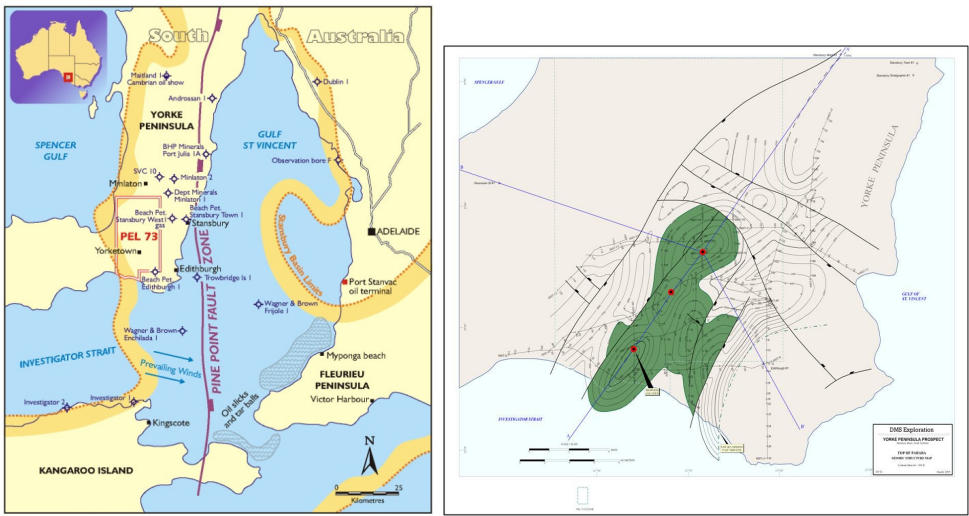
### ***The log analysis showed:***

1. An 8 meter (26ft) thick petro-physical hydrocarbon show was identified from 691 to 699 meters (2,266 ft to 2,292 ft) below the surface.
2. Analysis indicates a 50% chance of having producible hydrocarbons in that zone.
3. This hydrocarbon show is extremely important to this prospect in several ways:

4. This initial test shows that hydrocarbons have been generated in the basin and are still trapped in this area. Previous exploration data from this area did not indicate this
5. The prospect is large and could be a significant energy resource.

Future exploration opportunities may include further geologic, geochemical work, running new seismic and drilling additional test wells.

**Stansbury Basin Location Map:**



**Statement of Working Interests:**

PEL 73 PROSPECT SOUTH AUSTRALIA			
Party	Cost Bearing Interest of the Parties to <u>Casing Point</u>	Cost Bearing Interest of the Parties in <u>Completion Costs</u>	Cost Bearing Interest % / NRI % of the Parties upon Completion of the well & in <u>Subsequent Wells</u>
DMS Partners ( <b>Operator</b> )	66.6667%	23.3334%	40%/30%
Austin Exploration	33.3333%	33.3333%	16.6667%/12.5000%
PEL 73 Investments Partners, LP (PIP)	0.0000%	25.0000%	25%/18.75%
AIL Holdings Limited	0.0000%	16.6667%	16.6667%/12.5000%
Flex Energy, LLC	0.0000%	1.6667%	1.6667%/1.2500%
<b>TOTAL</b>	100.0000%	100.0000%	100%/75%

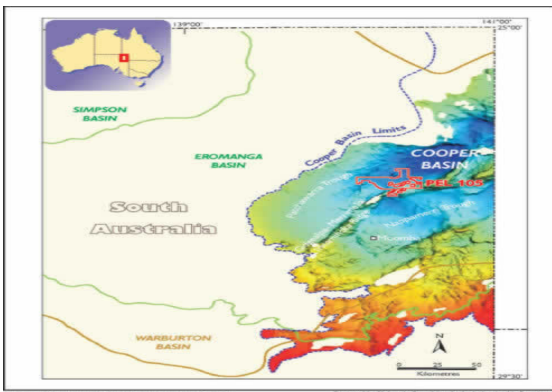
**PROSPECT 2:** Tirrawarra Prospect PEL 105 (Cooper Basin, South Australia)

PEL 105 covers an area of approximately 437 square kilometers (105,000 acres) and is located in Australia's most prolific onshore hydrocarbon producing area, the Cooper-Eromanga Basin. Austin is under license agreement to begin drilling on this site by October 2007. Austin expects to announce the completion of operating agreements for this site shortly.

PEL 105 is surrounded by producing fields, some of which are the largest in the Cooper Basin. For instance, within the Cooper Basin, the Tirrawarra Field has a cumulative production of over 178 BCF and 26 million barrels of oil, and is approximately 5 kilometers south east of PEL 105. Within the boundaries of PEL 105, but excised from it, are the Bimbaya Field (19 BCF of gas), the Bookabourdie Field (80 BCF of gas) and the Merupa Field (1.5 BCF of gas). There are very large structures and multiple unconformities present on PEL 105, making for significant potential for accumulations of oil and gas to exist on the flanks of these regional structures. Additionally, the Paleozoic Warburton Basin has the potential to contain large accumulations of hydrocarbons in the area. There also is potential for the development of low risk field extension prospects. It is proposed to participate in the drilling of one well on PEL 105 in year 1 of the Company's exploration program, and a second well in late 2007 or 2008. Currently 1 oil prospect and 2 leads are mapped. Prospect 'A' is a structural-stratigraphic trap mapped on the eastern flank of the Merrimelia High. A lead, located in a similar structural position as Prospect 'A', is mapped some 10kms to the northeast. The second lead is an elongate anticline which straddles the boundary with the neighboring block PEL 101 where the recent Ginko 1 well [2005] discovered gas in the Permian section.

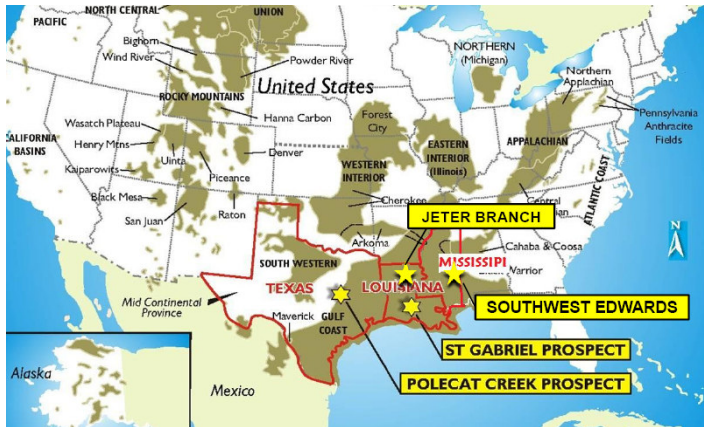
Austin Exploration will earn a 33.33% working interest in PEL 105 after funding the first well on a 2 for 1 promote basis.

**Cooper-Eromanga Basins Tectonic Setting:**



**Four USA Projects:**

The company believes that the gulf coast States represent an outstanding opportunity for significant development both in terms of new prospects and the further development of known resources. The company has initially focused on the states of Louisiana, Texas and Mississippi.



**PROSPECT 1:** Aus-Tex Gueymard # 1 (Iberville and Ascension Parishes, Louisiana, USA)

The Aus-Tex Gueymard #1 well is within the St. Gabriel Field located over a salt dome in Ascension and Iberville Parishes, Louisiana (USA), approximately 12 miles south east of the city of Baton Rouge. Austin Exploration has the opportunity to drill more than one well in the St. Gabriel Field. Current opportunities are focused on exploiting unproduced reserves in previously producing wells.

On June 21, 2007 Austin Exploration announced that the final analysis of the Halliburton production log was complete and 55 feet of potential pay had been identified in the zones logged above the targeted P sands. 5 inch production casing was run and testing of the unexpected bonus pay zones is ongoing. The identified sands tested to date have proven to be insignificant for production. Austin Exploration will release more specific information regarding the testing procedures and the final findings as they become available.

Austin’s efforts to exploit unproduced reserves in this previously producing oil and gas well have yet to be tested at targeted depth. As outlined within existing farmin agreements the next phase of Austin’s plan for this prospect is to drill a new well and reach the targeted depth. The new well will be drilled from the same drill platform. Target depth includes the prospective zones that were shown to be productive by drill stem tests and or produced by Shell Oil Company; the P, T, U and W sands.

**Statement of Working Interests:**

GUEYMARD I		
Party	Cost Bearing %/ NRI % [BPO]	Cost Bearing %/ NRI % [APO] & all Subsequent Wells
AUS-TEX (Operator)	0.00%/37.50%	40%/30%
Verus	50%/18.75%	20%/15%
Private Investors	50%/18.75%	20%/15%
Rio Bravo	0.00%	20%/15%
<b>TOTAL</b>	<b>100%/75%</b>	<b>100%/75%</b>

**PROSPECT 2:** Southwest Edwards Prospect (Hinds County, Mississippi, USA)

The Southwest Edwards prospect is located in Hinds County, Mississippi, USA, and is on trend with excellent production from several Upper Cretaceous reservoirs. The prospect is substantiated by subsurface control, 2-D seismic lines, and a 3-D seismic survey and will involve re-entering a previously drilled well and sidetracking 600-800 feet northwest. The well is designed to test apparent logged pay in two Rodessa Sands at a total depth of 13,250 feet. Estimated potential reserves for this prospect are 2.86 billion cubic feet of gas and 1,096,000 barrels of oil.

The location work at the Southwest Edwards drill site is complete and the Greywolf Rig No. 722 moved in on July 9, 2007 with full operations starting on July 15, 2007. On July 31, 2007 the drill depth had reached 76% (10,019 feet) of the targeted depth and operations were running smoothly.

**Statement of Working Interests:**

SW EDWARDS PROSPECT HINDS COUNTY, MISSISSIPI			
Party	Cost Bearing Interest of the Parties to <u>Casing Point</u>	Cost Bearing Interest of the Parties in <u>Completion Costs</u>	Cost Bearing Interest % / NRI % of the Parties upon Completion of the well & in <u>Subsequent Wells</u>
Flex Energy, LLC, et al	37.5%	41.175%	50%/38%
AUS-TEX Expl.	* 0.00%	* 0.00%	25%/19%
Private Investors	31.25%	29.4125%	12.5%/9.5%
Verus	0.0000%	16.6667%	16.6667%/12.5000%
<b>TOTAL</b>	100.0000%	100.0000%	100%/76%

**PROSPECT 3:** Jeter Branch Prospect (Caddo County, Louisiana, USA)

The Jeter Branch prospect is located in Caddo County, Louisiana, US and is designed to test Middle and Upper Cretaceous reservoirs down to 5,450 feet. The well is substantiated by good subsurface control and two 2-D seismic lines. The prospect is surrounded by production less than 2 miles away and the drill site is a high, dry, land location. Gas pipelines are located approximately 7000 feet from the well location. Estimated potential reserves are 2.1 billion cubic feet of gas and 136,000 barrels of oil. Austin Exploration owns a 30% working interest in this prospect.

The rains continue in Northwest Louisiana directly on top of our location. Austin is currently completing the location work and plans to have the rig on site for spud in the next week or so.

A recent technical meeting with Halliburton has raised the desirability of drilling an additional 500', 5700' – 6200', to see "Upper Hosston Sands" that do produce in the area and we concur. Hence, we now plan on drilling to a total depth of 6200'.

**Statement of Working Interests:**

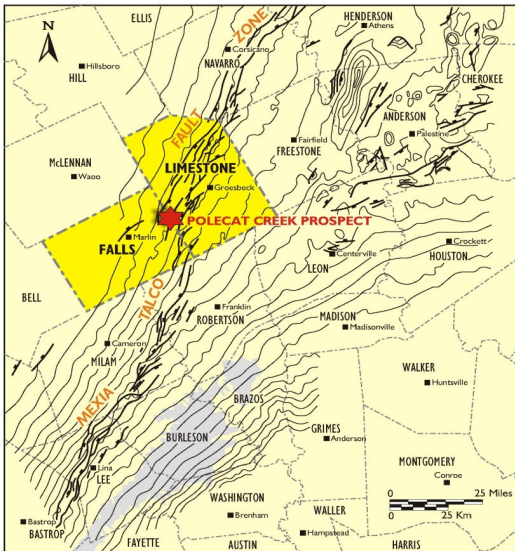
JETER BRANCH PROSPECT CADDO PARISH, LOUISIANA		
Party	Cost Bearing Interest of the Parties through Completion to First Sales	Cost Bearing Interest % / NRI % of the Parties after Completion to First Sales, and all Subsequent Wells
Flex Energy, LLC, et al	64.7059%	70%/51.8%
AUS-TEX Expl.	* 0.00%	15%/11.1%
Private Investors	35.2941%	15%/11.1%
<b>TOTAL</b>	100.0000%	100%/74%

**PROSPECT 4:** Polecat Creek Prospect (Falls and Limestone Counties, Texas, USA)

Aus-Tex Exploration has entered into a Participation Agreement with Old Stone Exploration, LLC under which Aus-Tex Exploration has earned a 35% interest in the Polecat Creek Prospect located in Falls and Limestone Counties, Texas, approximately 30 miles south east of the city of Waco.

Production from the Ezell #4-H well is currently at the rate of 200,000 – 300,000 cubic feet of gas per day and 10 barrels of oil per day.

**Polecat Creek Prospect:**



**Statement of Working Interests:**

POLECAT CREEK PROSPECT FALLS AND LIMESTONE COUNTIES, TEXAS		
Party	Cost Bearing Interest of the Parties through Completion to First Sales	Cost Bearing Interest % / NRI % of the Parties after Completion to First Sales, and all Subsequent Wells
Old Stone Expl., et al	53.3333%	65%/48.75%
AUS-TEX Expl.	46.6667%	35%/26.25%
<b>TOTAL</b>	100.0000%	100%/75%

**KEY ACTIVITES UPDATE - BUSINESS DEVELOPMENT**

Austin Exploration Limited is currently evaluating increased focus and investments in five global projects. Some Private Investment Capital clients have been briefed on these opportunities and have shown considerable interest in participating. Austin will provide more detail information on the status of these business development opportunities as it becomes available.

**Australian Opportunities**

**PEL 105:**

Two prospects are presently mapped and their characteristics make them very attractive targets. They are both fully covered by a 3D seismic survey. Opportunities for other well prospects in this field are available for future development.

**PEL 73:**

Austin Exploration Limited has recently received an updated wire line log analysis of the Gravestock #1 well that was test drilled in March of 2007. An 8 metre (26 ft) thick petro-physical show was identified from 691metres to 699 metres (2,266 ft to 2,292 ft) below the surface. Analysis indicates a 50% chance of having producible hydrocarbons in that zone. Future exploration opportunities may include further geologic, geochemical work, running new seismic and drilling addition test wells.

**American Opportunity**

**St Gabriel Field, Louisiana:**

Two test wells have been drilled at this location neither reached the targeted zone specified in the 3D Seismic data. Utilizing the excising platform from the Gueymard #1 site Austin has the opportunity and private investment interests to drill a new well to reach the targeted zone.

**Yours faithfully,**

**David M. Schuette**

**Managing Director**



# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

**AUSTIN EXPLORATION LIMITED**

ABN

**98 114 198 471**

Quarter ended ("current quarter")

**30 June 2007**

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (...six...months) \$A'000
1.1	Receipts from product sales and related debtors	22	146
1.2	Payments for (a) exploration and evaluation	(50)	(50)
	(b) development	(4482)	(8713)
	(c) production		
	(d) administration	(458)	(2039)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	75	348
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Realisation of prepayments and increase in debtors	146	408
	<b>Net Operating Cash Flows</b>	<b>(4747)</b>	<b>(9900)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects	148	(618)
	(b)equity investments		
	(c) other fixed assets	(4)	(31)

1.9	Proceeds from sale of: (a)right to interest in prospects plus cost recovery and prospect fees	15	1310
	investments (b)equity		
	assets (c)other fixed		
1.10	Loans to other entities		()
1.11	Director and Other Loans repaid	(140)	(185)
1.12	Funds received to finance drilling	1694	8194
		1711	8671
	<b>Net investing cash flows</b>		
1.13	Total operating and investing cash flows (carried forward)	(3034)	(1229)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	10485
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 –IPO Costs	-	(1214)
		-	9271
	<b>Net financing cash flows</b>		
		(3034)	8042
	<b>Net increase (decrease) in cash held</b>		
1.20	Cash at beginning of quarter/year to date	11118	42
1.21	Exchange rate adjustments to item 1.20		
		8084	8084
1.22	<b>Cash at end of quarter</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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

## 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'000	Amount used \$A'000
3.1 Committed facilities associated with Farmins providing no cost carry	4,500	0
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	3000
<b>Total</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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	8053	11086
5.2 Deposits at call	31	32
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	8884	11118

## 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			
6.2	Interests in mining tenements acquired or increased	St Gabriel 1	65%	65%
		PEL 73	16.6666%	16.6666%

## 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</b>			
	<b>*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>	112193125	56910628	
7.4	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs			
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)	7,400,000 "2011 A Class" Options 12,600,00 "2011 B Class Options" 12,600,000 "2011 C Class Options"		Exercise price \$0.30 \$0.50 \$0.75	Expiry date 30 June 2011 30 June 2011 30 June 2011
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 

(Company secretary)

Date: 31 July 2007

Print name: .....

## 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.

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