

# AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



## Fourth Quarter Report FY2010

**For the three months ended**  
June 30, 2010

***With Australian and USA  
activity updates through***  
July 26, 2010

## • OVERVIEW OF OPERATIONS AND ACTIVITIES

### • Progress at principal oil and gas projects

#### ***Exploration and Production through July 26, 2010***

Austin Exploration Limited (ASX: “AKK”) currently maintains working interests and net revenue interests in six key oil and gas assets in Australia and the United States.

These assets, which are in varying stages of development and production, all hold estimated or proven reserves that provide Austin with continuing income opportunities going forward.

Other projects meeting a stringent set of acquisition guidelines will be brought into the Company’s portfolio as they are reviewed and approved by the Board of Directors.

#### **Australian Assets (Austin Exploration Limited)**

Austin Exploration (“AKK”) currently holds two oil and gas assets in Australia.

##### **Cooper Basin - PEL 105 oil and gas project**

- › AKK holds a 50% working interest
- › P10 reserves estimated at 23 Million barrels of oil
- › Estimated recovery of 1 Million barrels of oil per well
- › Estimated well life of nine years
- › Estimated spacing allows for five additional wells on the licence
- › Anticipated spud date of first well is end of calendar year 2010

The Petroleum Exploration Licence (PEL) 105 prospect is surrounded by producing oil and gas fields, some of which are the largest in the Cooper Basin – Australia’s most prolific onshore oil and gas province. 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, planned for late in 2010, holds un-risked P10 OOIP of 23 MMbbl and P50 OOIP 2 MMbbl. Estimated recovery from the initial well is 1M B/O with nearly 65% occurring during first four years. With success, five additional wells may be drilled on the licence.

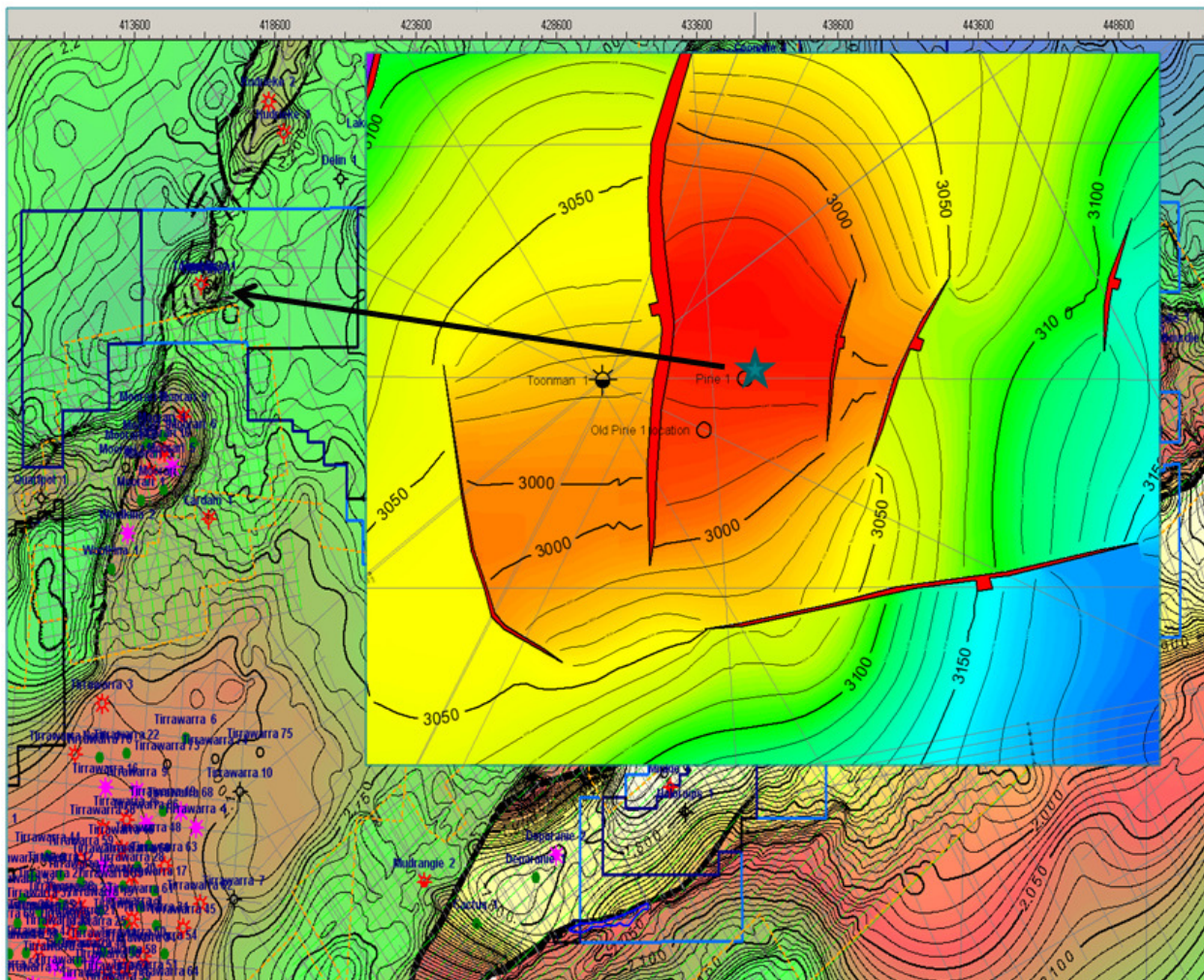


The Cooper Basin is a large sedimentary basin covering some 130,000 km<sup>2</sup> and is located in north east South Australia and south west Queensland. Hydrocarbons were first discovered in the Cooper Basin in 1963 and today it hosts some 160 gas fields and 75 oil fields. The Nappamerri and Patchawarra Troughs provide the source rocks for all oil and gas accumulations discovered in the Cooper Basin to date.

PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia.

### About the Well

- Adelaide Energy (ASX: “ADE”) is the operator of record for this Australian project
- Austin controls a 50% equity position for the licence area
- 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



- 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

- 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 late in 2010 on a significant closure above the abandoned 1983 Toonman-1 well
  - is on a northeast - southwest structural ridge
  - is an untested upthrown fault closure at Tirrawarra and Patchawarra Time
  - is on the same seismic line as the Toonman-1 well
- A second well location has also been targeted on the licence 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

### **The Stansbury Basin PEL 73 prospect – Yorke Peninsula**

The Company has been notified by the operator DMS Exploration that it intends to offer the licence to another operator. Based on the results of a series of technical and financial investigations, the Board of Directors resolved to approve the impairment of the asset as at June 30 2010.

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

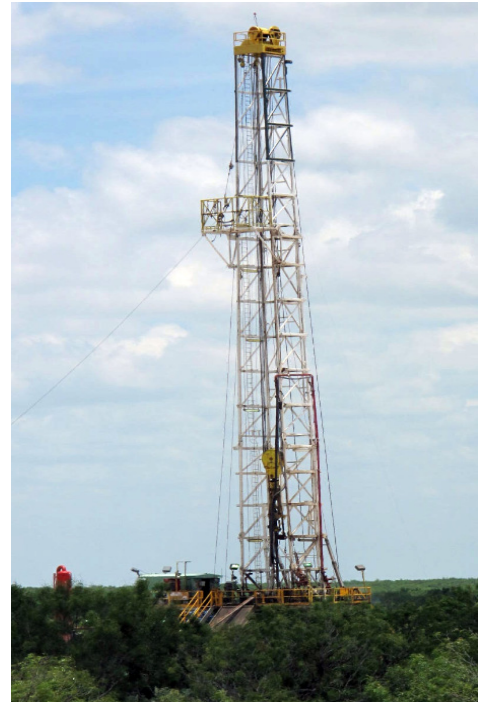
Four oil and gas assets are currently held in the USA, by AKK's 100%-owned subsidiary, Aus-Tex Exploitation, Inc.

#### **North Carrizo, Yolanda Villarreal #1 oil well (Dimmitt County, Texas)**

- › Aus-Tex holds a 45% BC/WI, a 36% AC/WI and a 27.36% NRI
- › Target formation is the Austin Chalk
- › Drilling phase of operation has concluded with a total of 951 feet of hydrocarbon shows (oil & gas) encountered
- › Estimated recovery of 200,000 – 250,000 barrels of oil
- › Estimated completion through production is August 2010
- › Estimated daily production of 250 – 950 barrels of oil

