

AUSTIN EXPLORATION LIMITED

ACN 114 198 471

PROSPECTUS

For the issue of up to 71,428,572 fully paid ordinary shares in the Company at \$0.035 per share together with up to 35,714,286 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue) to raise up to \$2,503,571 as a "priority offer" to Eligible Shareholders of the Company (**Priority Offer**).

This Priority Offer is conditional upon the Company receiving Shareholder approval to proceed with the Priority Offer at the General Meeting of the Company to be held on 17 June 2011. In the event that Shareholder approval is not obtained at the General Meeting, none of the Shares and Options offered by this Prospectus will be allotted or issued.

Financial Arranger/Lead Manager



OTSANA

CAPITAL

Otsana Pty Ltd (ACN 145 168 215) is a Corporate Authorised Representative of International Capital Markets Pty Ltd (ACN 123 289 109)
Australian Financial Service Licence No. 335692.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.



Guy Hardy
DIRECTOR 23/5/11

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Record Date for Determining Eligible Shareholders	11 May 2011
Lodgement of Prospectus with the ASIC and ASX	23 May 2011
Priority Offer Opening Date	23 May 2011
Closing Date for the Priority Offer	13 June 2011
General Meeting (refer to Section 4.2 for further details)	17 June 2011
Expected date of Official Quotation of securities pursuant to the Priority Offer	21 June 2011

*The Company reserves the right to extend the Closing Date or close the Priority Offer early without notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 23 May 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The Expiry Date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted Securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Prospective investors in the Company should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks. These risks are set out in full in Section 7 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional advisers) before deciding whether to invest in the Company. The key risks that relate to an investment in the Company include, without limitation:

- The Birch Prospect and Niobrara Prospect are currently at exploration and pre-exploration due diligence stages, respectively, and potential investors should understand that exploration and development are high-risk undertakings. There can be no assurance that the Birch Prospect, the Niobrara Prospect, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.
- Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return.
- The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.
- Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques becomes available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial flow plans which may, in turn, either benefit or adversely affect the Company's operations.
- If the Company achieves success leading to oil and gas production, the revenue it will derive through the sale of oil and gas exposes the potential income of the Company to oil and gas price and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.
- The operations and proposed activities of the Company will be subject to US laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.
- The system for obtaining development rights to oil and gas leases in Colorado, Kentucky and Texas can be complex given that numerous

parties may hold the undivided mineral estate to a particular tract of land. Securing the leases to those mineral estates often requires lengthy negotiation with the various parties.

- The Company is party to various contracts highlighted in Sections 3 and 5.1 of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by the other parties to those contracts and other contracts the Company may enter into in the future. If a party defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.austinexploration.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Mr Dominic Pellicano
Non-Executive Chairman/Director

Dr W. Mark Hart
CEO/Director

Dr James Edwards
Director

Mr Guy Goudy
Director

Company Secretary

Mr David Nairn

Registered Office

C:\ HLB Mann Judd
Level 1
160 Queen Street
MELBOURNE VIC 3000

Telephone: +61 419 035 297
Facsimile: +61 8 8339 7909

Financial Arranger/Lead Manager

Otsana Pty Ltd trading as Otsana Capital
PO Box 1974
West Perth WA 66872

Share Registry*

Computershare Investor Services Pty
Limited
Level 5
115 Grenfell Street
ADELAIDE SA 5000

Telephone: +61 8 8236 2300

Solicitors to the Company

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Website

www.austinexploration.com

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

3. LETTER FROM THE CEO

Dear Shareholders,

Austin Exploration Limited (**Austin Exploration** or the **Company**) is an Australian public company listed on the Australian Securities Exchange (ASX:AKK).

The Company is undertaking the capital raising the subject of this Prospectus in order to raise up to \$2,503,571. At the same time, the Company is also undertaking the General Offer to raise up to \$10,530,000 (\$8,000,000 of which is already committed to sophisticated investors).

On 14 January 2011, the Company announced to ASX that it, via its wholly owned subsidiary, Aus-Tex Exploration Inc (**Aus-Tex**), had entered into a joint venture agreement (**Joint Venture Agreement**) with Newtak Pty Ltd (**Newtak**) in regards to the Company's Park City and Sebree prospects located in Kentucky, USA.

Pursuant to the Joint Venture Agreement, a joint venture company will be formed, Kentucky Exploration LLC, under which Aus-Tex and Newtak will each hold 50% interests in the joint venture and will share profits on an equal basis. Aus-Tex has agreed to match the US\$2.25 million investment that Newtak is making to the joint venture. Aus-Tex has also agreed to place the Park City and Sebree assets in the joint venture which Aus-Tex has valued at approximately US\$500,000 as part of its US\$2.25 million investment and to contribute US\$1,725,000 towards further exploration and development costs of these assets.

On 19 April 2011, the Company announced to ASX that it, via Aus-Tex, had signed an option agreement to acquire 5,000 acres in the prospective Eagle Ford Shale oil and gas reservoir, Texas, USA. The new shale prospect, the Birch Prospect, is located in Burleson County, Texas and represents the largest acquisition undertaken by the Company since it listed on ASX in 2006. Pursuant to the acquisition, the Company will obtain a 93.5% working interest and a 70.125% revenue interest in the Birch Prospect.

