



Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471

24 September 2012

Manager, Listings
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

ANNUAL REPORT

Security Code: AKK

We are lodging a copy of our Annual Report for the year ended 30 June 2012 which corrects a typographical error in the copy lodged on Friday 21 September.

The current year's Total column in the line for the Options Reserve has been changed to \$4,071,324 from \$3,829,794. No other change has been made to the Annual Report.

Yours faithfully

Name: David Nairn
Title: Company Secretary
Ph: (03) 9606 3888



AUSTIN
EXPLORATION

Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471



**Annual Report and Financial Statement
for the year ended
30 June 2012**

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471

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Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Chairman's Report

CHAIRMAN'S REPORT

Dear Shareholder

The last fiscal year was a momentous one for Austin Exploration during which solid foundations were well and truly laid for future sustainable growth and profitability. The board and management were revamped with a new Chairman, President and Chief Operating Officer appointed. Continuity and corporate knowledge were retained with past Chairman Dominic Pellicano's appointment as Chairman of the Audit Committee. Overhead costs were trimmed by the company essentially relocating to where its prime assets are - the United States of America. Whilst Austin Exploration remains an Australian publicly-listed company, its management is predominantly comprised of American or American educated, experienced, talented and educated professionals. This enables the company to have all of the advantages of being local, including a deep understanding of local conditions and knowledge, as well as exposure to the latest technical developments directly relevant to the acreage to which we are exposed.

In February and March of 2012 the Company was able to raise approximately \$25 million in capital in an extraordinarily difficult market. That is sufficient to meet its tenement commitments in the exciting Niobrara and Eagle Ford shale plays. Additionally, with prudent management we expect to increase production to a stage where during this forthcoming year, we become self-funding. The \$25 million may become the veritable Magic Pudding.

With this goal in mind, the board endorsed the "500 squared" programme whereby \$500,000 of costs were targeted to be taken out of the company's cost base by 31 December 2012 (money that could be redirected towards drilling) and 500 BOPD of production was targeted to be obtained by first half of calendar year 2013. I am pleased to report that the first objective has been exceeded by nearly a factor of 2, with close to \$1,000,000 taken out to date. With the discovery at Mississippi and the production from Kentucky, more than 25% of the second target has been achieved before the results of Niobrara and the Eagle Ford are factored in.

I feel privileged to be chairman of this company and able to work with Dr Mark Hart, a man whom I respect for both his integrity and his technical ability. For a company the size of Austin to have such technical depth in its employees is truly amazing. I am also delighted to be working alongside Nigel Hartley, whose strong financial experience with Oil Search augments the talent of this board in knowing the ropes of how to grow a company. The board is acting as a team united in its mission of creating shareholder wealth.

We are confident that in the coming year shareholders will be able to harvest some of the fruits of this year's hard work. An early start has been made with significant hydrocarbons discovered at flagship properties in Colorado and Texas, and Independent consultant Gustavson Associates confirming the potential of these projects.

Yours sincerely



Mr Richard Cottee
Chairman of the Board

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Letter from Senior Management

LETTER FROM SENIOR MANAGEMENT

Managing Director of Austin Exploration – Wm. Mark Hart

COO of Austin Exploration and President & CEO of USA AusCo Petroleum Inc. – Guy Goudy

It has been an exciting and vigorous year with the acceleration of exploration and production activities for the shareholders and stakeholders of Austin Exploration. It began when the company secured our outstanding Chairman Richard Cottee who is a highly talented, seasoned and motivated oil and gas expert. His primary focus is adding shareholder value and his management team is fully aligned behind him. Richard's "500 Squared" program aims for company sustainability by taking \$500,000 out of the non-operational cost structure and achieving 500 Bblde of oil and gas production by June 30th 2013. Your management team is fully committed to achieving these results, and is well on its way to achieving these important milestones ahead of expectation.

Under Richard's leadership the company was able to raise the required funds to implement an aggressive drilling schedule in Austin's two large properties in Texas and Colorado. These are in two of the three largest oil producing basins in North America - the Eagle Ford and Austin Chalk formations. The funds available allowed the company to simultaneously progress drilling its excellent properties in Mississippi and Kentucky. The company has had as many as 3 to 5 drilling rigs in operation simultaneously through the summer and fall this year. This level of activity is projected to continue into the future. The company is drilling to secure the property and mineral rights of the largest acreage blocks that contain almost 20,000 acres, while simultaneously continuing drilling operations in all four states: Colorado, Texas, Mississippi and Kentucky. Our company retains majority ownership over its properties in Texas, Colorado, and Kentucky, and is the operator in each of these states. The company is taking control of its destiny.

The company's cornerstone is its people - a highly talented technical group of geologists and petroleum, mechanical, electrical and civil engineers. The company also has excellent partnerships with geophysicists and geologists. Our people and partners make our company. The company continues to operate without any lost time or accidents and there have been no environmental violations.

The primary focus for the company is to develop its oil-rich resource base with production of gas as it is produced with the oil. The company is well positioned to serve both an oil market and a gas market. The recent independent resource report completed by Gustavson and Associates Inc. project the company to have in excess of 31 million barrels of oil and some 11 BCF of gas. Most recently our oil and gas strikes in the Birch #3 well in Burleson County, Texas have test flowed well above expectation. Obviously, this business carries operational/financial risk, and at this time we feel comfortable that these are issues are under control. The shareholders have a very exciting company and the management team is working six and seven days a week to ensure outstanding results.

Thank you for your support and help,

Dr. Wm. Mark Hart
Managing Director/CEO

Mr. Guy T. Goudy
COO & President/CEO – USA AusCo Petroleum

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Review of Operations and Activities

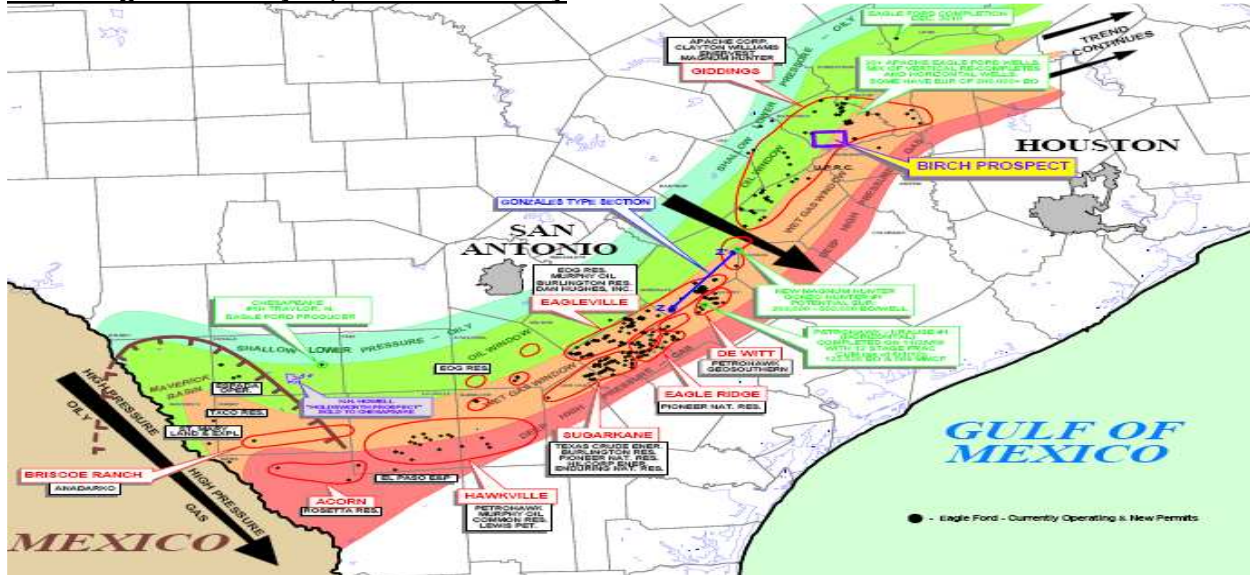
REVIEW OF OPERATIONS AND ACTIVITIES

Progress at principal oil and gas projects

U.S.A. (AusCo Petroleum Inc)

Texas

Birch Eagle Ford Project, Burleson County



HIGHLIGHTS

- The Company controls 93.5% of 5000 acre property.
- Three vertical well programme designed to test several formations including the Austin Chalk, the Eagle Ford Shale, the Georgetown, the Buda and the Taylor Sands (gas) is underway.

Birch #1 Krueger well:

- Successfully drilled to target depth of 9325 ft.
- Flowed initially at 95BOEPD from the Eagle Ford Shale formation. Logs confirm 270 ft thick section of the Eagle Ford with high organic content, high resistivity and a high brittleness index making it an excellent candidate for a horizontal well with multiple frac stages.
- Preparations to connect to the local pipeline for gas sales are underway.
- Several hydrocarbon bearing zones were intersected whilst drilled. These Included the Austin Chalk, the Eagle Ford, the Taylor Sands (gas), the Buda and the Georgetown formations.

Birch # 3 Schwartz/Galbreath well

- Successfully drilled to a total measured depth of 13,213 ft with a 4000ft horizontal leg drilled into the Austin Chalk.
- The Company believes it has intersected a large oil reservoir at approximately 10,675 ft as a large gas kick produced a 40 ft gas flare whilst 20 barrels of oil were returned to the pits over several hours.
- Completion procedures are underway for this well to be placed into production, which is expected to occur before the end of 2012.