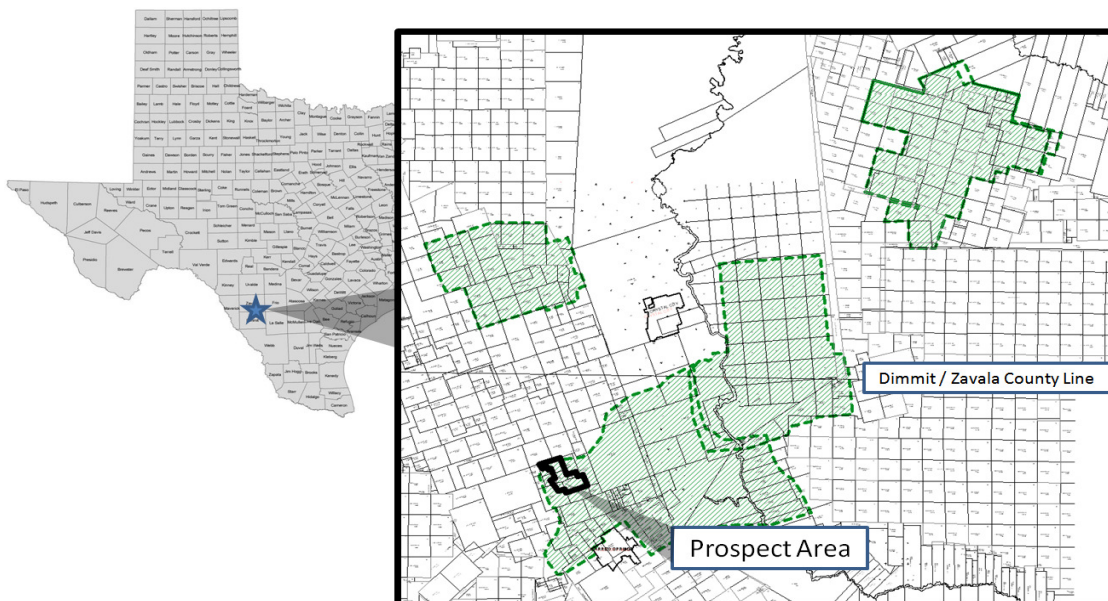
The Company's North Carrizo Prospect is an Austin Chalk formation, 3D seismic supported prospect. The drilling phase of the Yolanda Villarreal #1 oil well has now been concluded and the operator is preparing the well for completion through production. To contain the well's down-hole fluids a 7,000 pound packer has been set at 3,750 feet.

In preparation for the completion of the well, the current rig and all support infrastructure have been removed. A work-over / completion rig and oil storage tanks are being set up and completion operations are scheduled to begin shortly. Testing to determine the optimal oil and gas production rate will then begin. The operator anticipates initial production to accumulate in local tanks and then quickly be connected to a nearby delivery pipeline.



**About the Yolanda Villarreal #1 well**

- There are two target zones, the B Zone (Upper Austin Chalk) & the E Zone (Lower Austin Chalk).
- The well is a dual lateral horizontal. Vertical target depth is 5,480 feet. Two horizontal laterals have been completed each at lengths of 2,500 and 2,000 feet.
- A structural analog to the prospect has been identified on the proprietary 3D seismic data set. This analogous well produced from E Zone (Lower Austin Chalk), current cum: 338,000 BO & 1.2 BCFG and is still in production today. The operator has extensive experience with drilling in Austin Chalk formations and an excellent success record. It has been involved in a continuous drilling program since 2004. The program has produced 15 drilled locations, 14 are currently producing with an additional 14 Proven undeveloped locations identified. Total production to date from these wells is 1.4 MMBO & 2.5 BCFG. Lowest production from any single well is 250 barrels of oil per dThe use of 3-D seismic data results in cumulative production from the Austin Chalk that is 300% higher than horizontal wells drilled without 3-D data. The seismic allows for much more accurate targeting of fracture zones, which provide the porosity in the Austin Chalk. The well is located in Dimmitt County, Texas USA



### The Armstrong oil project (Natchez, Mississippi USA)

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Target formation is Wilcox Sand
- › Estimated recovery of 80,000 barrels of oil per well
- › Three-well drilling program envisioned
- › First well (Armstrong #1) is completed and was put on production in May 2010
- › Daily production is currently at 62 barrels of oil

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



Drilling of the first well began on March 5<sup>th</sup>, 2010. The well went on pump the week of April 19<sup>th</sup>. First oil production testing began in May and Aus-Tex began receiving first income from sales in June 2010.

#### About the Well

- The initial Ellislie Plantation #1 well is a re-drill operation of a previously producing well and it is currently on pump to production.
- This well, and the two wells that Aus-Tex holds an option for, represent the 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> wells that the operator has drilled in the same Wilcox formation. Fourteen of the 15 previous wells all produced in excess of 100 barrels of oil per day.



- All three wells each share the same essential characteristics as the previous 15. Each is a re-drill of the last producing formation; must be a structurally high well with a proven reservoir and the last measured oil cut and volume is economically viable today
- The wells in this area typically produce for three to five years



**The Sebree oil project (Northwest, Kentucky USA)**

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Target formation is Tar Springs Sand
- › Estimated recovery of 80,000 barrels of oil
- › Five well drilling program envisioned
- › Two wells currently drilled and shut-in pending completion of salt water disposal well (est. August)
- › Three additional wells to be drilled and completed prior to end of 2010
- › Daily production estimated at 24-32 barrels of oil

This project is located near the small town of Sebree, Kentucky in the north west 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 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 100% interest of 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.

The saltwater disposal well is now permitted and being readied for initial testing. The operator anticipates having the disposal well in full operation by mid August at which time the currently completed oil wells will be connected and infrastructure testing will begin. Produced oil will be moved to storage tanks for sale and produced saltwater will be disposed of by pumping it back into the ground.



Aus-Tex will then complete the three remaining wells on the Russell lease. The Company intends to test the Tar Springs formation in each well. All producing wells will utilize the saltwater injection well for disposal and a common tank battery for oil storage to sales.

### About the Project

- KOS Energy of Canada is the operator of record.
- Aus-Tex acquired this already producing asset on December 17<sup>th</sup> 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 17<sup>th</sup> 2009 acquisition was emanating from a single well at rate of six-to-10 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 4<sup>th</sup>, 2010.
- The wells are located in Webster County, Kentucky





### The Park City oil and gas project (Southwest, Kentucky USA)

- › Aus-Tex holds a 100% WI and a 78.125% NRI
- › Target formations are the Limestone and New Albany
- › Proven reserves of 298,180 barrels of oil and 120,980 Mcf of gas
- › Probable reserves of 870,110 Mcf of gas
- › PIIP reserves of 9.79 BCF of gas
- › 17 wells have been drilled
- › Four of these have been completed. Three are currently producing oil and one is capable of producing gas but has been shut-in
- › Additional wells will be completed
- › Daily production is currently averaging three-to-five barrels of oil

This project - located near the small town of Park City, Kentucky in the Southwest part of the state – was acquired by Aus-Tex late in 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 1<sup>st</sup> 2009. The original mineral lease area was acquired on this date as a result of a legal settlement between Aus-Tex Exploration Inc.



and the original operator, RET of Kentucky. The company now holds 1,637.4 acres of mineral leases. Current acreage holds 17 drilled wells in various stages of completion.



Since August 2009 the project has consistently generated between 65-to-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 achieve the sale of 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. Aus-Tex is also considering a work program that envisages completion of several currently shut-in wells into oil producers.

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.

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 7<sup>th</sup>, 2010.



### **About the 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.
- 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 additional 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.

### **COMPETENT PERSON'S STATEMENT**

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. Stanley L. Lindsey, Chief Geologist, Austin Exploration Limited. Mr. Lindsey holds a Bachelor of Science Degree in Geology with a minor in Chemistry and has over 30 years of oil and gas experience including exploration, development, operations, acquisitions and divestitures. His background also includes mapping, utilizing integration of 2-D and 3-D seismic with subsurface data and reserve calculations. He is a Certified Petroleum Geologist and has been a member of the American Association of Petroleum Geologists and the Houston Geological Society since 1979. He also belongs to the Society of Independent Professional Earth Scientists (SIPES). He is a Certified Petroleum Geologist by The American Institute of Professional Geologists (CPG #11331) and The American Association of Petroleum Geologists (CPG# 4005). Mr. Lindsey has the relevant experience within the industry and consents to the information in the form and context in which it appears.

# 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 EXPLORATIONS LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

30 JUNE 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (12 months) \$A
1.1 Receipts from product sales and related debtors	75,546	286,202
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(610,798)	(2,123,138)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	44,941	105,790
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>(490,311)</b>	<b>(1,731,146)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(925,557)	(2,226,535)  274
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(50,374)	
1.11 Loans repaid by other entities		8,171
1.12 Other (provide details if material)		(23,496)
<b>Net investing cash flows</b>	<b>(975,931)</b>	<b>(2,281,586)</b>
1.13 Total operating and investing cash flows (carried forward)	(1,466,242)	(4,012,732)

1.13	Total operating and investing cash flows (brought forward)	(1,466,242)	(4,012,732)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		7,423,275
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)		
	<b>Net financing cash flows</b>		7,423,275
	<b>Net increase (decrease) in cash held</b>	(1,466,242)	3,410,543
1.20	Cash at beginning of quarter/year to date	5,042,164	296,580
1.21	Exchange rate adjustments to item 1.20	22,110	(109,091)
1.22	<b>Cash at end of quarter</b>	3,598,032	3,598,032

**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	159,324
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'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	
4.3 Production	48,045
4.4 Administration	417,000
<b>Total</b>	<b>465,045</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	2,590,062	5,042,164
5.2 Deposits at call	1,007,970	
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,598,032</b>	<b>5,042,164</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	PEL 73	16.67% WI	16.67% WI	NIL
6.2 Interests in mining tenements acquired or increased	North Carrizo (Dimmit County, Texas)	Aus-Tex holds a 45% BC/WI, a 36% AC/WI and a 27.36% NRI	NIL	Aus-Tex holds a 45% BC/WI, a 36% AC/WI and a 27.36% 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 <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>	294,827,895	294,827,895		
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)			<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	28/02/2002
		333,333 "2013" E Class Options		\$0.24	01/03/2013
		500,000 "2011" F Class Options		\$0.20	15/10/2011
		9,000,000 "2011" G Class Options		\$0.10	30/11/2011
		146,512,930 Listed Options		\$0.10	19/11/2011
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 29/07/2010

Print name: Graham Seppelt