The Company acquired the acreage at the relatively low cost of US\$400 per acre. The Company has completed due diligence investigations over approximately 900 of the 5,000 acres and fully funded the purchase of those 900 acres at a total cost of approximately US\$360,000. Pre-drilling activity on the Birch Prospect is scheduled to begin after the property acquisition is completed and drilling should begin during September 2011.

On 12 May 2011, the Company announced to ASX that it, via Aus-Tex, had signed a memorandum of understanding whereby the Company obtained an option to acquire between 10,000 and 20,000 acres in the highly prospective Niobrara Shale, Colorado, USA.

The Niobrara Prospect is prospective for oil, historical wells demonstrating a flow rate of 12 barrels of oil per day. The Company is currently undertaking pre-exploration due diligence on the Niobrara Prospect and, if the Company deems exploration and production work to be viable, the Company will proceed with the acquisition and, if successful, will make an announcement to Shareholders detailing a proposed drilling program.

Funds raised pursuant to the Priority Offer, together with funds raised under the General Offer, are intended to be applied towards commitments under the Joint Venture Agreement, further exploration activities at the Birch Prospect and pre-exploration due diligence operations at the Niobrara Prospect.

Details about the risks of an investment in the Company are contained in Section 7 of this Prospectus. Investors should obtain professional investment advice before deciding to invest. Please read this document carefully before making your investment decision.

Yours faithfully

W. MARK HART
CEO
AUSTIN EXPLORATION LIMITED

4. DETAILS OF THE PRIORITY OFFER

4.1 Priority Offer

By this Prospectus, the Company offers for subscription up to 71,428,572 Shares at \$0.035 per Share together with up to 35,714,286 Options at an issue price of \$0.0001 per Option (exercisable at \$0.055 per option and an expiry date one year from date of issue) to raise up to \$2,503,571 as a "priority offer" to Eligible Shareholders of the Company (**Priority Offer**).

Under the terms of the Priority Offer, there is a fixed entitlement of one (1) Option for every two (2) Shares subscribed for.

Due to the Company offering Options as well as Shares under a Share Purchase Plan the Company is required to make an offer of this type using a prospectus and the Priority Offer is, in effect, analogous to a 'Share Purchase Plan' offer.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Options offered under this Prospectus will be issued on the terms set out in Section 6.2 of this Prospectus.

All Shares and Options being offered will be offered in priority to each Eligible Shareholder registered as at the Record Date, with the allocation policy to be determined by the Directors and generally with an intention to give preference on a first come first served basis.

The entitlement of each Eligible Shareholder (**Entitlement**) will be in respect of a maximum parcel of:

- (a) 428,570 Shares at an issue price of \$0.035 per Share; and
- (b) 214,285 Options at an issue price of \$0.0001 per Option.

There is a minimum subscription amount of \$2,523.60 and then fixed amounts that may be subscribed for up to the maximum Entitlement referred to above. Please refer to your Priority Offer Application Form for further details.

The purpose of the Priority Offer and the use of funds raised are set out in Section 5 of this Prospectus.

4.2 Conditional Priority Offer

The Priority Offer is conditional upon the Company obtaining Shareholder approval to proceed with the Priority Offer at the General Meeting.

If Shareholder approval to proceed with the Priority Offer is not obtained at the General Meeting, none of the Shares or Options offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

4.3 Applications for Securities

Your acceptance of the Priority Offer must be made on the Priority Offer Application Form accompanying this Prospectus.

You may participate in the Priority Offer as follows:

- (a) if you wish to accept your Entitlement in full:

- (i) complete the Priority Offer Application Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on the Priority Offer Application Form; or
- (b) if you only wish to accept part of your Entitlement:
- (i) fill in the number of Shares and Options you wish to accept in the space provided on the Priority Offer Application Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.035 per Share and \$0.0001 per Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Completed application forms and accompanying cheques must be mailed or delivered to the Company's Share Registry, as follows:

Computershare Investor Services Pty Limited
 Level 5
 115 Grenfell Street
 ADELAIDE SA 5000

Completed Priority Offer Application Forms must reach the address set out above by no later than the Priority Offer Closing Date. The Company reserves the right to extend the Priority Offer Closing Date or close the Priority Offer early without notice.

Alternatively, Shareholders may pay via BPAY by following the instructions set out on the Priority Offer Application Form.

The Priority Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.4 Minimum Subscription

There is no minimum subscription in respect of the Priority Offer.

4.5 Shortfall Offer

If you do not wish to take up all or any part of your Entitlement you are not required to take any action. Any Entitlement not taken up will form part of the Shortfall.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any:

- (a) Shares offered pursuant to the Shortfall Offer shall be \$0.035; and
- (b) Options offered pursuant to the Shortfall Offer shall be \$0.0001,

being the price at which the Priority Offer has been offered to Eligible Shareholders pursuant to this Prospectus. The Shortfall shall be placed by Otsana Capital on a best endeavours basis.

Shareholders should not apply for the Shortfall unless directed to do so by the Directors. The Company reserves the right to allot to an applicant a lesser

number of Shortfall Shares than the number for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall.

4.6 Allotment of Securities

The Directors will determine the allottees of all the Securities in their sole discretion. The Directors reserve the right to reject any application or to allocate any Applicant fewer Securities than the number applied for.

Securities issued pursuant to the Priority Offer may be allotted on a progressive basis. Where the number of Securities issued is less than the number applied for, or where no allotment is made, surplus application moneys will be refunded without any interest to the Applicant as soon as practicable after the Priority Offer Closing Date.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application moneys will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.7 Australian Securities Exchange Listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX for the listing of any class of Securities before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue that class of Securities and will repay all application moneys for those Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.8 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

The Priority Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Securities on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

4.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Share or Option certificates. The Company is a participant in CHES for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of Securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.10 Risk factors

Prospective investors in the Company should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks. These risks are set out in detail in Section 7 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional advisers) before deciding whether to invest in the Company.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

4.11 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Securityholder, facilitate distribution payments and corporate communications to you as a Securityholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act* 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

4.12 Enquiries

Any questions concerning the Priority Offer should be directed to Guy Goudy, Director, at guyg@austinexploration.com.

5. UPDATE ON ACTIVITIES, PURPOSE AND EFFECT OF THE PRIORITY OFFER

5.1 Update on Activities

5.1.1 Birch Project

On the 19th April 2011 the Company announced to ASX that it had entered into an option to acquire 5,000 acres in the North Eastern section of the Eagle Ford Trend in Bureson County, Texas USA. The Company has completed due diligence over approx 900 acres. Results of due diligence were encouraging and as a result the Company has fully funded the acquisition of the first 900 acres for a total cost of approx USD\$360,000.00. Preparations to drill 3 vertical wells into the Eagle Ford shale are underway.

It is planned that the Company will have completed its due diligence during July 2011 and be in a position to fund the additional 4,100 acres. Pre-drilling activities will begin in July 2011 and the first well is projected to be drilled during September 2011. It is planned that second and third wells will follow through December 2011.

Investment highlights of the Birch Project are as follows:

- (a) 5,000 net acres targeted – material for AKK.
- (b) Estimated recoverable reserves per vertical well at 200,000 barrels of oil.
- (c) Located in the highly pressured “ Wet Oil & Gas window”.
- (d) Production from Austin Chalk shows presence of oil.
- (e) Depth and pressure analogous to productive areas closer to the “core” of the EFS.
- (f) Theory that where the chalk is not productive is because the oil remains in the shale source rock and these are the target areas.
- (g) Acquired nearby to Eureka Energy Ltd – who paid \$2,000 per acre vs \$400 per acre.

5.1.2 Niobrara Shale Project

On 12 May 2011, the Company announced to ASX that it had entered into a Memorandum of Understanding (**MOU**) to gain an option over 10,000-20,000 acres in the highly prospective Niobrara Shale in Colorado USA.

Preliminary due-diligence and negotiations in relation to this transaction are expected to be finalised between July and December 2011 at which time the Company will be in a position to provide the market with a full update on the acquisition.

After preliminary due diligence has been completed, it is anticipated that there will be ongoing due diligence for a number of months as acreage is acquired by the Company on a progressive basis.

The initial land acquisition cost is expected to be in the order of US\$2 million.

In addition, should the acquisition proceed, the Company will commit to one horizontal well for a total estimated cost of US\$3.6 million (the drilling costs will be refined in the future).

Investment highlights of the project are as follows:

- (a) 10,000-20,000 acres.
- (b) High likelihood of natural fracturing as evidenced by production from a nearby field at a shallower shale horizon.
- (c) Presence of oil established by historic wells including 12bopd (before fracking techniques were available) flow rate from the Niobrara in a vertical well that was targeting a different horizon.
- (d) Presence of oil also established by resistivity anomaly.
- (e) 5,000ft depth means drilling costs are digestible and economic hurdle rates are lower for initial production and ultimate recovery per well.

5.1.3 Kentucky Joint Venture

The testing and evaluation in regards to the Company's Park City and Sebree prospects located in Kentucky, USA continues. Preliminary results show oil to be more prolific in the North Western part of the project area, where the Sebree prospect is located. Given this, moving forward the Company intends to focus more on oil activities in this part of the State.

In addition, the Company will be seeking to acquire further acreage in this area for the joint venture.

Engineering testing and evaluation is ongoing.

5.2 Purpose of the Priority Offer

The purpose of the Priority Offer (assuming it is fully subscribed) is to raise up to approximately \$2,503,571 (before expenses).

The Priority Offer is being made in addition to a separate share and option offer (**General Offer**). The General Offer consists of three distinct and separate offers, which are:

- (a) the offer of up to 300,000,000 fully paid ordinary shares in the Company at \$0.035 per share to raise up to \$10,500,000;
- (b) the offer of 150,000,000 options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option, with an expiry date two years from date of issue) to raise \$15,000; and
- (c) the offer of 150,000,000 options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option, with an expiry date one year from date of issue) to raise \$15,000.

Assuming the General Offer is fully subscribed, the total funds raised pursuant to the General Offer will be up to \$10,530,000. The combined total raised under Priority Offer and the General Offer is \$13,033,571 (**Total Proceeds**).

The Total Proceeds are planned to be used in accordance with the table set out below:

Proceeds of the Priority Offer and the General Offer ¹	\$AUD
Birch Project	

Land Acquisition	1,550,389
Well Drilling (3 vertical wells)	4,720,178
Niobrara Project	
Land Acquisition	1,879,800
Seismic Survey	939,900
Funding Kentucky Exploration LLC	
Working Capital	1,770,069
Expenses of the Priority Offer and General Offer	530,000
Total	\$13,033,571

Notes:

1. In the event that more than \$8,000,000 is raised under the Priority Offer and the General Offer (in aggregate), but less than \$13,033,571 (being the full subscription for both offers), the Company intends to scale back the application of funds by firstly reducing working capital and then:
 - a. by reducing the amount of land to be acquired on the Niobrara Project; and
 - b. by drilling shallow gas wells at the Birch Project at a cost of \$937,250 per well (rather than \$1,573,393 per well, as is currently budgeted).

The above table is a statement of current intention as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

5.3 Effect of the Priority Offer and the General Offer

The principal effect of the Priority Offer and the General Offer, assuming no Options are exercised and assuming the Priority Offer and the General Offer are fully subscribed, will be to:

- (a) increase the cash reserves by \$12,503,571 (after deducting the expenses of the Priority Offer and the General Offer) immediately after completion of the Priority Offer and the General Offer;
- (b) increase the number of Shares on issue from 335,951,718 Shares as at the date of this Prospectus to 707,380,290 Shares; and
- (c) increase the number of Options on issue from 189,681,930 Options as at the date of this Prospectus to 525,402,216 Options.

The increase in Shares and Options resulting from the Priority Offer and the General Offer will occur subject to Shareholder approval of the Offers and the Priority Offer at the General Meeting.

5.4 Pro-Forma Consolidated Balance Sheet

The unaudited Consolidated Balance Sheet as at 30 April 2011 and the

unaudited Pro-Forma Consolidated Balance Sheet as at 30 April 2011 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. The Pro-Forma Consolidated Balance Sheet has been prepared on the assumption that all resolutions put forward at the General Meeting regarding the Priority Offer and the General Offer are passed and all the Securities offered under the Priority Offer and the General Offer are issued (and no Options are exercised prior to the Priority Offer and General Offer closing).

The Balance Sheet has been prepared to provide investors with information on the Company's assets and liabilities and the Company's pro-forma assets and liabilities as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

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**Consolidated Balance Sheet and Pro-forma Balance Sheet as at 30 April 2011
(unaudited)**

	Unaudited Austin Exploration Limited Consolidated Balance Sheet as at 30 April 2011	Proforma Balance Sheet after the Capital Raising
	\$ AUS	\$ AUS
Current Assets		
Cash	1,430,883	13,934,454
Other	84,647	84,647
Non-Current Assets		
Exploration Assets	3,707,405	3,707,405
Development Assets	1,992,397	1,992,397
Other	4,542	4,542
Total Assets	7,219,874	19,723,445
Current Liabilities		
Accrued Expenses	35,500	35,500
Non-Current Liabilities		
Drilling Advances	4,036,249	4,036,249
Total Liabilities	4,071,749	4,071,749
Equity		
Share Capital	23,052,539	35,522,539
Reserves	(381,170)	(347,599)
Accumulated Losses	(19,523,244)	(19,523,244)
Total Equity	3,148,125	15,651,696

Notes

The above balance sheet was prepared based on an exchange rate of \$A to \$US1.09. It was prepared using the same accounting policies and methods of computation applied in the company's interim and annual financial statements.

5.5 Effect on Capital Structure

The effect of the Priority Offer and the General Offer on the capital structure of the Company, assuming all no existing Options are exercised prior to the Priority Offer and the General Offer closing dates, is set out below.

Shares	Number
Shares currently on issue	335,951,718
Shares issued pursuant to the Priority Offer and the General Offer	371,428,572

Total Shares on issue after completion of the Priority Offer and the General Offer **707,380,290**

Options	Number
Listed Options exercisable at \$0.10 on or before 19 November 2011	146,512,930
Listed Options issued pursuant to the General Offer exercisable at \$0.055 on or before two years from this issue date ¹	150,000,000
Listed Option issued pursuant to the Priority Offer and the General Offer exercisable at \$0.055 on or before one year from this issue date ¹	185,714,286
Unlisted A Class Options exercisable at \$0.30 on or before 30 June 2011	5,400,000
Unlisted B Class Options exercisable at \$0.50 on or before 30 June 2011	12,600,000
C Class Options exercisable at \$0.75 on or before 30 June 2011	12,600,000
D Class Options exercisable at \$0.24 on or before 28 February 2012	541,667
E Class Options exercisable at \$0.24 on or before 1 March 2012	333,333
F Class Options exercisable at \$0.20 on or before 15 October 2011	500,000
G Class Options exercisable at \$0.10 on or before 30 November 2011	10,000,000
H Class Options exercisable at \$0.10 on or before 23 November 2012	1,200,000
Total Options on issue after completion of the Priority Offer and the General Offer	525,402,216

