

AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



Second Quarter Report
FY2010

For the Period Ended
December 31, 2009

With Activities Updates Through
January 26, 2010

OVERVIEW OF OPERATIONS AND ACTIVITIES

Exploration and Production – through January 26, 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.)

- Two oil and gas assets are currently held in the 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

DEVELOPMENTS AT PRINCIPAL OIL AND GAS PROJECTS

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

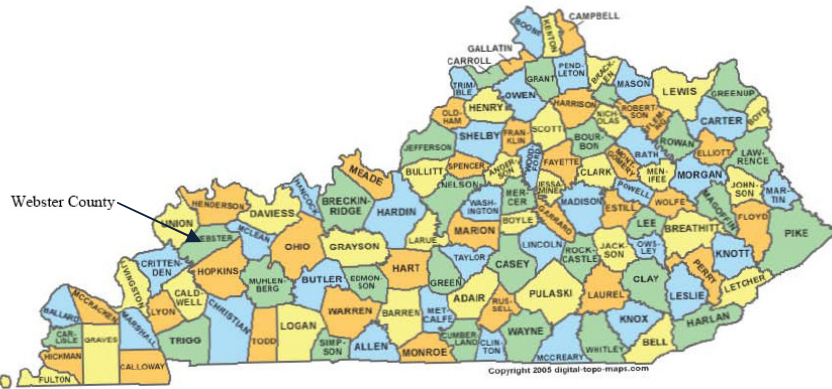
THE SEBREE OIL PROJECT

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.

Executive Summary

- Aus-Tex is the operator of record and controls a 50% working interest for the project.
- Aus-Tex holds a Net Revenue Interest of 37.5% in this project.
- The company acquired this already producing asset on December 17, 2009
- Quality infrastructure is in place, with oil transport and sales contracts completed.
- Estimated capital value of in place storage tanks, flow lines, utilities and other capital related equipment is approximately \$185,000
- The primary hydrocarbon focus of this project is oil
- Five of the nine total wells held by current acreage are the initial focus. These five wells reside on one contiguous lease that produced 472,500 barrels of oil from the Tar Springs formation during the period of 1956-1977.
- Oil production from this property prior to the December 17 acquisition was emanating from a single well at rate of 10-15 barrels of oil per day. The wells produce an oil to water ratio between 12% and 17% (oil) thus water removal is a requirement.

- Two wells from the Russell lease are now producing oil for Aus-Tex and three additional wells are scheduled for completion prior to the end of March 2010.
- Current cumulative production for the two wells is averaging 33 barrels of oil per day to the 100% interest of the parties. Aus-Tex anticipates daily production to increase with the completion of the remaining three wells.
- Other well re-entry candidates are on the adjoining Major lease, however, they have not yet been evaluated to determine economic viability
- After the successful completion of a third well, Aus-Tex and the operator will propose a water injection well enabling immediate removal of water from all wells planned for the property
- A reserve report and cash flow model was recently completed by a third party JORC qualified geologist After all final documents are completed and reviewed by the company further details of the reserve report will be announced to the market. Internal evaluations are currently ongoing.

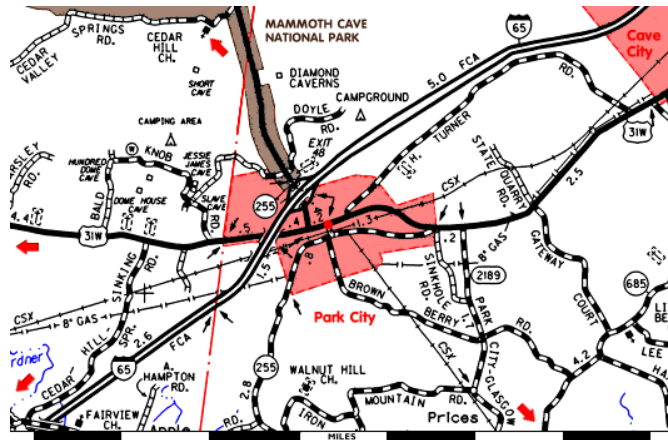


THE PARK CITY OIL AND GAS PROJECT

This project is located near the small town of Park City, Kentucky in the Southwest part of the state. All current wells are located to the Northwest of the town.

Executive Summary

- 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.
- Well operations on the original 857.82 acres became the responsibility of Aus-Tex on July 1, 2009. The lease area was acquired on this date as a result of a legal settlement



between Aus-Tex Exploration and the previous operator, RET of Kentucky.

- Current acreage holds 17 drilled wells in various stages of completion.
- 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.
- Results of test wells to date
 - Tested and completed 3 oil wells. These wells are currently cumulatively producing oil at a rate of 113.43 barrels of oil per month
 - Completed 2 gas wells. These wells are shut in awaiting the restart of the processing plant and will be formally tested at that time. Current anticipated production from these two wells is not emanating from the New Albany shale which represents the largest gas production opportunity for the company at Park City.
 - The company is now awaiting the re-opening of the nearby Atmos delivery and gas processing infrastructure. 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. Due to a variety of legal matters not related to Aus-Tex or its acreage, Atmos has been unable to bring the gas processing plant back into production since May 2009. Since that time, the gas processing plant reopening expectations have been reset several times by Atmos. Aus-tex continues to maintain regular contact with Atmos and will keep the market informed as to the status of the gas plant.

Oil Production to date

The three oil wells have now been fully completed and running on scheduled since late October 2009. The company anticipates these wells to stay on production at the current flow rates for the next 15 to 20 years. Decline rates of 50% or more have occurred since these wells initially were tested and then brought into production.

	CY 2009 Actual Production				
	August	September	October	November	December
Producing Oil wells	3	3	3	3	3
James aubrey & Carol Spillman Lease	21.43	20.75	27.39	59.00	60.20
Harlin & Reneva Tarter Lease	32.21	16.97	30.50	45.76	53.83
	53.64	37.72	57.89	104.76	114.03

AUSTRALIAN Projects (Held by Austin Exploration Limited)**THE PEL 105 OIL AND GAS PROJECT**

The Northern Cooper Basin 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 well is currently scheduled to be drilled sometime during the second quarter of 2010.

Executive Summary

- Adelaide Energy (ADE) is the operator of record for this project
- Austin controls a 50% equity position for the licence area
- The operator will fracture the tight sands to access un-risked P10 OOIP of 23 MMbbl and P50 OOIP 2 MMbbl
- 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 early 2010 on a significant closure above the abandoned 1983 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



- The 2008 Wakefield Seismic Survey acquired 93 km 2D seismic to identify and mature a range of drilling targets including around the flanks of the Bookabourdie structure.
- Proximity to pipeline infrastructure and processing facilities high-grades all discoveries in PEL 105

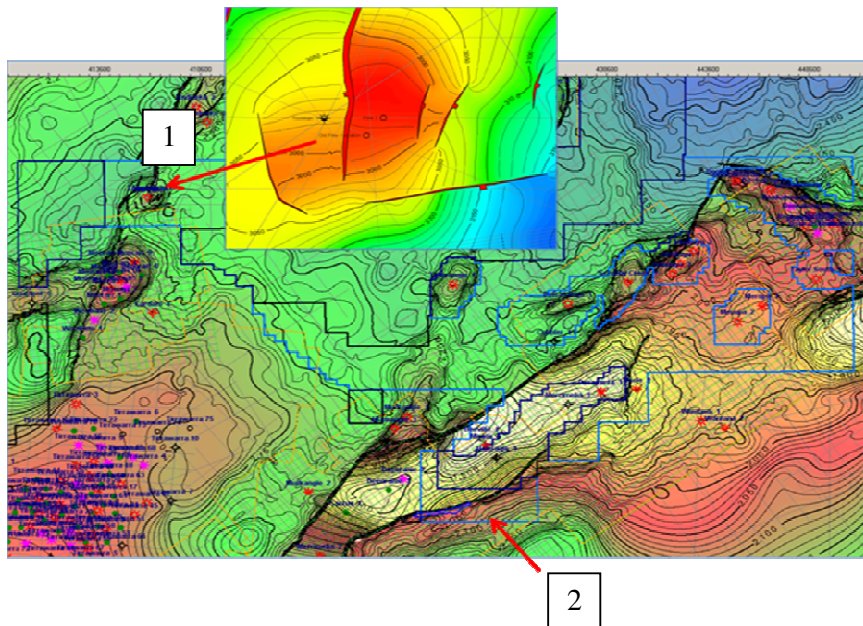
Economics

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 primary target of the first well (Pirie-1) is oil with a secondary target of natural gas.

Utilizing the gross P50 OOIP of 2 Million Barrels of Oil for this prospect allows for some level of economic forecasting. When coupled with the decline curve estimates provided by the geophysical team the following annual oil production is possible.



CAPITAL RAISING

During the quarter, the company undertook two separate capital raisings, both of which were approved at the Annual General Meeting held on 30 November 2009.

On 12 October, 1,900,000 shares were issued at a price of \$0.05 per share.

On 22 October 2009, a Rights Issue Prospectus for a 1:1 share issue with 1 attaching option for every 2 shares held was lodged with Australian Securities and Investments Commission and sent to shareholders. The Rights Issue was fully underwritten and would raise \$7,151,293 before expenses of the offer. As a result of the Supplementary Prospectus which was issued on 18 November 2009, shareholders were given the opportunity to withdraw their applications which were made under the original Prospectus. Shareholders who had applied for 223,823 shares withdrew their offer. These shares and attaching options will subsequently be issued at the directors' discretion.

The capital raising gives the company a sound financial footing to move forward with its exploration program.

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

Consolidated statement of cash flows

	Current quarter \$A	Year to date (.6 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	5,467	9,367
1.2 Payments for (a) exploration and Evaluation (b) development (c) production (d) administration	(265) (444,108)	(1,334) (770,970)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	13,592	14,326
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)	0	0
Net Operating Cash Flows	(425,314)	(748,611)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) development (c) equity investments (d) other fixed assets	(369,271)	(757,707)
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	5,300	(23,558)
Net investing cash flows	(363,971)	(781,265)
1.13 Total operating and investing cash flows (carried forward)	(789,285)	(1,529,876)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	6,617,984	7,257,984
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)	250,000	250,000
Net financing cash flows	6,867,984	7,507,984
Net increase (decrease) in cash held	6,078,699	5,978,108
1.20 Cash at beginning of quarter/year to date	183,666	296,580

1.21	Exchange rate adjustments to item 1.20	(2,173)	(14,496)
1.22	Cash at end of quarter	6,260,192	6,260,192

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	86,103
1.24	Aggregate amount of loans to the parties included in item 1.10	0

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
4.3	Production
4.4	Administration
	Total

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	183,666
5.2	Deposits at call	
5.3	Bank overdraft	
5.4	Other (provide details)	
	Total: cash at end of quarter (item 1.22)	183,666

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter

Appendix 5B

Mining exploration entity quarterly report

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

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	294,827,895	294,827,895		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	151,802,036	151,125,859		
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" 71,401,029 Listed Options 9,000,000 "2011 G Class Options"		Exercise price \$.30 \$.50 \$.75 \$.24 \$.24 \$.20 \$0.10 \$0.10	
7.8	Issued during quarter	71,401,029 Listed Options 9,000,000 "2011 G Class Options"			
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)

Print name: Graham Seppelt

29 January 2010

Date: