

AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



Third Quarter Report
FY2010

For the Period Ended
March 31, 2010

With Activities Updates Through
April 23, 2010

OVERVIEW OF OPERATIONS AND ACTIVITIES

Exploration and Production – through April 23, 2010

The company currently maintains working interest and net revenue interests in five key oil and gas assets.

U.S. Assets (Aus-Tex Exploration, Inc.)

- Three oil and gas assets are currently held in the USA
 - The Armstrong oil project (Natchez, Mississippi USA)
 - The Sebree oil project (Northwest, Kentucky USA)
 - The Park City oil and gas project (Southwest, Kentucky)

Australian Assets (Austin Exploration Limited)

- Two oil and gas assets are currently held in Australia
 - The Cooper Basin PEL105 oil and gas project
 - The Stansbury Basin PEL73 prospect

These oil and gas assets hold the following estimated reserves

<ul style="list-style-type: none"> • Cooper Basin, Australia (PEL105) <ul style="list-style-type: none"> • P10 of 23 million barrels of oil • P50 of 2 million barrels of oil • Estimated recovery of 1 million barrels of oil • Estimated well life of nine years • Estimated spacing for five additional wells
<ul style="list-style-type: none"> • Illinois Basin, USA (Sebree, Kentucky) <ul style="list-style-type: none"> • Recoverable Reserves of 132,000 BO • Estimated daily production of 75–125 BO • Estimated well life of six years • Estimated spacing for five wells
<ul style="list-style-type: none"> • New Albany Shale & Limestone Formations, USA (Park City, Kentucky) <ul style="list-style-type: none"> • Proven Reserves of 298,180 BO • Proven Reserves of 120,980 Mcf gas • Probable Reserves of 879,110 Mcf gas • PIIP Reserves of 9.79 BCF gas
<ul style="list-style-type: none"> • Wilcox Formation, USA (Natchez, Mississippi) <ul style="list-style-type: none"> • Recoverable Reserves of 240,000 BO • Estimated daily production of 100 – 200 BO • Estimated well life of four years • Estimated spacing for three wells

DEVELOPMENTS AT PRINCIPAL OIL AND GAS PROJECTS

U.S.A. Projects (Held by Aus-Tex Exploration Inc.)

THE ARMSTRONG OIL PROJECT

This project is located near the town of Natchez, Mississippi in the Southwest part of the state. The company has its initial focus on the Ellislie Plantation #1 well. The company holds an option to drill two additional wells on the same geologic trend.

Drilling of the first well began on March 5th, 2010. The well went on pump the week of April 19th 2010 and a status report was issued to the market on April 22nd 2010. The following details were included.



- Fluid and infrastructure testing to determine the optimal flow of oil and saltwater has begun.
- During the course of the next 30 days, fluid flow rates will be incrementally increased to a planned high of 1,500 barrels of fluid (oil and water) per day. The operator will monitor the oil to water cut ratio during this period to determine an optimal flow and anticipates an 8% or better oil cut by the time the well goes into final production.
- A final flow of 1,000 to 1,500 barrels of fluid (oil and water) per day is anticipated.
- The saltwater disposal injection well is complete and will begin receiving fluids shortly. At that time the saltwater being produced from the Ellislie well will be injected directly back into the ground.
- Major infrastructure completed now comprises:
 - Saltwater disposal injection well
 - Oil storage tank battery
 - 1.3 miles of three inch (3") flow line has been laid from the well to the saltwater injection well site
 - 0.4 miles of two inch (2") flow line has been laid from the saltwater injection well site to the oil storage tank battery
 - Oil and Saltwater separator unit



Armstrong Project Details

- Aus-Tex is a non operator and controls a 50% working interest.
- Aus-Tex holds a Net Revenue Interest 37.5% .
- About the wells being targeted
 - a. The initial well (Ellislie Plantation #1) is a re-drill operation of a previously producing well and it is currently on pump.
 - b. The Ellislie Plantation #1 and the two wells that Aus-Tex holds an option for represent the 16th, 17th and 18th well that the operator has drilled in the same Wilcox formation. Fourteen of the fifteen previous wells all produced in excess of 100 barrels of oil per day.
 - c. All three wells each share the same essential characteristics as the previous fifteen
 - i. re-drill of the last producing formation
 - ii. must be a structurally high well with a proven reservoir
 - iii. last measured oil cut and volume is economically viable today
- The wells in this area typically produce for three to five years
- Low case production scenarios for each well pay capital back in less than one year while high case production pays back in approximately six months

Economics

Reserves

A formal third party reserve report is not currently planned for this prospect. The Wilcox Oil Province is an almost one billion barrel Tertiary oil province in central Louisiana and southwest Mississippi. The province is situated above the Wilcox Platform, a part of the original, ancient Toledo Bend Flexure (TBF) which was created in the early, pre-rift Triassic by thermal doming.

The TBF is an east-west trending feature which forms the Southern margin of the

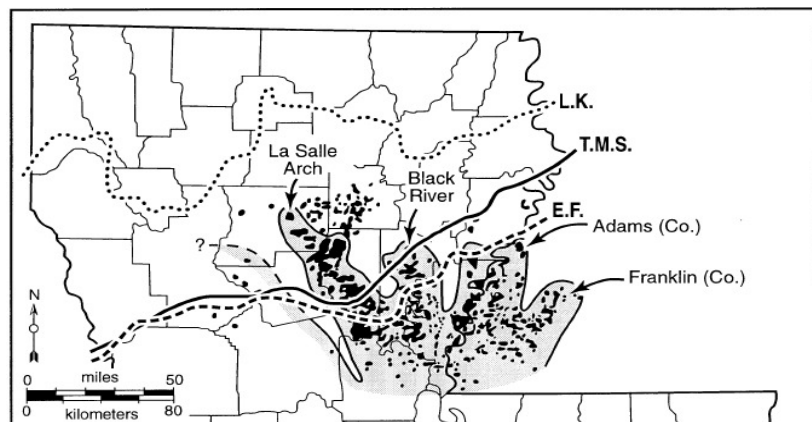


Figure 2. Map showing the regional extent of the four major basement controlled oil producing trends of the WxP (modified from McCulloch, 1993, Figure 23.)

North American Craton in the central Gulf Coastal region. The province is composed of at least four, basement controlled oil producing trends: 1) the LaSalle arch, 2) the Black River, 3) the Adams-Wilkinson County, and 4) the Franklin County.

Typical Wilcox Properties

- Reservoir Reserves of 100,000 to 2,000,000 BBL
- Average depth of wells 3,000'-7,000'
- Primarily focus is Oil
- No abnormal pressures
- Typical Reservoir Properties
 - ✓ Porosity averages approximately 30%
 - ✓ Permeability ranges from approximately 100md -1200md
 - ✓ Recovery factors range from 500-1100 BO/Ac-Ft
 - ✓ Reservoir thickness ranges from 3'-30'
 - ✓ Oil gravity ranges from 26-42 degrees
 - ✓ Extremely effective water drive with no secondary recovery

THE SEBREE OIL PROJECT

This project is located near the small town of Sebree, Kentucky in the Northwest part of the state. It is sometimes referred to by the mineral lease names associated with the project; the Russell and Major leases. Wells in this field produce both oil and saltwater.

After several weeks of oil production during the month of December 2009 and January 2010 Aus-Tex determined that costs associated with saltwater removal via transport trucks was too expensive to continue pumping. At that time, the Sebree project was delivering nearly \$25,000 per month of income from oil production to the parties while also creating nearly the same amount of expenses due to water removal via transport truck. The operator was instructed to temporarily shut-in the two producing wells and immediately began the permitting process for a saltwater disposal injection well.

Aus-Tex is now working to complete the three remaining wells on the Russell lease. Aus-Tex intends to test the Tar Springs formation in each well, flow and measure the oil and then temporarily shut each well in until the saltwater injection well is completed near June 2010. All producing wells will be put back into production after completion of the disposal well.

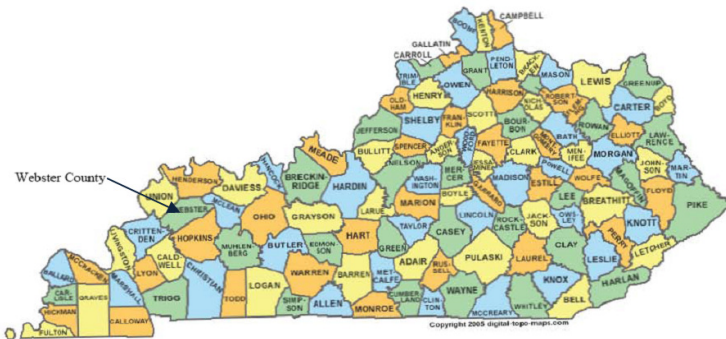
Sebree Project Details

- Aus-Tex is the operator of record and controls a 50% working interest.
- Aus-Tex holds a Net Revenue Interest of 37.5%.
- The company acquired this already producing asset on December 17th 2009.
- Quality infrastructure is in place, with oil transport and sales contracts completed.
- The primary hydrocarbon focus of this project is oil.

- Oil production from this property prior to the December 17th 2009 acquisition was emanating from a single well at rate of 10-15 barrels of oil per day. The well produced an oil to water cut ratio between 12% and 17% (oil) thus water removal is a requirement.
- Other well re-entry candidates are on the adjoining Major lease, however, they have not yet been evaluated to determine economic viability
- A reserve report and cash flow model was completed by a third party JORC qualified geologist and it was released to the market on February 4th, 2010. The report concluded the following.

- **Illinois Basin, USA (Sebree, Kentucky)**
 - Recoverable Reserves of 132,000 BO
 - Estimated daily production of 75–125 BO
 - Estimated well life of six years
 - Estimated spacing for five wells

- The wells are located in Webster County, Kentucky



THE PARK CITY OIL AND GAS PROJECT

This project is located near the small town of Park City, Kentucky in the Southwest part of the state. It was acquired by Aus-Tex in early 2008 as a large multi well shallow gas play. Well operations on the original 857.82 acres became the responsibility of Aus-Tex on July 1st 2009. The lease area was acquired on this date as a result of a legal settlement between Aus-Tex Exploration and the original operator, RET of Kentucky. Current acreage holds 17 drilled wells in various stages of completion.

Since August 2009 the project has consistently generated between 80-114 barrels of oil per month from three shallow oils wells. The company anticipates these wells will stay on production at the current flow rates for the next 15 to 20 years. Gas wells are also present however the company has not been able to sell this gas due to the closure of the nearby Atmos Gathering gas processing unit. The closure of the plant is the result of a legal dispute between Atmos and several nearby landowners.

When the Atmos legal matters are resolved, Aus-Tex will begin evaluating a revised work program for this asset. The company's acreage is surrounded by over 60 previously producing gas wells owned by other parties. These wells are also shut-in due to the gas processing plant closure.

The company now holds 1,637.4 acres of mineral leases.

A reserve report and cash flow model was completed by a third party JORC qualified geologist and it was released to the market on January 7th, 2010. The report concluded the following.

- **New Albany Shale & Limestone Formations, USA (Park City, Kentucky)**
 - Proven Reserves of 298,180 BO
 - Proven Reserves of 120,980 Mcf gas
 - Probable Reserves of 879,110 Mcf gas
 - PIIP Reserves of 9.79 BCF gas

Park City Project Details

- Aus-Tex is the operator of record and controls a 100% working interest for the project.
- Aus-Tex holds Net Revenue Interest 78.125% in this project.
- The Atmos Gathering and Atmos Marketing companies have an exclusive area of mutual interest for the county of Edmonson that holds these wells. Because there is no other nearby processing facility with nitrogen removal capabilities, operators holding gas wells in this county must currently deliver and sell their gas to the Atmos companies.
- While awaiting the re-opening of the Atmos gas processing facility
 - Aus-Tex has acquired additional acreage
 - Tested four of the 17 originally drilled wells
 - Acquired a third party reserve report for approximately 957 of the 1,637.4 acres of land that the company now holds
 - Mapped the geologic structures of the area
 - Selected the best available completion technique(s)
 - and successfully completed its first wells.
- The third party reserve reported has validated the significant value of Park City for the company.
- The primary hydrocarbon focus of this project is natural gas with a secondary focus on oil.
- The 1,637.4 acres of mineral leases provide adequate drilling opportunities for an estimated 30 to 100 wells. To determine a more accurate well count further testing of the natural gas producing New Albany shale formation will occur when the Atmos facility re-opens. At that time, a more specific work plan including well count, timing and production estimates for both oil and gas will be made.

AUSTRALIAN Projects (Held by Austin Exploration Limited)

THE PEL 105 OIL AND GAS PROJECT

The Cooper Basin is a large sedimentary basin covering some 130,000 km² and is located in north east South Australia and south west Queensland. Hydrocarbons were first discovered in the Cooper Basin in 1963 and today, it hosts some 160 gas fields and 75 oil fields. The Nappamerri and Patchawarra Troughs provide the source rocks for all oil and gas accumulations discovered in the Cooper Basin to date.

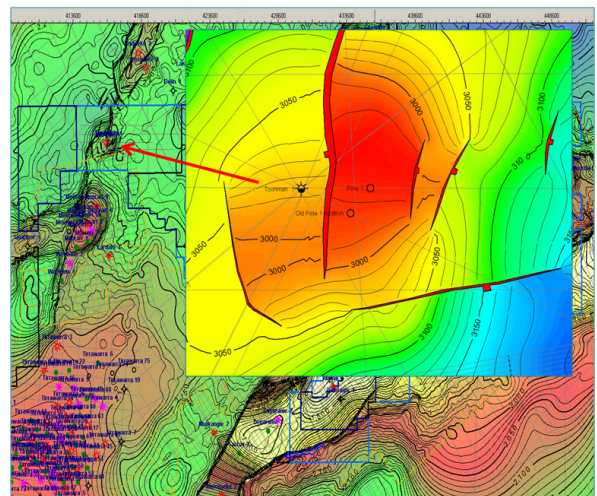


PEL105 is part of the Northern Cooper Basin. This province hosts the massive 100 MMbbl Tirrawarra Oil Field in the liquids-rich Patchawarra Trough. Petroleum Exploration Licence 105 (PEL 105) is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia.

The initial Pirie-1 well holds un-risked P10 OOIP of 23 MMbbl and P50 OOIP 2 MMbbl. This well is currently scheduled to be drilled sometime during the later part of CY 2010 when the recent flood waters have subsided to the extent that access is again possible..

Project Details

- Adelaide Energy (ADE) is the operator of record for this project
- Austin controls a 50% equity position for the license area
- PEL 105 spans the central Patchawarra Trough from the Permit's western limit between the Moorari and Kudrieke fields east to the huge Santos-operated Bookabourdie Field
- Re-interpretation of geophysical data has allowed ADE to identify a large hydrocarbon target between the producing Moorari and Kudrieke fields
- The Pirie-1 exploration well will be drilled in late 2010 on a significant closure above the abandoned 1983 Toonman-1 well



- The Pirie-1 is on a northeast - southwest structural ridge
- The Pirie-1 is an untested upthrown fault closure at Tirrawarra and Patchawarra Time
- Existing production is located to the northeast of the Pirie-1 (Kudrieke) and to the southwest (Moorari). Like the targeted area of the Pirie-1 well this production is emanating from the upthrown fault traps
- The Pirie-1 will be drilled up-dip of Toonman-1 (1983, P&A) well. This well had a large oil show even though it was downthrown to the fault
- The Pirie-1 is on the same seismic line as the Toonman-1 well
- A second well location has also been targeted on the license area and will be further evaluated after the drilling assessment at Pirie-1
- Proximity to pipeline infrastructure and processing facilities high-grades all discoveries in PEL 105

Economics

Reserves

The prospect is surrounded by producing oil and gas fields, some of which are the largest in the Cooper Basin. 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).

The initial Pirie-1 well holds un-risked P10 OOIP of 23 MMbbl and P50 OOIP 2 MMbbl.

CAPITAL RAISING

During the quarter, the company completed the capital raising which was approved at the Annual General Meeting held on 30 November 2009 through the issue of 75,000,000 listed underwriter options at an issue price of \$0.002 and an exercise price of \$0.10 on or before 19 November 2011. The issue of options raised \$150,000.

The Appendix 5B Quarterly Report for the quarter ended 31 March 2010 follows.

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")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A	\$A
1.1	Receipts from product sales and related debtors	48,131	236,086
1.2	Payments for		
	(a) exploration and evaluation		
	(b) development		
	(c) production		
	(d) administration	(224,123)	(1,561,288)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	46,523	60,849
1.5	Interest and other costs of finance paid	(2,184)	7,353
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(131,653)	(1,257,100)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) development	(570,789)	(1,298,140)
	(c) equity investments		
	(d) other fixed assets		267
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	(1,621)	
1.11	Loans repaid by other entities		24,820
1.12	Other (provide details if material) Bond	(22,881)	(22,881)
	Net investing cash flows	(595,291)	(1,295,934)
1.13	Total operating and investing cash flows (carried forward)	(726,944)	(2,553,034)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(485,135)	7,419,175
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)		
	Net financing cash flows	(485,135)	7,419,175
	Net increase (decrease) in cash held	(1,212,079)	4,866,141
1.20	Cash at beginning of quarter/year to date	6,281,104	296,580
1.21	Exchange rate adjustments to item 1.20	(26,861)	(120,557)
1.22	Cash at end of quarter	5,042,164	5,042,164

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	206,341
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	

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
- 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

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	
4.2	Development	908,651
4.3	Production	48,910
4.4	Administration	219,536
	Total	1,177,097

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	5,042,164	6,260,192
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	5,042,164	6,260,192

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

Armstrong (Natchez, MS) USA	50% WI, 37.5% NRI	Nil	50% WI, 37.5% NRI

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	295,051,718	295,051,718		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	Options (description and conversion factor)	5,400,000 "2011 A Class Options" 12,600,000 "2011 B Class Options" 12,600,000 "2011 C Class Options" 541,667 "2012 D Class Options" 333,333 "2013 E Class Options" 500,000 "2011 F Class Options" 146,512,930 Listed Options 9,000,000 "2011 G Class Options"		Exercise price \$0.30 \$0.50 \$0.75 \$0.24 \$0.24 \$0.20 \$0.10 \$0.10	
7.8	Issued during quarter	75,000,000 Listed Options		\$0.10	
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (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:
(Company Secretary)

Date: 30 April 2010

Print name: Graham Seppelt