Notes:

¹ Subject to Shareholder approval at the General Meeting.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General Meetings

The ASX and each Shareholder and Director is entitled to receive notice of, and to attend, any general meeting of the Company. Three Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted unless the quorum required is present at the start of the business. The Company is obliged to convene and hold an annual general meeting.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to restrictions on voting from time to time affecting any class of shares in the Company, and any restrictions imposed by the Corporations Act, the shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held on a poll, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

(c) Dividend Rights

If the Board determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid or credited as paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The Board may establish and maintain a dividend plan, to which Shareholders may elect to take up with some or all their shares subject to the rules of the plan.

The Board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the constitution.

No dividend is payable except out of Company profits and no dividend or other moneys paid in relation to a share will carry interest as against the Company.

(d) **Winding-Up**

If the Company is wound up the liquidator may divide among all the Shareholders as the liquidator thinks fit in specie or in kind any part of the assets of the Company, and may, by sanction of special resolution vest any part of the assets of the Company in trustees upon any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

Subject to the rights of members (if any) with special rights on a winding up, all moneys and property that are to be distributed among members on a winding up, shall be so distributed in proportion to the shares held by them respectively, irrespective of the amount paid up or credited as paid up on those shares.

(e) **Transfer of Shares**

Shares may be transferred in any manner required or permitted by the ASX Listing Rules or the ASX Settlement Operating Rules and by any instrument in writing in any usual or common form or in any other form that the Board approves. The Board may only refuse to register a transfer of securities of the Company as permitted by the ASX Listing Rules or the ASX Settlement Operating Rules.

(f) **Future Increase in Capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(g) **Variation of Rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class), can only be varied with the consent in writing of Shareholders with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

6.2 **Terms of Options**

An Option issued pursuant to the Priority Offer entitles the holder to subscribe for Shares on the following terms and conditions:

- (a) each Option gives the Optionholder the right to subscribe for one share;
- (b) the Options will expire at 5.00pm (WST) on that date which is 1 year from their date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date;
- (c) the amount payable upon exercise of each Option will be \$0.055 (**Exercise Price**);

- (d) Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (e) an Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice);

- (f) an Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds;
- (g) within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice;
- (h) the Options are freely transferable;
- (i) all shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other shares;
- (j) subject to meeting the listing requirements, the Company will apply for quotation of the Options on ASX. The Company will also apply for quotation of all shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those shares;
- (k) if at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction;
- (l) there are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

7. RISK FACTORS

7.1 General

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Risks specific to the Company

(a) Exploration

The prospects in which the Company has an interest are at various stages of pre-exploration due diligence, exploration or production, and potential investors should understand that exploration and development are high-risk undertakings. The newly acquired Niobrara Prospect is the subject of due diligence investigations by Aus-Tex and is at a pre-exploration stage. The newly acquired Birch Prospect is at an exploration stage, whilst the Park City and Sebree prospects are at production stages.

There can be no assurance that exploration of the Birch Prospect, the Niobrara Prospect, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.

The due diligence and exploration costs of the Company are based on certain assumptions with respect to the method and timing of due diligence and exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(b) Commercialisation

Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return.

(c) Operations

The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or production of the Birch Prospect.

(d) **Oil and gas reserves and commercial flow**

Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques becomes available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial flow plans which may, in turn, either benefit or adversely affect the Company's operations.

(e) **Oil and gas price volatility and exchange rates**

If the Company achieves success leading to oil and gas production, the revenue it will derive through the sale of oil and gas exposes the potential income of the Company to oil and gas price and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of oil and gas are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(f) **Environmental**

The operations and proposed activities of the Company will be subject to US laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

(g) **Title**

The system for obtaining development rights to oil and gas leases in Colorado, Kentucky and Texas can be complex given that numerous parties may hold the undivided mineral estate to a particular tract of land. Securing the leases to those mineral estates often requires lengthy negotiation with the various parties.

In order to independently verify that the parties with whom a company is dealing are the correct and sole holders of the mineral estate and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from

appropriately qualified and experienced lawyers in Kentucky and Texas. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications and requirements.

(h) **Sovereign**

The Company's projects outside Australia are subject to the risks associated in operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects that affect foreign ownership, exploration, development or activities of companies involved in oil and gas exploration and production, may affect the viability and profitability of the Company.

(i) **Contractual**

The Company is party to various contracts highlighted in Sections 3 and 5.1 of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by the other parties to those contracts and other contracts the Company may enter into in the future. If a party defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

7.3 **General risks**

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(e) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(f) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(g) **Managing Growth**

The Company's success will depend on its ability to expand its operations. If the Company is unable to successfully manage the expansion of its business, its financial condition and results of operations could be materially adversely affected.

(h) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s Securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of Securities on the Company and the rights attaching to the Securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
19/05/2011	Cash Flow and Production Update
17/05/2011	Notice of EGM and Explanatory Statement and Proxy
12/05/2011	Commencement Prospect Outstanding Flow Results
12/05/2011	Reinstatement to Official Quotation
12/05/2011	Niobrara Shale Acquisition and Capital Raising
05/05/2011	Suspension from Official Quotation
03/05/2011	Trading Halt
29/04/2011	Quarterly Activities and Cash Flow Report
19/04/2011	Option over acquisition of acres in Eagle Ford Shale
04/04/2011	Significant Hydrocarbon Discovery
31/03/2011	Trading Halt
29/03/2011	Commencement Well Update
25/03/2011	Shareholder Update – Commencement Prospect
16/03/2011	Half Year Accounts
04/03/2011	Progress Report
03/03/2011	Appendix 3B
28/02/2011	Progress Report
28/01/2011	Retirement of Secretary and Change of Registered Office
28/01/2011	Quarterly Activities and Cash Flow Report
25/01/2011	Cleansing Notice
25/01/2011	Successful Capital Placement Confirmed
17/01/2011	Capital placement for further exploration
14/01/2011	Agreement Reached for Park City dispute resolution
13/01/2011	Trading Halt
11/01/2011	North Carrizo Update 6. Strong oil flow continues
11/01/2011	Project Update and Acquisition
24/12/2010	Revised Trading Policy
13/12/2010	US Operations Update
24/11/2010	Bombing Range Prospect acquired in Louisiana, USA
23/11/2010	Resignation of Director and Appendix 3Z

22/11/2010	Change of Director's Interest Notice
22/11/2010	Appendix 3B
19/11/2010	Results of Meeting
19/11/2010	Chairman's Address to Shareholders
29/10/2010	Quarterly Activities and Cash Flow Report
26/10/2010	Austin secures farm in rights for off shore oil exploration
15/10/2010	Notice of Annual General Meeting/Proxy Form
15/10/2010	Appointment of CEO

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

8.2 Material Contracts

8.2.1 Financial Arranger/Lead Manager Mandate

Pursuant to a financial arranger/lead manager mandate (**Mandate**) dated 13 April 2011, the Company entered into an agreement with Otsana Capital under which Otsana Capital agreed to act as lead manager for the Offers undertaken by the Company. The following are the material terms of the Mandate:

(Remuneration): Otsana Capital will be paid an advisory fee of \$10,000 per month (plus GST) (for a period of one year) plus a capital raising fee equal to 4% of the gross amount raised by Otsana Capital under the Offers (excluding GST) and a corporate advisory fee equal to 2% of the gross amount raised by Otsana Capital under the Offers (excluding GST).

(Other Services): Should Otsana Capital introduce new transactions subsequent to the Offers, the Company will pay Otsana Capital the following fees:

- (a) 5% of all funds raised by Otsana Capital (debt or equity) in respect of all capital raisings that occur post the Offers; and
- (b) 3% of the transaction value in relation to any transactions that are introduced to the Company by Otsana Capital and which are subsequently completed by the Company.

(Representations and Warranties): The Mandate contains representations and warranties typical of an agreement of this nature.

(Indemnity): The Company agrees to take full responsibility for all marketing materials and the Offers of the Company. The Company agrees to indemnify and keep indemnified Otsana Capital together with their associates and related companies, their directors, agents and staff (collectively referred to as the **Indemnified Parties**) against any and all liabilities, losses (including loss of profit or losses or costs incurred in preparation for or involvement in connection with any prosecution, investigation, enquiry or hearing by ASIC, ASX or any governmental authority or agency), demands, damages, penalties, proceeding (whether civil or criminal), judgements, costs, fees or expenses (including legal costs on a full indemnity basis) of any kind whatsoever (**Losses**) which may be incurred, suffered, paid or liable to be paid by an Indemnified Party in any jurisdiction directly or indirectly arising out of or in respect of:

- (a) the Mandate, the Offers or any matter or activity referred to or contemplated by this letter;

- (b) any material non compliance by the Company, its officers, or employees with any applicable law, regulation or rule, including the Corporations Act and the Listing Rules, in relation to the Offers, any other offer document or any document accompanying any offer document;
- (c) any statement, misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from any offer document or any other marketing documents;
- (d) any breach or failure by the Company to observe any of the terms and conditions of, or its obligations under, this Mandate (including, but not limited to, the warranties and representations);
- (e) any claim that Otsana Capital has any liability under the Corporations Act or any other law (including but not limited to the Trade Practices Act 1974 (Cth) or any similar legislation) in relation to the proposed Offers;
- (f) any review of investigation undertaken by ASIC, ASX or any other governmental authority or agency as a result of an actual, alleged or asserted failure to comply with the conditions and requirements of any law or regulation, and
- (g) any and all advertising, publicity, statements and reports in relation to the proposed offers made by or with the agreement of the Company.

(Termination): Otsana Capital's appointment pursuant to the Mandate may be terminated by the Company at any time before shares are issued under the Offers if:

- (a) Otsana Capital fails to rectify any material breach of the Mandate having been given 10 business days notice in writing by the Company of such breach having occurred; or
- (b) on a no fault basis with 10 business days notice in writing by the Company, provided that in circumstances where the Company considers withdrawing from the proposed Offers of the Company or terminating the Mandate as a result of dissatisfaction with the execution of the Mandate by Otsana Capital, the Company must first provide Otsana Capital with reasonable verbal and written notice and an opportunity to rectify, to your satisfaction, the quality of service to be provided under the Mandate.

Any such termination by the Company will take effect upon receipt by Otsana Capital of written notice to that effect. Upon such termination, fees and expenses will be payable to Otsana Capital in accordance with the Mandate.

Otsana Capital may terminate the Mandate at any time, if one or more of the following events occur in its sole and absolute opinion:

- (a) the Australia equity capital market conditions and/or ASX trading conditions are such that they are not, in the bona fide judgement of Otsana Capital, conducive to the successful completion of this Mandate or other events beyond the control of Otsana Capital are so material and adverse as to make it impracticable or inadvisable to proceed with the new equity issue on the terms and in the manner contemplated herein;
- (b) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company as

disclosed publicly and/or to Otsana Capital, other than for the costs incurred by the Company in relation to the proposed Offers;

- (c) there is a false or misleading statement in the material or information supplied to Otsana Capital or included in the presentation materials or a material omission in the material supplied to Otsana Capital or included in the presentation materials;
- (d) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions or Australia, Japan, the United Kingdom, the United States or America or the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, it is impracticable to market the new issue or to enforce any contract to issue and allot the new shares or that the success of the new issue is likely to be adversely affected.;
- (e) there is introduced, or there is a public announcement of a proposal to introduce, into the parliament of Australia or any state of Australia, a new law, or the Reserve Bank of Australia, any federal or state authority of Australia adopts or announce a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this Mandate), any of which does or is likely to prohibit or materially adversely regulate financial institutions or credit providers, capital issues or stock markets;
- (f) ASX gives formal or informal notice that the shares of the Company will not be admitted to trading on the official list of ASX;
- (g) default by the Company of any term of this Mandate;
- (h) any of the warranties or representations by the Company in this Mandate are or become materially untrue;
- (i) a director or proposed director of the Company is charged with an indictable offence or any director or proposed director of the company is disqualified from managing a corporation under the Corporations Act;
- (j) ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offers; or
- (k) any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take such action.

Any such termination by Otsana Capital will take effect upon receipt by the Company of written notice to that effect. Upon such notice, fees and expenses will be payable to Otsana Capital in accordance with the Mandate.

Provisions of this Mandate that are capable of having effect after termination (including those relating to the payment of fees, the reimbursement of out-of-pocket expenses and indemnification of Indemnified Parties) will survive its termination and any rights accrued by a party prior to the date of termination will continue notwithstanding termination of this Mandate.

8.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Priority Offer pursuant to this Prospectus; or
- (c) the Priority Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Priority Offer.

Directors' relevant interests in Securities of the Company at the date of this Prospectus are:

Director	Shares	Options
Dr James Edwards	1,000,000	1,350,000 ²
Dominic Pellicano	5,737,198	5,000,000 ³
Guy Goudy	1,000,000	1,000,000 ⁴
William Hart	1,000,000	1,000,000 ¹

Notes:

¹ G Class Options exercisable at \$0.10 on or before 30 November 2011.

² 1,000,000 G Class Options exercisable at \$0.10 on or before 30 November 2011 and 350,000 I Class Listed Options exercisable at \$0.30 on or before 30 June 2011.

³ G Class Options exercisable at \$0.10 on or before 30 November 2011.

⁴ G Class Options exercisable at \$0.10 on or before 30 November 2011.

8.4 Directors' Remuneration

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding \$500,000 per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company paid to the Directors the following amounts in financial years ending 30 June 2009 and 30 June 2010 and also the amounts set out below to the date of this Prospectus for the financial year beginning 1 July 2010:

Director	2009	2010	Year to Date
Dr James Edwards	\$34,009	\$92,728 ¹	\$33,333
Dominic Pellicano	\$56,667	\$333,492 ¹	\$58,330
Guy Goudy	-	\$91,031 ¹	\$133,333
Dr William Hart	-	-	\$123,000

Notes:

¹ Includes Share and Option based remuneration.

Messrs Hart and Goudy are paid as consultants of the Company. Mr Hart's consultancy fees are paid by the Company's wholly owned subsidiary, Aus-Tex Exploration Inc (**Aus-Tex**). Mr Goudy's consultancy fees are paid by the Company.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Priority Offer; or
- (c) the Priority Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Priority Offer.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$8,000 (excluding GST) for services in relation to this Prospectus.

Otsana Capital has been appointed financial arranger/lead manager in relation to the Shortfall Offer. The fees payable to Otsana Capital are outlined in Section 8.2.1 of this Prospectus.

8.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin have given their written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Otsana Capital has given its written consent to being named as the financial arranger/lead manager to the Company in this Prospectus. Otsana Capital has not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

8.7 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings. However, the Company is aware of potential litigation with Newtak Pty Ltd as trustee of the Newtak Unit Trust (**Newtak**) (as outlined below).

The Company recently settled a legal dispute with Resource Energy Technologies (**RET**) (the operator of the Park City Project). Details of the settlement of this dispute were announced to the ASX on 14 July 2009.

Following resolution of the dispute with RET, Newtak alleged that as a result of the settlement with RET, which reduced the acreage over which Aus-Tex had the right to drill wells on the Park City Project from 8,000 acres to 857 acres, Aus-Tex is no longer capable of drilling the number of wells that were originally proposed because it no longer has sufficient acreage to do so. As a consequence, expected production from the Park City Project will be substantially reduced and this reduces the amount of royalties payable under the Participation Agreement, being 9.5% of production of up to 200 wells.

In addition, Aus-Tex has failed to drill 50 wells by 1 January 2009 as orally agreed to prior to the execution of the Participation Agreement.

Subsequently, and with a view to resolving the dispute, the Company (via Kentucky Exploration Inc (a wholly owned subsidiary of Aus-Tex) (**Kentuck Exploration**)) and Newtak agreed to enter into a joint venture arrangement. The following are the material terms of the proposed joint venture:

- (a) Aus-Tex and Newtak will each hold 50% of the units in Kentucky Exploration and after the initial contribution, will share profits and losses from the operation of the joint venture on an equal basis;
- (b) Kentucky Exploration will operate oil and gas wells in the Park City and Sebree Projects and other leasehold prospects which may be acquired from time to time by the joint venture;
- (c) Kentucky Exploration will operate and manage the joint venture; and
- (d) The joint venture will continue in operation until 2040 or until production ceases.
- (e) The Park City Project will be vended into the joint venture.
- (f) The Sebree Project will be vended into the new joint venture.

Failure of Shareholders to approve a resolution, pursuant to a General Meeting, allowing Kentucky Exploration to enter into joint venture with Newtak may lead to litigation between the Company and Newtak upon the basis outlined above.

8.8 Estimated Expenses of Priority Offer and the General Offer

The estimated expenses of the Priority Offer and the General Offer are as follows:

	\$
ASIC fees	2,068
ASX fees	28,000
Brokerage fees ¹	480,000
Legal expenses	16,000
Printing and other expenses	3,932
Total	530,000

¹. Assumes that Otsana is only paid a 6% fee on the first \$8 million raised.

8.9 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.044 on 19 May 2011

Lowest: \$0.026 on 28 March 2011

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.040 on 23 May 2011.

8.10 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

DOMINIC PELLICANO
Non-Executive Chairman/Director

Signed for and on behalf of
AUSTIN EXPLORATION LIMITED

10. DEFINITIONS

\$ means Australian dollars.

Applicant means an investor who applies for Securities pursuant to the Priority Offer.

Application Form means the Priority Offer Application Form.

ASIC means the Australian Securities and Investments Commission.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

ASX means ASX Limited (ACN 008 624 691) or the Australia Securities Exchange operated by it, as the context requires.

Birch Prospect means the Company's Eagle Ford Shale Birch Prospect located in Burleson County, Texas, USA, the details of which were announced to ASX on 19 April 2011.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Company means Austin Exploration Limited (ACN 114 198 471).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholders means Shareholders of the Company as at the Record Date.

Entitlement has the meaning given to that term in Section 4.1 of this Prospectus.

General Meeting means an extraordinary general meeting to be held on 17 June 2011.

General Offer has the meaning given to that term in Section 5 of this Prospectus.

Listing Rules means the official listing rules of the ASX.

Niobrara Prospect means the prospect that the Company proposed to acquire in the Niobrara Shale in Colorado, USA as announced to ASX by the Company on 12 May 2011.

Offers means the Priority Offer and the General Offer.

Option means an option to acquire a Share on the terms set out in Section 6.2 of this Prospectus.

Optionholder means the holder of an Option.

Otsana Capital means Otsana Pty Ltd trading as Otsana Capital.

Park City Project means the Park City oil and gas project located in Park City, Kentucky, USA.

Priority Offer means the issue of up to 71,428,572 fully paid ordinary shares in the Company at \$0.035 per share together with up to 35,714,286 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue) to raise up to \$2,503,571 as a "priority offer" to Eligible Shareholders of the Company.

Priority Offer Application Form means an application form entitled 'Priority Offer Application Form' either attached to, or accompanying this Prospectus.

Priority Offer Closing Date means the date specified in Section 1 of this Prospectus (unless extended or closed earlier).

Prospectus means this prospectus.

Record Date means 11 May 2011.

Sebree Project means Sebree oil project located in Webster County, Kentucky, USA which is the subject of the Joint Venture Agreement.

Securities means Shares and Options.

Securityholder means a holder of Securities.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means those Shares and Options under the Priority Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Shortfall Offer means the offer referred to in Section 4.5 of this Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia.