

AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



First Quarter Report

FY2010

For the Period Ended

September 30, 2009

+ See chapter 19 for defined terms.

OVERVIEW OF OPERATIONS AND ACTIVITIES

Exploration and Production

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

U.S. Assets

No changes of significance have taken place since the last quarterly report.

Australian Assets

No changes of significance have taken place since the last quarterly report.

DEVELOPMENTS AT PRINCIPAL OIL AND GAS PROJECTS

PARK CITY GAS PROJECT (State of Kentucky, USA)

In July 2009 the company advised that all litigation concerning the company's Park City, Kentucky oil and natural gas project have been concluded. Austin and Resource Energy Technologies (RET) agreed to a series of settlement terms that allows Austin immediate access and complete control of all wells drilled to date. This outcome is material for the company in moving towards a phase of oil and gas production.

The details of the settlement are as follows:

- ✓ All litigation complaints between the two parties have been settled.
- ✓ Operatorship of the 17 wells has been transferred to Aus-Tex Exploration Inc., (a wholly owned subsidiary of Austin).
- ✓ Aus-Tex has purchased the interest previously held by Park City Gas, LLC (PCG) in 12 oil and gas leases in Western Kentucky. As a result of this purchase, Aus-Tex now owns a 100% working interest and an 87.5% net revenue interest in all hydrocarbons derived from the current 17 wells and any future wells drilled on the leases.
- ✓ Beginning July 1, 2009, income from hydrocarbon production emanating from the 17 wells within these leases belongs to Aus-Tex Exploration, Inc.
- ✓ Landowner interest does not change.

Gas sales agreements between Atmos Energy Gathering LLC and Aus-Tex Exploration Inc. are being finalized.

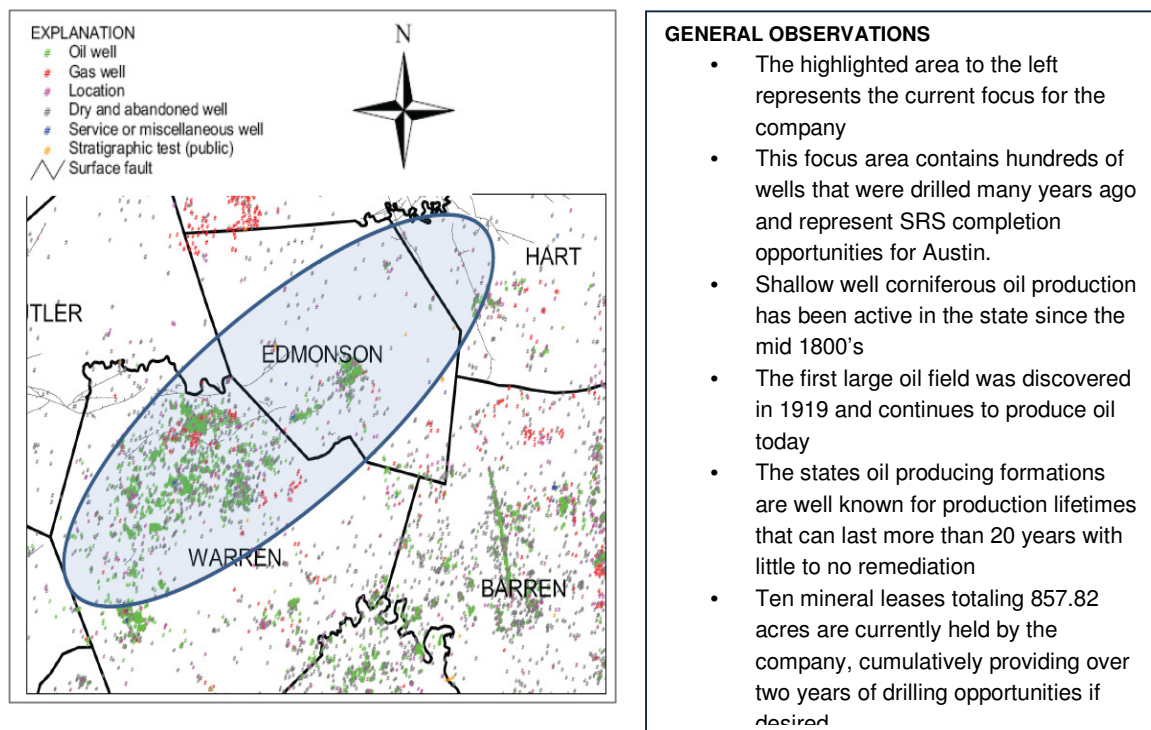
During August 2009 technology to drill laterally into the structures already drilled and which had shows of both oil and gas was employed on four of the wells, with the initial target being oil.

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As at the end of September 2009, these four wells have been successfully tested on pump representing a 100% success rate for this lateral drilling completion test program.

Austin is very encouraged by the initial results of the first four completed wells utilizing the Short Radius Stimulation (SRS) procedure. Based on current economic analysis, the Company can now complete a well at costs that are low enough to return initial investment capital in less than 4 months. The long life potential of these corniferous wells also makes them economically attractive.

Phase two drilling program is being prepared – With the success of these first four test wells the company can now move forward with plans to increase the rate of drilling and completions. The company geologist, KOS Energy and other technical resources available to Austin has used the month of September to develop and finalize the 12 month plan for this area of Kentucky.



PEL 105 OIL AND GAS PROSPECT (Cooper Basin, South Australia)

Petroleum Exploration Licence 105 (PEL 105) is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia.

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).

+ See chapter 19 for defined terms.

Austin owns 100% of the PEL 105 licence. As the result of an October 10th 2007 farm-in agreement, Austin and Adelaide Energy (ASX: "ADE") have been working together to locate the first drill site for the respective companies on the licence. The farm-in agreement names Adelaide Energy as the official operator and the company has a right to earn 50% of Austin's 100% interest by funding the first well through to completion in 2009.

In October 2008, Adelaide Energy carried out a 2D seismic survey and identified a new hydrocarbon trap location. Well planning is now underway. A drilling rig with availability in 2010 is now being sourced.

EMPLOYMENT

During the September 2009 quarter the board has strengthened its skill base with the following changes:

On 13 July 2009, Mr Guy Goudy was appointed as a director.

Guy trained at the University of Technology, Sydney (UTS) where he holds various formal qualifications in Business Studies.

For the last three years Guy has been employed in the financial services sector and has been an authorised representative with a leading stock broking and financial advisory firm.

Guy's financial abilities will add significantly to the board's current skills base of exploration and financial matters.

On 23 July 2009, Mr William Kefalianos was appointed as a director.

William graduated in 1975 from Monash University with a Bachelor of Economics degree. He is a Fellow of the Taxation Institute of Australia, a registered tax agent and a member of the National Institute of Accountants.

William is currently the principal of accounting firm MMI Financial Partners Pty Ltd. Over the last 20 years, he has held many and varied management consultancy roles including commercial systems development, dispute resolution and corporate and private planning.

William's financial abilities will add significantly to the board's current skills base of financial matters.

On 3 August 2009, Mr David Schuette, Managing Director of Austin left the company effective immediately and in addition will no longer manage the operations of Austin's wholly owned subsidiary in America.

This restructuring of the board has placed the company on a sound footing with skills to take the company through 2009 and into 2010.

CAPITAL RAISING

On 14 July, the company announced a share placement to sophisticated investors of 16,000,000 shares at 4 cents per share to raise \$640,000. This new capital enabled the commencement of further activity in the Park City lease acreage.

On 8 October 2009, The Company announced that it proposed to make a rights issue pursuant to section 708AA of the Corporations Act without issuing a product disclosure statement in relation thereto.

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The rights issue is a pro-rata non-renounceable entitlement issue of 1 new share for every 1 share held at the Record Date. The issue price for each new share is 5 cents. The company will be granting 1 free attached option for every 2 shares acquired at an exercise price of \$0.10 with an expiry date of two years from the date of issue. Additionally, subject to shareholder approval, the company will issue the Underwriter 75,000,000 options at \$0.002 on the same terms as the free attached options with the issue.

The offer initially seeks to raise \$7,151,293 before expenses of the offer and is to be fully underwritten and will result in the issue of 143,025,859 new shares.

Proceeds from the Equity Raising will be used to:

- Fund the work and drilling commitments of PEL 105 in the Cooper Basin, Australia.
- Fund the acquisition of additional acreage and expand Oil and Gas operations in Kentucky, USA
- Acquire additional Oil & Gas properties
- Provide working capital;
- Pay down loan facility.

The full terms of the Rights Issue were lodged with ASIC and ASX on 22 October 2009. On 12 October 2009, the company announced a further share placement to sophisticated investors of 1,900,000 shares at 5 cents per share to raise \$95,000. This additional capital prior to the completion of the Rights Issue to shareholders which was announced to the market on 8 October 2009 will be used in further activity in the Park City lease acreages and for ongoing working capital.

EQUITY

As at 30 September, the company had 141,125,859 shares and 31,975,000 options on issue.

The Appendix 5B Quarterly Report for the quarter ended 30 September 2009 follows.

+ See chapter 19 for defined terms.

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 September 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (,3 months) \$A
1.1	Receipts from product sales and related debtors	3,814	3,814
1.2	Payments for (a) exploration and Evaluation (b) development (c) production (d) administration	(1,008) (334,594)	(1,008) (334,594)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	734	734
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	0	0
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(331,054)	(331,054)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) development (c) equity investments (d) other fixed assets	(387,890)	(387,890)
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 (provide details if material) Bond	(30,680)	(30,680)
	Net investing cash flows	(418,570)	(418,570)
1.13	Total operating and investing cash flows (carried forward)	(749,624)	(749,624)

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1.13	Total operating and investing cash flows (brought forward)	(749,624)	(749,624)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	640,000	640,000
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	640,000	640,000
	Net increase (decrease) in cash held	(109,624)	(109,624)
1.20	Cash at beginning of quarter/year to date	296,580	296,580
1.21	Exchange rate adjustments to item 1.20	(10,806)	(10,806)
1.22	Cash at end of quarter	176,150	176,150

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	135,000
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 Directors 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

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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	

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A
4.1	Exploration and evaluation	nil
4.2	Development	201,000
4.3	Production	155,000
4.4	Administration	298,000
Total		654,000

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	177,568	296,580
5.2 Deposits at call		
5.3 Bank overdraft	(1418)	
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	176,150	296,580

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			

Issued and quoted securities at end of current quarter

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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 (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	141,125,859	141,125,859		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,000,000	16,000,000		
7.5	+Convertible debt securities (description)				
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"		Exercise price \$.30 \$.50 \$.75 \$.24 \$.24 \$.20	
7.8	Issued during quarter				

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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.



30 September 2009

Sign here: Date:
 (Company Secretary)
 Print name: Graham Seppelt

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