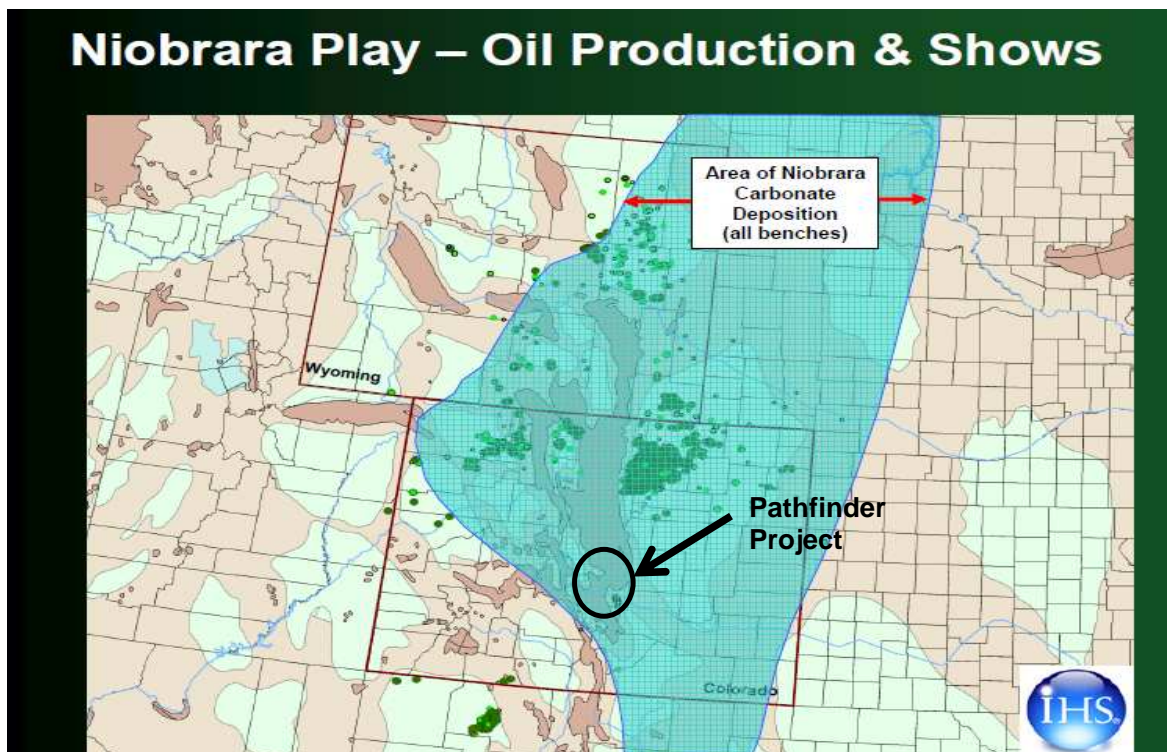
Yolanda Villareal No. 1. Dimmit County

- Located in Dimmit County, Texas.
- 36% W.I. (Working Interest) & 27.36% NRI (Net Revenue Interest).
- The well is producing from the Austin Chalk.
- Total production to date is 27,281 barrels of oil.

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Review of Operations and Activities

Colorado

Pathfinder Niobrara Shale Project



HIGHLIGHTS

Pathfinder C 11 – 12 #1 Well

- Company controls 85% of approximately 11,500 acre property.
- Successfully drilled to target depth of 5920 ft.
- Drilling of the Company's first major horizontal non-conventional oil programme is underway.
- The logs indicate the presence of the Niobrara Shale in three benches (A,B &C) ranging from 5175 ft - 5453 feet, totalling approximately 200 feet thick of potential pay zones in the Niobrara.
- Oil sheens were also encountered in the mud returns whilst drilling at several intervals ranging from approximately 3500ft to 5900 ft in the Pierre, Niobrara, Greenhorn and Codell formations.
- A thorough analysis of the initial log data has been completed. These results have been analysed and compared to two of the most productive Niobrara wells in the Wattenberg Field (DJ Basin). In consultation with several geologists, geophysicists and petroleum engineers, the log results from the Pathfinder #1 well appear comparable if not better than these wells.
- Due to the "tight hole" confidentiality of this project, specific log readings and measurements cannot be made public at this time. However, the Company can confirm that resistivity levels are in the top echelon for productive wells in the DJ Basin. The Weatherford Mud logs reveal that the cuttings from the Niobrara have a very high organic content and that the well has intersected the oil productive window of Niobrara formation in the DJ Basin. Further, the Weatherford mud logs reveal a high brittleness index, low clay content and high levels of calcite which infers that the fracability of the well should be excellent.
- Drilling of the horizontal is well underway. The Company has skidded the well approximately 20 ft which puts the Company ahead of schedule in terms of meeting 2 of its 3-well commitment for fiscal year 2013.
- Niobrara A, B, and C have not been drilled horizontally or even treated in this area – when the wells in the Northern DJ Basin were treated, especially in the B sections of the Niobrara, the production and property values increased significantly.

Mississippi (Adams County)

As announced to the ASX on the 23rd of July 2012 the Company has agreed to drill a fourth well in the Bourke field which is expected to commence in the first calendar quarter of 2013.

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Review of Operations and Activities

BOURKE #4 WELL

- The well flowed at an initial 24 hour production rate of 248 BOPD.
- Successfully drilled to target depth of 6410 ft in July 2012.
- Production facilities nearing completion. Expected to be in production in October 2012.
- The well is producing from the Wilcox formation.
- 50% W.I.

ARMSTRONG WELL

- The well is producing from the Wilcox formation.
- Total oil production to date is 31,379 barrels of oil.
- 50% W.I.

COMMENCEMENT WELL

- The well is producing from the Wilcox formation.
- Total oil production to date is 35,308 barrels of oil.
- 50% W.I.

Kentucky

Kentucky Exploration Inc (Joint Venture with Newtak Pty Ltd)

Since drilling began in August of 2011, Kentucky Exploration, LLC, a wholly-owned subsidiary of Austin Exploration, and Joint Venture partner Newtak, have experienced a stabilized production rate of **approximately 20 -25 barrels of oil per day** with an ultimate goal of 30 barrels per day by the end of 2012.

INDEPENDENT CONSULTANT'S ANALYSIS

Independent consultant Gustavson Associates provided a reserves report of the Company's flagship projects in Colorado and Texas which estimated reserves ranging from P90 probability figures of 22.30 million barrels of oil and 40.51 billion cubic feet of gas to P10 probability figures of 45.87 million barrels of oil and 114.95 billion cubic feet of gas.

WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is extremely pleased to report that there have been no safety or phase one environmental incidents over the past year. With the continual drilling operations that are taking place in the US, the Board commends its US team on this excellent achievement. The Company places a large emphasis on the safety of all its people from its own employees to external contractors at its well sites. The Company has employed the full time services of Ms Jennifer Ramage as its Safety and environment co-ordinator. It is now mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Denver Colorado as well as several OSHA safety programmes that are held throughout the year.

Australian Assets (Austin Exploration Limited)

Austin Exploration ("AKK") currently holds one oil and gas asset in Australia.

COOPER BASIN - PEL 105 OIL AND GAS PROJECT

- AKK holds a 50% Joint Venture with Beach Energy Limited (ASX:BPT).
- The Joint Venture was granted an extension to drill the Pirie #1 well due to continuing flooding issues within the licence area. Drilling operations for this well must now commence by July 2013. PEL 105 is located in a low laying region on the northern side of Coopers Creek and near the southern part of the Coongie Lakes. Localised rainfall events across the Cooper Basin over summer 2011 and into 2012 have prevented rig access to the site.
- PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia.
- P10 reserves for the Pirie #1 well is estimated at 23 million barrels of oil.
- Estimated recovery of 1 million barrels of oil per well.
- Estimated well life of nine years.
- Estimated spacing allows for five additional wells on the licence.

The Petroleum Exploration Licence (PEL) 105 prospect is surrounded by producing oil and gas fields, some of which are the largest in the Cooper Basin – Australia's most prolific onshore oil and gas province. Within the boundaries of PEL 105, but excised from it, are the Bimbaya Field (19 BCF of gas), the Bookabourdie Field (80 BCF of gas), and the Merupa Field (1.5 BCF of gas).

The initial Pirie-1 well holds un-risked P10 OOIP of 23 MMbbl and P50 OOIP 2 MMbbl. Estimated recovery from the initial well is 1M B/O with nearly 65% occurring during first four years. With success, five additional wells may be drilled on the licence.



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Review of Operations and Activities

Existing production is located to the northeast of the Pirie-1 (Kudrieke) and to the southwest (Moorari). Like the targeted area of the Pirie-1 well, this production is emanating from the upthrown fault traps. Re-interpretation of geophysical data has allowed BPT/AKK to identify a large hydrocarbon target between the producing Moorari and Kudrieke fields.

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

Competent Persons Statement

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. David T. Greene, Sr. Reservoir Engineer, Fidelity Exploration and Production Company. Mr. Greene holds a Bachelor of Science Degree in Earth Science and a Master of Science Degree in Petroleum Engineering and has over 30 years of oil and gas experience including exploration drilling, completion and production. His background also includes evaluation, design and implementation of improved and enhanced oil recovery projects as well as pressure transient analysis, fluid properties and petrophysics. He is a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists. Mr. Greene has the relevant experience within the industry and consents to the information in the form and context in which it appears.

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Review of Operations and Activities

CORPORATE GOVERNANCE STATEMENT

The Board of Austin Exploration Limited (Austin) seeks to practice the highest ethical and commercial standards while executing its responsibilities in directing the business and affairs of the Group on behalf of its shareholders by whom they are elected and to whom they are accountable.

The Board of Austin has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council (ASXCGC) on 30 June 2010. ASX Listing Rule 4.10.3 requires the Group to disclose the extent to which it follows or diverges from these best practice recommendations in its Annual Report.

Additional information relating to corporate governance practices that the Group has adopted can be found on the Group's web site: www.austinexploration.com.au.

The Role of the Board and Management

The Group has formalised and disclosed the roles and responsibilities of the board and those delegated to senior management.

The Board of the Group is responsible for the overall corporate governance of Austin, including its ethical behavior, strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising Group performance and maximising shareholder value.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board. Full details of the matters reserved to the board and to senior management are available on the Group's web site at www.austinexploration.com.au.

Scheduled meetings of the Board are held at least eight times a year and the Board meets on other occasions to deal with matters that require attention between scheduled meetings. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive Officer.

The Board is responsible for:

- Setting the strategic direction of the Group and establishing goals to ensure these strategic objectives are met;
- Appointing the Chief Executive Officer, setting objectives for the Chief Executive Officer and reviewing performance against those objectives, ensuring appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- Monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Group's auditors;
- Ensuring that risks facing the Group and its controlled entities have been identified ensuring that appropriate and adequate controls, monitoring and reporting mechanisms are in place;
- Receiving detailed briefings from senior management on a regular basis during the year;
- Approving the Boards of Directors of subsidiary companies; and
- Ensuring the Group complies with the law and conforms to the highest standards of financial and ethical behavior.
- Ensuring the market and shareholders are fully informed of material developments.

Austin has obligations to its stakeholders to ensure the Group is managed with appropriate due diligence and that all necessary processes are implemented to minimise risk and maximise business opportunities. To this end, all commercial arrangements, capital expenditure, operational expenditure and other commitments are appropriately documented and have been authorised by either the Chief Executive Officer or the board as appropriate.

The composition of the Board is determined in accordance with the Group's constitution and the following principles and guidelines:

- The Board should comprise of at least three Directors with at least two Non-Executive Directors;
- The Board should comprise of Directors with an appropriate range of qualifications and expertise; and
- The Board should meet formally at least eight times per annum and informally on an as required basis with all Directors being made aware of, and having available, all necessary information, to participate in an informed discussion of all agenda items.

Directors in Office

At the date of this statement the following directors are the Group's directors and their independence is noted in the table:

Name	Position	Independent
Mr Richard Cottee	Non-Executive Chairman of the Board	Yes
Mr Guy Goudy	Executive Director and Chief Commercial Officer	No
Dr William Mark Hart	Executive Director and Chief Executive Officer	No
Mr Nigel Hartley	Non-Executive Director	Yes
Mr Dominic Pellicano	Non-Executive Director	No

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Review of Operations and Activities

The skills, experience, expertise and tenure of each director are disclosed in the Directors' Report within this Annual Report.

Director Independence

The board considers non-executive director's Richard Cottee and Nigel Hartley as independent as defined under the guidelines of the ASX Corporate Governance Council. Dominic Pellicano, Guy Goudy and Mark Hart are not considered independent.

In assessing the independence of directors, the board follows the ASX guidelines as set out below:

An independent director is a non-executive director (i.e. is not a member of management) and:

- Is not a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- Within the last three years has not been employed in an executive capacity by the Group or another Group member, or been a director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the Group or another Group member, or an employee materially associated with the service provided;
- Is not a material supplier or customer of the Group or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Group or another Group member other than as a director of the Group;
- Has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Mr Pellicano is not considered to be independent because of his financial interest in Newtak Pty Ltd, which has a joint venture with Auslo Petroleum Inc (formally Aus-tex Exploration Inc, a wholly owned subsidiary of Austin Exploration Limited) relating to the Park City and Sebree oil and gas projects.

Through the Remuneration and Nominations Committee, which has met informally during the current financial year to consider appointments to management and the board, directors would consider the balance of skills and experience required of board members for the size and state of development of the Group. The board believes that it has the right numbers and skill sets within its board members for the current size of the Group, and is confident that each non-executive director brings independent judgement to bear on board decisions.

Where additional skills are considered necessary for specific purposes, access is made to independent professional advice at the expense of the Group.

Chairman and Chief Executive Officer

The ASXCGC Recommendations recommend that the chairperson be independent. Mr Cottee is considered independent by the board under the guidelines as set out.

The roles of Chairman and Chief Executive Officer are not exercised by the same individual.

Appointment to the Board

The Board has appointed a Remuneration and Nomination Committee to identify and recommend potential director appointments. Where a casual vacancy arises during the year, the Committee has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective board. Any director appointed during the year to fill a casual vacancy or as an addition to the current board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

A copy of the Remuneration and Nomination Committee's Charter is available on the Group's web site at www.austinexploration.com.au. New directors receive a letter of appointment which sets out the terms of their appointment. On appointment, an induction program is available to directors that include one-on-one sessions with members of the senior management team.

Evaluation of Senior Executives

Senior executives, including the Chief Executive Officer have a formal job description and letter of appointment describing their term of office, duties, rights, responsibilities and entitlements upon termination.

The performance of senior executives is reviewed annually before the budgets are approved for the next financial year. This process is a formal one with the executive's performance assessed against Group, division and personal benchmarks. Benchmarks are agreed with the respective senior executives and reviews are based upon the degree of achievement against those benchmarks.

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Review of Operations and Activities

Induction procedures are in place to allow new senior executives to participate fully and actively in management decision-making. The induction program includes orientation of:

- The Group's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the board and senior executives.

A performance evaluation for senior executives has taken place in the reporting period and was in accordance with the process disclosed.

Ethical Business Practices

The Group has adopted a Code of Conduct to maintain confidence in the Group's integrity, its legal obligations and the expectations of its stakeholders.

The Group is committed to being a socially responsible corporate citizen, using honest and fair business practices, to act in the best interests of clients so as to achieve the best outcome for shareholders.

The Board has procedures in place for reporting any matters that may give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Group. These procedures are reviewed as required by the board. The Code of Conduct is available on the Group's web site at www.austinexploration.com.au.

Shareholding and Trading

The Board encourages directors and senior executives to own shares in the Group to further link their interests with the interests of all shareholders. Trading of shares by directors or senior executives is prohibited under certain circumstances and as described in the ASX Listing Rules and during certain periods of the financial year. A director or senior executive must not deal in the Group shares at any time when he or she has unpublished information which, if generally available, might affect the share price. Directors are required to notify the Chairman and the Company Secretary prior to any dealing.

The Share Trading Policy is available at the Group's web site at www.austinexploration.com.au.

Insurance

The Group has in place a Directors and Officers liability insurance policy providing a specified level of cover for current and former Directors and executive Officers of the Group against liabilities incurred whilst acting in their respective capacity.

Safeguard Integrity

The Board has established an Audit Committee comprising of three Board members. This committee operates under a charter to enable it to perform its role and responsibilities. The Charter is available at the Group's web site at www.austinexploration.com.au. Where considered appropriate, the Group's external auditors and the Group's management are invited to attend meetings. The members of the Audit Committee are:

Chair:	Mr Dominic Pellicano
Member:	Mr Nigel Hartley
Member:	Mr Richard Cottee.

The qualifications of members of the committee together with their attendances at committee meetings is disclosed in the Directors' Report within this Annual Report.

The role of the Audit Committee is to assist the board fulfill its responsibilities and monitoring the following:

- Effective management of financial risks;
- Reliable management reporting;
- Compliance with laws and regulations in respect to financial reporting;
- Maintenance of effective and efficient audits;
- Meeting with external auditors on a twice-yearly basis and informally as circumstances require; and
- Recommending to the board the appointment, rotation, removal and remuneration of the external auditors, and review their terms of engagement, and the scope and quality of the audit.

The Audit Committee provides the board with additional assurances regarding the reliability of financial information for inclusion in the financial statements.

To that extent, the Chief Executive Officer, Chief Financial Officer and the Company Secretary are required to declare to the board that in their opinion the Financial Statements and notes to the Accounts within the Annual Report are in accordance with the Corporations Act 2001, comply with the Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the financial position of the Group and are based upon a sound system of risk management and internal compliance and control prior to the signing of the Directors' Declaration in the Annual Report.

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Review of Operations and Activities

The committee is chaired by a director who is not the chairman of the board.

Performance of Directors

In accordance with Principle 8(1) of the ASX Corporate Governance Principles and Recommendations the board is required to conduct a review of the performance of its directors and the board's function as a whole during the period. The evaluation of directors was undertaken in June 2012.

Independent Advice

The Board recognises that in certain circumstances individual directors may need to seek independent professional advice, at the expense of the Group. Any advice so received will be made available to other directors.

Timely and Balanced Disclosure

The board recognises the need to comply with ASX Listing Rule 3.1 concerning continuous disclosure.

At each meeting of directors, consideration is given as to whether notice of material information concerning the Group, including its financial position, performance, ownership and governance has been made available to all investors.

The Continuous Disclosure Policy also requires senior executives in possession of disclosable information to comply with that policy. The Continuous Disclosure Policy is available on the Group's web site at www.austinexploration.com.au.

Communication with Shareholders

The board aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the Group's activities and its state of affairs, including information necessary to assess the performance of the directors.

Communication with shareholders is achieved through the distribution of the following information:

- The Annual Report is available to all shareholders;
- The Half Yearly Report which is available on the Group's web site;
- The Annual General Meeting and other meetings called to obtain shareholder approval for board action as appropriate. Shareholders are encouraged to attend and participate at the Group's Annual General Meeting and other General Meetings;
- Letters to shareholders when considered to be appropriate and informative;
- Announcements to the Australian Securities Exchange; and
- Investor information through the Group's internet portal at www.austinexploration.com.au.

The Group strives to ensure that Group announcements via the ASX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

Shareholders' Role

The shareholders of the Group are responsible for voting on the election of directors at the Annual General Meeting in accordance with the constitution.

All directors are subject to re-election by rotation, no later than every three years.

The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the Group and to vote on other items of business for resolution by shareholders.

The Group's auditor, Grant Thornton Pty Ltd, make available a partner of the firm (Mr Brad Taylor or other), to be in attendance at the Annual General Meeting and to be available to answer shareholder questions in relation to the audit.

Diversity

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group is committed to diversity and recognises the benefits arising from employees and board diversity and the importance of benefitting from all available talent. A copy of the Group's diversity policy is available at the Group's website at www.austinexploration.com.au.

The Group will annually monitor the progress and effectiveness of objectives developed in the policy. Given the size and nature of the Group's workforce the Group has chosen not to implement measurable objectives on which the Group will report on.

Risk Management

The entire board is responsible for overseeing the risk management function. The Group believes that it is crucial for all board members to be a part of the process.

The board is responsible for ensuring the risks and opportunities are identified on a timely basis.

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Review of Operations and Activities

The board has a number of mechanisms in place to ensure the management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of board approved operating plans and budgets;
- Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non financial nature; and
- The establishment of committees to report on specific risk as identified.

Internal Risk Management System Compliance

Management is accountable to the Chief Executive Officer to ensure that operating efficiency, effectiveness of risk management procedures, internal compliance control systems and controls and policies are all being monitored. Management has designed and implemented a risk management and internal control system to manage the Group's material business risks and reports to the board at each meeting on the effective management of those risks. The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates. These include:

- Changed operating, market or regulatory environments;
- Fluctuations in demand volumes;
- Fluctuations in commodity prices;
- Fluctuations in exchange rates; and
- Increasing costs of operations.

These risk areas are provided here to assist investors better understand the nature of the significant risks faced by the Group.

The board requires the Chief Executive Officer, Chief Financial Officer and the Company Secretary every half year to provide a statement confirming that a sound system of risk management and internal control is in place and that the system is operating effectively in all material respects in relation to financial risks. The board has received that assurance.

Monitoring Performance

The Board and senior management monitor the performance of all divisions through the preparation of monthly management accounts. The monthly management accounts are prepared using accrual accounting techniques and report each business unit's result as contribution after overhead allocation. These monthly management accounts are compared to monthly budgets, which have been set allowing for the seasonality of anticipated revenues and costs in each of the divisions.

The monitoring of the Group's performance by the board and management assists in identifying the correct allocation of resources and staff to maximize the overall return to shareholders.

A performance evaluation for senior management was undertaken during the year and was in accordance with the process developed by the board for that purpose.

Details of the structure of non-executive directors' and senior executives' remuneration are included in the Remuneration Report within the Directors' Report in this Annual Report.

During the year the board undertook an informal performance review of the board, its committees and its directors. The conclusions of the self assessment of the board's performance during the previous year and any recommendations for improvement which become apparent from that review are discussed by the board.

The performance evaluation was undertaken using the process disclosed above.

Nomination and Remuneration

Remuneration and Nomination Committee

The Board established a Remuneration and Nomination Committee comprising of the Chairman Nigel Hartley, Mark Hart and Richard Cottee on 6 June 2012.

The role of the Remuneration and Nomination Committee is to make recommendations to the board on the following matters:

- Determine the appropriate size and composition of the board;
- Determine the terms and conditions of appointment to and retirement from the board;
- Develop appropriate criteria for board membership;
- Reviewing membership of the board and proposing candidates for consideration by the board;
- Arranging a review of the board's own performance;
- Reviewing the remuneration and incentive framework for the CEO and Non-Executive Directors;
- Determining the Group's remuneration plans, policies and practices; and
- Considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

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Review of Operations and Activities

The committee did not meet formally during the year.

The Remuneration and Nomination Committee Charter is available at the Group's web site at www.austinexploration.com.au.

As per the changes introduced by the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, Key Management Personnel (KMP) and their closely related parties of the Group are prohibited from hedging their exposure to incentive remuneration for arrangements entered into on or after 1 July 2011.

There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

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Directors' Report

DIRECTORS' REPORT

The Directors of Austin Exploration Limited ("Austin") present their report, together with the financial statements of the Group, being the Group and its controlled entities, for the financial year ended 30 June 2012.

Directors

Directors in office during the year and to the date of this report are:

Mr Dominic Pellicano

Non-Executive Director (Appointed a director on 25 July 2008)

Dominic has been in private practice as a Certified Practicing Accountant (CPA) and a Legal Practitioner for over 30 years. He is currently the senior partner in the Accounting firm of Pellicano & Giovannucci which he founded in 1970. He is a Fellow of the Taxation Institute of Australia, a member of the Law Institute of Victoria and a CPA, Australia. Dominic has extensive experience in financial management and corporate governance and specialises in Taxation Law and Estate Planning.

Mr Guy Thomas Goudy

Executive Director and Chief Commercial Officer (Appointed a director on 13 July 2009)

Guy trained at the University of Technology, Sydney (UTS) where he holds various formal qualifications in Business Studies. For the three years prior to his appointment, Guy was employed in the financial services sector and has been an authorised representative with a leading stock broking and financial advisory firm.

Dr. William Mark Hart

Executive Director and President/Chief Executive Officer (Appointed to the board on 15 September 2010)

Dr. Hart has more than 35 years of executive experience across the world in a number of major mining and energy companies, including Standard Oil Minerals, Newmont Mining Company, Cyprus AMAX Minerals Company, Consol Energy, and leading clean-energy power generation company, NRG Energy Inc. and American Electric Power Fuel Supply Company.

President of Colorado-based energy consultancy, MATH Energy 1, Dr. Hart also serves as a Visiting Professor at the Colorado School of Mines, where he teaches classes in carbeneous fuels-to-liquids, gas and power, and is an Adjunct Professor.

Dr. Hart has successfully led organizations of between 200 and 10,000 employees in a variety of executive capacities in the United States, Australia, Italy, Canada, Latin America, Europe and the Middle East.

Mr Nigel Hartley

Non-Executive Director (Appointed 3 August 2011)

Mr Hartley is a Chartered Accountant who has recently retired after a very successful 20 year career with Oil Search Limited. Mr Hartley acted as the Chief Financial Officer for 12 years, and was responsible for raising over US\$4 billion debt for Oil Search as part of the US\$14 billion project finance raised for the PNG LNG Project. Mr Hartley also helped establish Oil Search's innovative Sustainability Department in 2010 to encompass the Company's landowner management, government liaison and community benefits programs. Prior to Oil Search, he held a senior financial controller position with both Rio Tinto and Niugini Mining.

Other current listed directorships: Roc Oil Limited

Mr Richard Cottee

Non-Executive Chairman of the Board (Appointed 24 March 2012)

Mr Cottee was at Queensland Gas Company ("QGC") where he held the position of Managing Director from 2002 until 2008 when the Company was taken over in a friendly acquisition by the BG Company. Over this period QGC grew from a market capitalisation of around \$20 million to an ASX100 company with a market capitalisation of \$5.7 billion. Prior to his role at QGC, Mr Cottee worked in the utility sector as Vice President and Managing Director of NRG Energy Ltd in London, and Chief Executive of CS Energy Ltd in Brisbane. Mr Cottee is a lawyer by background and commenced his career with Allens Arthur Robinson before holding commercial positions with Itochu and Santos. He also spent six years with Freehills, Allens & Mallesons covering the resource sector and six years as an Executive Director of Cyprus Australia Coal.

Other current listed directorships: Central Petroleum Limited.

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Directors' Report

Mr Chris Hodge

Non-Executive Director (Appointed 6 September 2011, Resigned on 24 January 2012)

Mr Hodge had 35 years of wide-ranging experience in the oil and gas industry across Australia, the US and several other countries. Mr Hodge's significant oil and gas experience includes previous senior executive positions with Adelphi Energy Limited, where he acted as Managing Director, Mitsui, Ampolex and Elf Aquitaine. Chris is currently on the Board of ROC Oil Limited and is a technical consultant to Mitsubishi Australia. Mr Hodge's involvement with Ampolex included responsibility for exploration and other operations both in Australia and overseas while his role with Mitsui resulted in commercial discoveries (e.g. Cliff Head) and a variety of field acquisitions.

Dr. James Michael Edwards

Non-executive director (Appointed a director on 14 March 2006, Resigned on 8 September 2011)

Dr. Edwards has been actively engaged in USA and international oil exploration and exploitation for more than 30 years. He has participated in oil and gas discoveries in Australia, Columbia, Equatorial Guinea, France, Norway, Trinidad, Thailand, the United Kingdom and the United States of America. Dr. Edwards has held senior executive positions with Tenneco Oil Company, Triton Corporation, and Daytona Energy Corporation.

Company Secretary

Mr David John Nairn (Appointed on 31 January 2011)

Mr Nairn is a fellow of both the Institute of Chartered Accountants and CPA Australia and has extensive experience as an auditor and corporate advisor. He has dealt with a variety of listed companies and their Board while performing their audits.

Directors' Meetings

The number of directors meetings and number of meetings attended by each of the directors of the Group during the financial year are:

Director	Director's Meetings		Audit Committee Meetings	
	A	B	A	B
Dominic Pellicano	13	13	2	2
James Edwards	3	3	-	-
Richard Cottee	2	2	-	-
Nigel Hartley	8	11	2	2
Guy Goudy	13	13	2	2
Chris Hodge	4	6	-	-
William Hart	12	13	2	2

A Number of Meetings attended
B Number of Meetings held while the director was in office

The Group notes that a Remuneration and Nominations Committee existed however it did not formally meet during the year.

Principal Activities

The principal activities of the Group during the year consisted of the accumulation and operation of mineral prospective areas and the exploration for oil and gas in both the United States of America and Australia.

Financial Position

The net loss after income tax of the Consolidated Entity for the year ended 30 June 2012 was \$2,298,119. (2011: \$655,008).

Dividends Paid or Recommended

No dividends were paid or declared since the start of the year. No recommendation for payments of dividend has been made.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471

Directors' Report

Review of Operations

A review of the operations of the economic entity during the financial year and the results of those operations are as follows:

a) Exploration

UNITED STATES					AUSTRALIA
Prospect Name	Armstrong	North Carrizo	Birch Eagle Ford Project	Niobrara Shale Project	PEL 105
Well Name(s)	Ellislie Plantation #1	Yolanda Villarreal No. 1-H	Birch Eagle Ford Prospect	Pathfinder Project	The Pirie-1
Location	Adam County, Mississippi USA	Dimmitt County, Texas USA	Burleson County, Texas, USA	DJ Basin – Freemont County, Colorado, USA	Cooper Basin, South Australia
Ownership Interest	Working Interest 50% Revenue Interest 37.5%	Working Interest BCP = 45% ACP=36% NRI= 27.36%	Working Interest 93.5% Net Revenue Interest 71.125%	Working Interest 85% Net Revenue Interest 65%	Working Interest 50% Revenue Interest 50%
Partners / Operators	Aldridge Operating Company - Dow Tate Energy LLC	Alamo Operating Company	H.H. Howell Inc Alamo Operating Co.	Thomasson Petroleum E&P LLC	Beech Petroleum Limited
Objective / Focus	Re-entry of once uncommercial Well targeting Wilcox formation	Oil Dual Lateral Austin- Chalk	Taylor – Gas Austin Chalk – Gas/Oil Eagle Ford – Gas/Oil Buda – Gas/Oil Georgetown – Gas/Oil	Horizontal drilling and multi-stage fracturing the Niobrara Formation	High Grade drilling targets validated by 2D seismic
Independent Evaluations	BARRY L. WHELAN, P.Geo., F.G.A.C. Vancouver, B.C. V6C 1G	Ameritex, San Antonio Texas	- CNI 51:101 Richard Braun Mike Mitchell	Mike Mitchell, Mitchell Geological Associates	Mulready Consulting Services Pty Ltd
Current Status	In production - On pump	In production – On pump	Three vertical well programme to test the Eagle Ford Shale Formation to being in late September 2011 to early October	Continuous Horizontal drilling programme to commence	Drill Ready. Waiting on rig. Waiting for flooding caused by recent rain in Cooper to subside. Site not accessible
Next Steps	Monitor daily production	Monitor daily production	Monitor production – analyze data for future laterals	Monitor daily production	Drilling operations to commence subject to weather conditions and site access

b) Corporate Matters

Capital Raising

- On 6 July 2011 through a placement the Group issued 228,620,092 ordinary shares at \$0.035 per share, 207,750,000 I Class Listed options with an exercise price of \$0.055 per option exercisable on or before 6 July 2013 and 163,295,975 J Class Listed Options with an exercise price of \$0.055 exercisable on or before 6 July 2012 per option to raise funds to purchase tenements, finance joint venture obligations and conduct due diligence and exploration activities on oil and gas projects in the USA, together with working capital.
- On 12 December 2011 the Group issued 2,000,000 Listed Ordinary Shares and 2,000,000 unlisted “K” Class Options for no consideration to the two new Directors in consideration of their joining the Board and for the skills they will bring to the Group.
- On 12 December 2011 the Group issued 30,000,000 Listed “I” Class Options for no consideration exercisable on or before 6 July 2013 to Hartley’s Limited in accordance with the mandate letter the Group has signed with Hartleys Limited in relation to their corporate advisory work.
- On 31 January 2012 the Group issued 44,000,000 Listed Ordinary Shares at \$0.027 per share together with Listed “I” Class Options for no consideration to fund further exploration in the USA.
- On 29 February 2012 the Group issued 310,000,000 Listed Ordinary Shares at \$0.029 per share, 155,000,000 Listed “I” Class Options for no consideration on a 1 for 2 basis to the shares issued exercisable on or before 6 July 2013 to raise funds to finance exploration activities in Eagle Ford, Niobrara and Mississippi oil and gas projects in the USA, together with working capital (Tranche 1).

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Directors' Report

- On 29 February 2012 the Group issued 1,500,000 Listed "I" Class Options for no consideration exercisable on or before 6 July 2013 to staff.
- On 5 April 2012 the Group issued 155,862,061 Listed Ordinary Shares at \$0.029 per share in relation to the SPP, 380,000,000 Listed Shares at \$0.029 per share in relation to Tranche 2 approved at the General Meeting.
- On 5 April 2012 the Group issued 190,000,079 Listed "I" Class Options for no consideration on a 1 for 2 basis to the Tranche 2 shares issued, 300,000,000 Listed "I" Class Options issued to the Advisor pursuant to the resolution passed at the General Meeting for no consideration and 500,000 Listed "I" Class Options for no consideration in lieu of fees to a consultant pursuant to the resolution at the General Meeting.
- On 20 April 2012 the Group issued 12,636,762 Listed Ordinary Shares at \$0.029 per share to sophisticated investors the shortfall of the recently completed SPP as approved by shareholders at the General Meeting on the 30th of March 2012.
- On 20 April 2012 the Group issued 1,724,138 Listed Ordinary Shares at \$0.029 per share with 862,069 Listed "I" Class Options for no consideration as part of the Tranche 2 capital raising approved at the General Meeting on 30th March 2012.

Changes of Officers and Directors

On 3rd August 2011 Mr Nigel Hartley was appointed as Non-Executive Director of Austin Exploration Limited.

On 6th September 2011 Mr Chris Hodge was appointed as Non-Executive Director of Austin Exploration Limited.

On 8th September 2011 Dr James Edwards resigned from the Board of Directors of Austin Exploration Limited.

On 24th January 2012 Mr Chris Hodge resigned as Non-Executive Director of Austin Exploration Limited.

On 24th March 2012 Mr Richard Cottee was appointed as Non-Executive Chairman of the Board of Austin Exploration Limited.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

Net increase in issued capital to \$53,108,930 (2011: \$23,938,894) as a result of the following:

- Issue of 228,620,092 fully paid ordinary shares at \$0.035 per share to raise \$8,001,703.
- Issue of 44,000,000 fully paid ordinary shares at \$0.027 per share to raise \$1,188,000.
- Issue of 310,000,000 fully paid ordinary shares at \$0.029 per share to raise \$8,990,000.
- Issue of 380,000,000 fully paid ordinary shares at \$0.029 per share to raise \$11,020,000.
- Issue of 155,862,061 fully paid ordinary shares at \$0.029 per share to raise \$4,520,000.
- Issue of 14,360,900 fully paid ordinary shares at \$0.029 per share to raise \$416,466.10.

Likely Developments

The likely future developments of the Group during the next financial year will involve the ongoing principal activity of oil and gas exploration and operations. The Group anticipates the establishment of revenues from its portfolio of prospects and will continue to pursue new prospects in line with its financial resources and ability to acquire appropriate funding.

Environmental Regulations

The Group is subject to significant environmental regulations under Federal and/or State and/or Territory laws in both Australia and the USA. The Group has not been advised of any environmental breaches during the year.

Proceedings on Behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. The Group was not a party to any such proceedings during the year.

Events arising since the end of the Reporting Period

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

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Directors' Report

REMUNERATION REPORT - AUDITED

This report details the nature and amount of emoluments for each key management person of the Group, and for the executives receiving the highest remuneration.

Remuneration policy

The Group's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives, by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board;
- All executives may receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives;
- The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based on a basket of measures including financial results, share price, production targets, safety and environmental issues. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the Performance Rights Plan providing an opportunity to obtain further shares.

Other than superannuation guarantee contributions, Australian directors and executives do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and is expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board's intention is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and currently stands at \$500,000 in total. Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group (but not trade in them) and have been granted options.

Performance of shareholders wealth

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2012	2011	2010	2009	2008
EPS (cents)	(0.0029)	(0.0021)	(2.06)	(3.44)	(6.83)
Net profit/loss (\$'000)	(2,298,119)	(655,008)	(4,756,607)	(4,244,080)	(7,736,312)
Share Price	0.02	0.03	0.03	0.03	0.22

Remuneration Details

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and executives of the Group are set out in the following tables.

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Directors' Report

Directors	Position held at 30 June 2012 and any changes during the year	Contract Details (Duration and Termination)	Proportions of elements of remuneration not related to performance
Mr. Dominic Pellicano	Non-Executive Director	Retirement by Rotation	100%
Mr. Guy Goudy	Executive Director and Chief Commercial Officer.	Retirement by Rotation	100%
Dr. William Mark Hart	Executive Director and Chief Executive Officer.	Retirement by Rotation	100%
Mr Richard Cottee	Non-Executive Director and Chairman of the Board Appointed 24 March 2012	Retirement by Rotation	100%
Mr Nigel Hartley	Non-Executive Director Appointed 3 August 2011	Retirement by Rotation	100%
Mr Chris Hodge	Non-Executive Director Appointed 6 September 2011 Resigned 24 January 2012	Retirement by Rotation	100%
Dr James Edwards	Non-Executive Director Resigned 8 September 2011	Retirement by Rotation	100%
Group Key Management Personnel	Position held at 30 June 2012 and any changes during the year	Contract Details (Duration & Termination)	Proportions of elements of remuneration not related to performance
David Nairn	Company Secretary	No fixed term	100%
Lonny Haugen	Chief Financial Officer Appointed 20 June 2012	Two year contract	100%

The Group utilises the following service contracts:-

- Consulting services of GTG Consulting Pty Ltd. Mr Guy Goudy is a director of GTG Consulting Pty Ltd.
- Accounting and taxation services of HLB Mann Judd. Mr David Nairn is a Partner at HLB Mann Judd.
- Accounting and taxation services of CFO Today. Mr Lonny Haugen is an owner of CFO Today.

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Directors' Report

	Short-term benefits			Post employment	Equity-settled share-based payments		Total
	Salary, Fees and Commissions Paid	Salary, Fees and Commissions Accrued & Payable	Non-Monetary Benefits	Superannuation Contributions	Options	Shares	
2012	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr. Dominic Pellicano	42,499	-	-	-	243,000	-	285,499
Dr. James Edwards ¹	26,666	-	-	-	81,000	-	107,666
Mr. Guy Goudy	169,533	-	-	3,599	243,000	-	416,132
Mr. Nigel Hartley	36,666	-	-	3,299	13,800	28,000	81,765
Mr Chris Hodge ²	16,666	-	-	1,499	13,800	28,000	59,965
Mr Richard Cottee	21,972	16,666	-	1,977	-	-	40,615
Dr. William Mark Hart	220,417	-	-	-	243,000	-	463,417
Key Management Personnel							
David Nairn ³	-	-	64,651	-	-	-	64,651
Lonny Haugen ⁴	-	-	65,525	-	6,949	-	72,474
	534,419	16,666	130,176	10,374	844,549	56,000	1,592,184

	Short-term benefits			Post employment	Equity-settled share-based payments		Total
	Salary, Fees and Commissions Paid	Salary, Fees and Commissions Accrued & Payable	Non-Monetary Benefits	Superannuation Contributions	Options	Shares	
2011	\$	\$	\$	\$	\$	\$	\$
Directors							
Dominic Pellicano	70,000	-	-	-	-	-	70,000
Dr. James Edwards	40,000	-	-	-	-	-	40,000
Mr. Guy Goudy	40,000	-	-	-	-	-	40,000
Dr. William Mark Hart	170,825	-	-	-	-	-	170,825
Mr. William Kefalianos ⁵	15,000	-	-	-	-	-	15,000
Key Management Personnel							
David Nairn	-	-	31,964	-	-	-	31,964
Graham Seppelt ⁶	21,380	-	-	-	-	-	21,380
	357,205	-	31,964	-	-	-	389,169

¹ Resigned 8 September 2011

² Resigned 24 January 2012

³ HLB Mann Judd has received \$64,651 (2011:\$31,964) in respect of Mr David Nairn's secretarial fees

⁴ CFO Colorado has received \$65,525 in respect of their Accounting & Tax Services

⁵ Resigned 17 November 2010

⁶ Resigned 31 January 2011

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471 Directors' Report

Share-based Compensation

Options over ordinary shares in Austin Exploration Limited were granted to the Board and Key Management Personal as reward for services rendered to the Group.

The terms and conditions of each grant of options affecting remuneration in the current and future reporting periods are as follows:

Name	Grant Date	Date vested and exercisable	Expiry Date	Exercise Price	% of Remuneration issued as Share Based Payments
Dominic Pellicano	22/12/2009 06/07/2011	31/05/2010 06/07/2011	30/11/2011 06/07/2013	\$ 0.10 \$0.055	- 83%
Dr. James Edwards	22/12/2009 06/07/2011	31/05/2010 06/07/2011	30/11/2011 06/07/2013	\$ 0.10 \$0.055	- 72%
Mr. Guy Goudy	22/12/2009 06/07/2011	31/05/2010 06/07/2011	30/11/2011 06/07/2013	\$ 0.10 \$0.055	- 54%
Dr. William Mark Hart	19/11/2010 06/07/2011	19/11/2010 06/07/2011	30/11/2011 06/07/2013	\$ 0.10 \$0.055	- 48%
Mr. Nigel Hartley	12/12/2011	12/12/2011	12/12/2013	\$0.055	49%
Mr. Chris Hodge	12/12/2011	12/12/2011	12/12/2013	\$0.055	68%
Mr. Lonny Haugen	06/07/2011	06/07/2011	06/07/2013	\$0.055	9%

Options granted carry no dividend or voting rights.

Details of options over ordinary shares in the Group provided as remuneration are set out below. When exercised, each option is converted into one ordinary share of Austin Exploration Limited. Further information on the options is set out in note 28 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Dominic Pellicano	15,000,000	-	15,000,000	-
Dr. James Edwards	5,000,000	-	5,000,000	-
Mr. Guy Goudy	15,000,000	-	15,000,000	-
Dr. William Mark Hart	15,000,000	-	15,000,000	-
Mr Nigel Hartley	1,000,000	-	1,000,000	-
Mr Richard Cottee	-	-	-	-
Mr. Chris Hodge	1,000,000	-	1,000,000	-
Mr. Lonny Haugen	500,000	-	500,000	-
Mr. David Nairn	-	-	-	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. No options were granted in 2011.

Shares provided on exercise of remuneration options

No options were exercised during the year ended 30 June 2012.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471

Directors' Report

Directors Interests in Shares and Options

The information on directors' interests in shares and options at 30 June 2012 is set out in note 6 of the financial statements.

Information on directors' interest in shares and options as at 21 September 2012 is set out in the following table:

Directors	Ordinary Shares Held	Options Held
	21 September 2012	21 September 2012
Mr. Dominic Pellicano	8,046,966	15,500,000
Mr. Guy Goudy	4,325,000	15,862,500
Dr. William Mark Hart	2,724,138	16,362,069
Mr Richard Cottee	1,724,138	862,069
Mr. Nigel Hartley	2,400,000	1,700,000
Secretary		
Mr. David Nairn	NIL	NIL

END OF AUDITED REMUNERATION REPORT

Retirement, Election and Continuation in Office of Directors

Directors are subject to retirement by rotation and election by shareholders at a general meeting. No director other than the Managing Director may remain on the Board for more than three years without re-election. Where a director is appointed during the year, the director will hold office until the next Annual General Meeting and then be eligible for election.

Indemnifying Officers and Auditors

The Group has entered into Deeds of Indemnity with each of the Directors and Company Secretary and has taken out Directors and Officers Insurance (D&O) on behalf of each of the Directors and Company Secretary.

No liability has arisen under this indemnity as at the date of this report.

Shares under Option

As at the date of this report, the unissued ordinary shares of Austin Exploration Limited under an option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under	Option	Class
03/03/2011	23/11/2012	\$0.10	1,200,000		H
12/12/2011	12/12/2013	\$0.055	2,000,000		K
06/07/2011	06/07/2013	\$0.055	929,612,235		Listed I
06/07/2011	06/07/2012	\$0.055	163,295,975		Listed J
			1,096,108,210		

No ordinary shares of Austin Exploration Limited were issued on the exercise of options during the reporting year ended 30 June 2012. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or Group are important.

The board of directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non audit services is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471 Directors' Report

The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditor for non-audit services during the year are set out below.

	Consolidated	
	2012	2011
	\$	\$
Amounts paid/payable to Grant Thornton for:		
- taxation services	-	4,835
Total	-	4,835

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included.

Signed in accordance with a resolution of the Board of Directors:



Mr. Richard Cottee
Chairman
Dated 21 September, 2012

Grant Thornton Audit Pty Ltd
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**Auditor's Independence Declaration
To the Directors of Austin Exploration Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Austin Exploration Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. L. Taylor
Partner - Audit & Assurance

Melbourne, 21 September 2012

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	Consolidated Group 2012 \$	2011 \$
Revenues from continuing operations	3	1,963,245	1,372,037
Directors Fees		(404,890)	(384,532)
Share based payments		(962,525)	(12,980)
Employee benefits expense		(614,009)	(301,175)
Finance Costs	4	-	(178,200)
Forgiveness of debt	4	-	4,164,230
Impairment Charges	4	(197,284)	-
Loss on Disposal of non-current assets	4	-	(2,565,594)
Depreciation and amortisation expense	4	(245,630)	(351,812)
Share of profit from equity accounted investments	13	116,641	-
Other expenses	4	(1,953,667)	(2,337,302)
Loss before income tax		(2,298,119)	(595,328)
Income tax expense	5	-	(59,680)
Loss for the year		(2,298,119)	(655,008)
Other comprehensive income			
Exchange differences on translation of Foreign operations		785,805	(436,055)
Other comprehensive income for year Net of tax		(1,512,314)	(436,055)
Total comprehensive income for year		(1,512,314)	(1,091,063)
Loss for the year attributable to:			
Members of the parent entity		(2,298,119)	(655,008)
		(2,298,119)	(655,008)
Total comprehensive income attributed to:			
Members of the parent entity		(1,512,314)	(1,091,063)
		(1,512,314)	(1,091,063)
Earnings per share for loss from continuing operations:			
Basic earnings per share (cents per share)	8	(0.0029)	(0.0021)
Diluted earnings per share (cents per share)	8	(0.0029)	(0.0021)

This statement should be read in conjunction with the notes to the financial statements.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Consolidated Statement of Financial Position as at 30 June 2012

	Note	Consolidated Group 2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	9	21,090,085	9,713,369
Trade and other receivables	10	269,749	233,905
Other current assets	11	1,723,956	525,926
Total Current Assets		23,083,790	10,473,200
Non-Current Assets			
Investments accounted for using the equity method	13	2,133,864	2,123,100
Property, plant and equipment	12	145,243	462
Development and producing assets	14	1,626,685	1,472,977
Exploration and evaluation assets	15	10,412,363	2,539,232
Total Non-Current Assets		14,318,155	6,135,771
Total Assets		37,401,945	16,608,971
Current Liabilities			
Trade and other payables	16	1,310,379	11,831,739
Short term borrowings	17	65,288	-
Total Current Liabilities		1,375,667	11,831,739
Total Liabilities		1,375,667	11,831,739
Net Assets		36,026,278	4,777,232
Equity			
Issued Capital	18	52,628,930	23,938,894
Reserves	19	4,363,592	(252,007)
Retained earnings / (Accumulated losses)		(20,966,244)	(18,909,655)
Total Equity		36,026,278	4,777,232

This statement should be read in conjunction with the notes to the financial statements.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

CONSOLIDATED GROUP	Issued Capital	Share Option Reserve	Foreign Currency Reserve	Retained Profits/ (losses)	Total
	\$		\$	\$	\$
Balance at 1 July 2010	21,897,359	241,532	(79,223)	(18,254,647)	3,805,021
Share issued during the year	2,159,047	-	-	-	2,159,047
Transaction Costs	(117,512)	-	-	-	(117,512)
Options Reserve on recognition of the cost element of options	-	21,739	-	-	21,739
Total comprehensive income for the year	-	-	(436,055)	(655,008)	(1,091,063)
Balance at 30 June 2011	23,938,894	263,271	(515,278)	(18,909,655)	4,777,232
Share issued during the year	34,222,155	-	-	-	34,222,155
Transaction costs	(5,532,119)	-	-	-	(5,532,119)
Share Options expired during the period	-	(241,530)	-	241,530	-
Options Reserve on recognition of the cost element of options	-	4,071,324	-	-	4,071,324
Total comprehensive income for the year	-	-	785,805	(2,298,119)	(1,512,314)
Balance at 30 June 2012	52,628,930	4,093,065	270,527	(20,966,244)	36,026,278

This statement should be read in conjunction with the notes to the financial statements.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Consolidated Statement of Cash Flows for year ended 30 June 2012

	Note	Consolidated Group 2012 \$	2011 \$
Cash Flow From Operating Activities			
Receipts from customers		1,573,844	1,099,325
Payments to suppliers and employees		(3,460,297)	(2,465,485)
Interest received		75,917	66,678
Net cash used in operating activities	22	(1,810,536)	(1,299,482)
Cash Flow From Investing Activities			
Payments for plant and equipment		(148,811)	(1,439)
Payments to acquire joint venture investment		(1,696,234)	(177,149)
Receipts from joint venture investment		194,034	-
Payments for development activities		(301,078)	(406,085)
Payments for explorations activities		(10,186,117)	(924,467)
Receipts for sale of exploration asset		420,000	-
Net cash used in investing activities		(11,718,206)	(1,509,140)
Cash Flow From Financing Activities			
Proceeds from/(repayment of) borrowings		71,413	-
Proceeds of issue of shares		26,184,537	10,060,666
Share issue costs		(1,877,569)	(677,192)
Net cash provided by financing activities		24,378,381	9,383,474
Net increase (decrease) in cash held		10,849,639	6,574,852
Cash at the beginning of the year		9,713,369	3,599,437
Effects of exchange rate changes on cash and cash equivalents		527,077	(460,920)
Cash at the end of the year	9	21,090,085	9,713,369

This statement should be read in conjunction with the notes to the financial statements.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

The financial report includes the consolidated financial statements and notes of Austin Exploration Limited and controlled entities (Group) of Austin Exploration Limited which is a listed public Group, incorporated and domiciled in Australia.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report of Austin Exploration Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 21 September 2012.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, to be reviewed by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Austin Exploration Limited is a for-profit entity for the purpose of preparing the financial statements.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Standards and interpretation issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Austin Explorations Limited assessment of the impact of these new standards and interpretations are as follows:

It has been determined by the Group that there is no significant impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new standards and interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore, no change necessary to Group accounting policies

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

AASB 9 Financial Instruments (effective from 1 January 2013) 4

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities.

It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131).

It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128

Investments in Associates and Joint Ventures (AASB 128) AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate

Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to Group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

The Group's management have yet to assess the impact of these amendments. Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7

Financial Instruments: Disclosures 5

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Group's management have yet to assess the impact of these amendments.

(b) Principles of consolidation

A controlled entity is any entity over which Austin Exploration Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year end.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered/(left) the consolidated Group during the year, their operating results have been included/(excluded) from the date control was gained/(ceased).

All inter-Group balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from sale of oil and gas is recognised in the period in which the sale of gas and oil occurs.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted or are substantially enacted as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which the benefits of the deferred tax asset can be utilised.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Trade receivables

Trade receivables and other receivables are carried at amounts due less any provision for specific doubtful debts.

(f) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Interests in joint ventures

The consolidated Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated Group's interests are shown at Note 13.

The consolidated Group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements.

Under the equity method, the share of the profit and losses of the joint venture is recognised in the profit or loss, and the share of post-acquisition movements in reserves recognised in other comprehensive income.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unreleased losses are eliminated, the underlying asset is also tested for impairment.

(h) Exploration, evaluation and development expenditure and restoration provisions

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The net expected cash flows have been discounted to their present values in determining recoverable amounts.

(j) Depreciation

Items of property, plant and equipment, are depreciated over their estimated useful lives ranging from 3 to 40 years to write off the net cost of each asset during its expected useful life to the Group. The straight line method of depreciation is used.

The assets residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses are determined by comparing proceeds received with the asset's carrying amount. These gains and losses are included in the statement of comprehensive income.

(k) Leases

Leases of plant and equipment are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(l) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in statement of comprehensive income.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised, otherwise the exchange difference is recognised in the statement of comprehensive income.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(m) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date in respect of wages and salaries, annual leave and long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

Employee benefits payable later than one year are measured as the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity which match the expected timing of cash flows.

Contributions made by the Group to employee superannuation funds are charged to expenses as incurred.

(n) Equity-settled compensation

The Group operates equity-settled share-based payment employee option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase in an equity account. The fair value of options is determined by an independent valuer using a Black-Scholes option pricing model which incorporates all vesting conditions. In determining fair value, no account is taken of any performance conditions other than those related to market conditions. The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

(o) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

(p) Financial assets and liabilities

Classification

The Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included and trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for sale-financial assets

Available-for-sale financial assets comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified as any other category, and are classified as non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(v) Classification and subsequent measurement of financial liabilities

The Group's financial liabilities including borrowings, trade and other payables and derivative financial instruments.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are including within finance costs or finance income.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised as trade-date — the date on which the Group commits to purchase or sell an asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the 'fair value of the financial asset through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of the revenue from continuing operations when the Group's right to receive payments is established.

Changes in the value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available for sale are recognised in equity.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalent includes;

- cash on hand and at call in banks net of overdrafts; and
- investments in short term deposits (i.e. 6 months)

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

(s) Issued Capital

Ordinary share capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of shares are recognised (net of tax) directly in equity as a reduction in the share proceeds received.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Exploration and evaluation

The Group's policy for exploration and evaluation is discussed at note 1(h). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sales or exploitation, then the relevant capitalised amount will be written off through the statement of comprehensive income.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(w) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(x) Parent Entity Financial Information

The financial information for the parent entity, Austin Exploration Limited, disclosed in Note 2 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Austin Exploration Limited.

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Notes to the Financial Statements
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NOTE 2: PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 \$	2011 \$
Statement of financial position		
Total current assets	38,551,408	15,586,498
Total non current assets	68,429	408,426
Total assets	38,619,837	15,994,924
Total current liabilities	44,595	8,572,832
Total non current liabilities	-	-
Total liabilities	44,595	8,572,832
Share capital	52,628,930	23,938,894
Reserves	4,363,593	263,271
Accumulated losses	(18,417,281)	(8,817,954)
Total Equity	38,575,242	15,384,211
Statement of comprehensive income		
Loss for the year after tax	(2,108,206)	(920,589)
Total comprehensive income	(2,108,206)	(920,589)

The parent entity has not provided any financial guarantees on behalf of its subsidiary.

The parent entity did not have any contingent liabilities as at 30 June 2012 (2011: Nil)

As at 30 June 2012, the parent entity had no contractual commitments (2011: Nil)

NOTE 3: REVENUE

From continuing operations:

Gas and Oil Sales	1,567,546	1,180,839
Interest received from other parties	94,407	66,719
Other income	301,292	124,479
Total Revenue	1,963,245	1,372,037

NOTE 4: LOSS FOR THE YEAR

Losses from ordinary activities before income tax have been determined after:

Depreciation expense	13,373	23,597
Amortisation expense	232,257	328,214
Impairment of Asset - provision	197,284	-
Finance Cost	-	178,200
Loss on disposal of non-current assets**	-	2,565,594
Forgiveness of debt*	-	(4,164,230)

* The Group's loan with Newtak Pty Ltd was forgiven during the 2011 year in conjunction with the commencement of the Kentucky Exploration LLC joint venture.

** The loss on disposal of non-current assets relates to the disposal of the Park City and Sebree exploration assets to the Kentucky Exploration LLC joint venture, approved by shareholders on 17 June 2011.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
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	2012	2011
	\$	\$
Other Expenses:		
Insurance	89,158	44,977
IT Expenses	4,127	8,276
Lease Operating Expense	312,881	443,151
Marketing	85,499	27,758
Printing & stationery	25,593	16,293
Professional Fees	902,806	859,493
Rent on land & buildings	47,111	44,628
Registration & insurance	2,233	24,677
Research & Development Expense	-	589,861
Interest Paid	2,085	-
Due Diligence Costs	109,890	-
Subscriptions	3,875	5,505
Sundry expenses	17,933	64,939
Telephone	39,594	31,939
Travel, accom & conference	310,882	175,805
	<u>1,953,667</u>	<u>2,337,302</u>

NOTE 5: INCOME TAX EXPENSE

	2012	2011
	\$	\$
(a) The components of income tax expense comprise:		
Current Tax	-	59,680
Deferred Tax	-	-
	<u>-</u>	<u>59,680</u>
(b) The prima facie tax benefit on loss from ordinary activities is reconciled to the income tax as follows:		
Net Loss	<u>(2,298,119)</u>	<u>(595,329)</u>
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(689,436)	(178,598)
Add/(less) the tax effect of:		
- Differences in tax rate for US controlled entities	11,247	(47,536)
- Other allowable / (non allowable) items	128,862	(368,839)
Tax portion of share issue costs	-	59,680
Tax effect of tax losses and temporary differences not brought to account as they do not meet the recognition criteria	549,327	594,973
Income tax attributable to operating loss	<u>-</u>	<u>59,680</u>
(c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised		
- In Australia at 30%	5,378,448	4,745,986
- In USA at 35%	823,137	750,461
	<u>6,201,585</u>	<u>5,496,447</u>

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NOTE 6: INTEREST OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the Group and the Group during the year are as follows:

	2012	2011
	\$	\$
Short term employee benefits	681,261	389,169
Post-employment benefits	10,374	-
Share based payments	900,549	-
	<u>1,592,184</u>	<u>389,169</u>

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

2012	Balance 01.07.11	Options Exercised	Options Granted	Options Purchased	Expired	Other Changes	Balance 30.6.12
Dr. James Edwards*	1,000,000	-	5,000,000	-	-	(6,000,000)	-
Mr. Dominic Pellicano	5,000,000	-	15,000,000	500,000	(5,000,000)	-	15,500,000
Mr. Guy Goudy	1,000,000	-	15,000,000	862,500	(1,000,000)	-	15,862,500
Dr. William Mark Hart	1,000,000	-	15,500,000	862,069	(1,000,000)	-	16,362,069
Mr. Richard Cottee	-	-	-	862,069	-	-	862,069
Mr Chris Hodge**	-	-	1,000,000	-	-	(1,000,000)	-
Mr. Nigel Hartley	-	-	1,000,000	700,000	-	-	1,700,000
Mr. Lonny Haugen	-	-	500,000	-	-	-	500,000
Mr. David Nairn	-	-	-	-	-	-	-
Total	<u>8,000,000</u>	<u>-</u>	<u>53,000,000</u>	<u>3,786,638</u>	<u>(7,000,000)</u>	<u>(7,000,000)</u>	<u>50,786,638</u>

* Resigned on 8th September 2011

** Resigned on 24th January 2012

2011	Balance 01.07.10	Options Exercised	Options Granted	Options Purchased	Vested and Exercisable	Other Changes	Balance 30.6.11
Dr. James Edwards	1,350,000	-	-	-	(350,000)	-	1,000,000
Mr. Dominic Pellicano	5,000,000	-	-	-	-	-	5,000,000
Mr. Guy Goudy	1,000,000	-	-	-	-	-	1,000,000
Dr. William Mark Hart	-	-	1,000,000	-	-	-	1,000,000
Mr. William Kefalianos	1,000,000	-	-	-	-	(1,000,000)	-
Mr. Graham Seppelt	1,000,000	-	-	-	-	(1,000,000)	-
Mr. David Nairn	-	-	-	-	-	-	-
Mr. Kenneth Hill	900,000	-	-	-	-	(900,000)	-
Mr. Stan Lindsey	500,000	-	-	-	-	(500,000)	-
Mr. Neville Martin	350,000	-	-	-	-	(350,000)	-
Total	<u>11,100,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>(350,000)</u>	<u>(3,750,000)</u>	<u>8,000,000</u>

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KMP Shareholdings

The number of ordinary shares in Austin Exploration Limited held by each KMP of the Group during the financial year is as follows:

2012	Balance	Net Change	Balance
	30.6.11	Other*	30.6.12
Mr. Dominic Pellicano	7,046,966	1,000,000	8,046,966
Dr. James Edwards	1,000,000	(1,000,000)	-
Mr. Guy Goudy	1,000,000	3,325,000	4,325,000
Dr. William Mark Hart	1,000,000	1,724,138	2,724,138
Mr. Nigel Hartley	-	2,400,000	2,400,000
Mr. Richard Cottee	-	1,724,138	1,724,138
Mr. Chris Hodge	-	-	-
Mr. Lonny Haugen	-	-	-
Mr David Nairn	-	-	-
Total	10,046,966	9,173,276	19,220,242

2011	Balance	Net Change	Balance
	30.6.10	Other*	30.6.11
Mr. Dominic Pellicano	7,046,966	-	7,046,966
Dr. James Edwards	1,000,000	-	1,000,000
Mr. Guy Goudy	1,000,000	-	1,000,000
Dr. William Mark Hart	-	1,000,000	1,000,000
Mr. William Kefalianos	1,200,000	(1,200,000)	-
Mr. Graham Seppelt	1,000,000	(1,000,000)	-
Mr. David Nairn	-	-	-
Total	9,937,198	(1,200,000)	10,046,968

* Net Change other refers to shares issued, purchased or sold during the financial year, or as a result of director resignation during the year.

NOTE 7: AUDITORS' REMUNERATION

	2012	2011
Remuneration of auditor of the consolidated Group for:	\$	\$
- auditing or reviewing the financial report – Australia	33,450	30,000
America	33,500	-
- taxation services	-	4,835
	66,950	34,835

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NOTE 8: EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	2012 \$	2011 \$
Net loss attributed to ordinary equity holders	(2,298,119)	(655,008)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	794,006,590	313,371,520
Basic Earnings per share	(\$0.0029)	(\$0.0021)
Diluted Earnings per share	(\$0.0029)	(\$0.0021)

The rights options held by options holders have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the consolidated entity is loss generating.

Consolidated Group

2012 \$	2011 \$
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NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank and in hand	11,276,367	9,663,369
Term deposits	9,813,718	50,000
	<u>21,090,085</u>	<u>9,713,369</u>

The effective interest rate on cash at bank was 1.00% pa (2011; 2.49% pa.) This amount is at call. There is also \$50,000 bank guarantee held with the National Australia Bank.

NOTE 10: TRADE AND OTHER RECEIVABLES

	2012 \$	2011 \$
Current		
Trade and Other receivables*	182,116	172,002
GST Receivable	87,633	61,903
	<u>269,749</u>	<u>233,905</u>

*All of the balances within trade receivables are not past due and are not impaired

NOTE 11: OTHER CURRENT ASSETS

	2012 \$	2011 \$
Prepayments	1,723,956	525,926

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2012 \$	2011 \$
Plant and equipment:		
- At cost	158,624	470
- Less: Accumulated depreciation	(13,381)	(8)
	<u>145,243</u>	<u>462</u>

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Movement in Property, Plant and Equipment at Cost

	2012	2011
	\$	\$
Plant and equipment:		
- At cost	470	158,264
- Add: Additions	158,154	470
- Less: Assets written off during the period	-	(158,264)
	<u>158,624</u>	<u>470</u>

Movement in Property, Plant and Equipment Accumulated Depreciation

	2012	2011
	\$	\$
Plant and equipment:		
- Opening: Accumulated Depreciation	(8)	(130,785)
- Add: Depreciation	(13,373)	(23,597)
- Less: Assets written off during the period	-	154,374
	<u>(13,381)</u>	<u>(8)</u>

NOTE 13: INTERESTS IN JOINT VENTURES

Kentucky Exploration LLC is the only jointly controlled entity within the Group and the ownership percentage is 50%. Kentucky Exploration LLC is domiciled in the United States of America and its principal activity is to develop and explore the subject prospect for oil and gas production. Its financial statements have been incorporated into the consolidated financial statements using the equity method of accounting.

	2012	2011
	\$	\$
Sales and other operating revenues	421,567	-
Finance costs and other finance expense	188,286	-
Profit before taxation	<u>233,281</u>	-
Taxation	-	-
Profit for the year	<u>233,281</u>	-
Non-current assets	4,131,755	2,594,900
Current assets	354,730	1,651,300
Total assets	<u>4,486,485</u>	<u>4,246,200</u>
Non-current liabilities	174,675	-
Current liabilities	44,081	-
Total liabilities	<u>218,756</u>	-

Movement in Investment Amounts:

	2012	2011
	\$	\$
Opening Investment	2,123,100	-
Funds introduced	-	2,123,100
Profit for the year	116,640	-
FX Movement	91,125	-
Cash Distributions	(197,001)	-
Closing Investment	<u>2,133,864</u>	<u>2,123,100</u>

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NOTE 14: DEVELOPMENT AND PRODUCING ASSETS

	2012	2011
	\$	\$
Development assets at cost	2,171,227	1,769,005
Accumulated amortisation	(544,542)	(296,028)
	<u>1,626,685</u>	<u>1,472,977</u>

Movement in Carrying Amounts: Movement in the carrying amounts for development expenditure capitalised

	2012	2011
	\$	\$
Balance at beginning of year	1,472,977	1,809,925
Additions	326,510	529,889
Exchange rate difference	59,455	(353,160)
Disposals	-	(236,143)
Amortisation expense	(232,257)	(277,534)
	<u>1,626,685</u>	<u>1,472,977</u>

NOTE 15: EXPLORATION AND EVALUATION EXPENDITURE

	2012	2011
	\$	\$
Exploration and evaluation assets at cost	12,278,035	3,685,263
Provision for impairment	(1,865,672)	(1,146,031)
	<u>10,412,363</u>	<u>2,539,232</u>

Movement in Carrying Amounts: Movement in the carrying amounts for exploration and evaluation expenditure capitalised

	2012	2011
	\$	\$
Balance at beginning of year	2,539,232	3,651,722
Additions	8,323,089	2,470,806
Exchange rate difference	87,326	(701,501)
Disposals	(340,000)	(2,881,795)
Impairment expense	(197,284)	-
	<u>10,413,363</u>	<u>2,539,232</u>

The ultimate recoupment of costs carried forward is dependent on the successful development and commercial exploration or sale of the respective areas.

Impairment Losses

During the 2011 financial year, there was no impairment loss recognised.

During the current financial year, \$197,284 loss was recognised on the Bombing Range project in Louisiana.

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NOTE 16: TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Unsecured:		
- Trade payables	1,310,379	2,248,820
- Other payables*	-	9,582,919
	<u>1,310,379</u>	<u>11,831,739</u>

*As a result of the issue of shares subsequent to year end, the liability of \$7,931,619 has been extinguished in 2012.

NOTE 17: BORROWINGS (SECURED)

	2012	2011
	\$	\$
- Truck Loan Borrowing	65,288	-
	<u>65,288</u>	<u>-</u>

	2012	2011
	\$	\$

NOTE 18: ISSUED CAPITAL

1,497,386,721 (2011: 362,543,668) fully paid ordinary shares

a. Ordinary shares

At the beginning of reporting period	23,938,894	21,897,359
Shares issued during the year		
- Issued 19 November 2010	-	30,000
- Issued 25 January 2011	-	1,197,000
- Issued 21 June 2011	-	932,047
- Issued 6 July 2011	8,001,528	-
- Issued 6 July 2011 (Listed Options)	30,160	-
- Issued 12 December 2011	56,000	-
- Issued 30 January 2012	1,188,000	-
- Issued 29 February 2012	8,990,000	-
- Issued 3 April 2012	11,020,000	-
- Issued 3 April 2012	4,520,000	-
- Issued 17 April 2012	416,466	-
	<u>58,161,048</u>	<u>24,056,406</u>
- Less: Cost of capital raising	(5,532,119)	(117,512)
	<u>52,628,930</u>	<u>23,938,894</u>

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	2012	2011
	Number	Number
At the beginning of reporting period	362,543,668	295,051,178
Shares issued during the year		
- Issued 19 November 2010	-	1,000,000
- Issued 25 January 2011	-	39,900,000
- Issued 21 June 2011	-	26,592,490
- Issued 6 July 2011	228,620,092	-
- Issued 12 December 2011	2,000,000	-
- Issued 30 January 2012	44,000,000	-
- Issued 29 February 2012	310,000,000	-
- Issued 3 April 2012	380,000,000	-
- Issued 3 April 2012	155,862,061	-
- Issued 20 April 2012	14,360,900	-
At the end of the reporting period	1,497,386,721	362,543,668

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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Notes to the Financial Statements
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b. Options	Class	2012 Number	2011 Number
At the beginning of the reporting period		189,687,930	187,487,930
Options issued during the year			
- Unlisted Options 19 November 2010	G	-	1,000,000
- Unlisted Options 3 March 2011	H	-	1,200,000
- Listed Options 6 July 2011	I	207,750,000	-
- Listed Options 6 July 2011	J	163,295,975	-
- Listed Options 12 December 2011	I	30,000,000	-
- Unlisted Options 12 December 2011	K	2,000,000	-
- Listed Options 31 January 2012	I	44,000,000	-
- Listed Options 29 February 2012	I	156,500,000	-
- Listed Options 5 April 2012	I	490,500,079	-
- Listed Options 20 April 2012	I	862,069	-
Options expired during the year			
- Unlisted Options 28 February 2008	D	(500,000)	-
- Unlisted Options 28 January 2009	E	(375,000)	-
- Unlisted Options 28 January 2009	F	(500,000)	-
- Unlisted Options 22 December 2009	G	(10,000,000)	-
- Unlisted Options 11 November 2005		(12,600,000)	-
- Unlisted Options 11 November 2005		(12,600,000)	-
- Unlisted Options 11 November 2005		(5,400,000)	-
- Listed Options 8 October 2009		(146,512,843)	-
At the end of the reporting period		1,096,108,210	189,687,930

Class G These options have an exercise price of \$0.10 per share;
Class H These options have an exercise price of \$0.10 per share;
Class I These options have an exercise price of \$0.055 per share;
Class J These options have an exercise price of \$0.055 per share;
Class K These options have an exercise price of \$0.055 per share;

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c. Capital Risk management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure the Group continues as a going concern.

The Group's debt and capital includes ordinary share capital, share options and drilling advances payable. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the financial risks and adjusting the capital structure in response to those risks. These responses include share issues.

	2012	2011
	\$	\$
Total Borrowings	65,288	-
Less: Cash and cash equivalents	21,090,085	-
Net Debt	-	-
Total Equity	36,026,278	4,777,232
Total Capital	52,628,930	23,938,894
Gearing Ratio	-%	-%

NOTE 19: RESERVES

	2012	2011
	\$	\$
- Share Option Reserve	4,093,065	263,271
- Foreign Currency Reserve	270,527	(515,278)
	4,363,592	(252,007)

NOTE 20: SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographical location since the diversification of the Group's operations has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment

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(i) Segment Performance

	Australia 2012	USA 2012	Total 2012
	\$	\$	\$
Total external segment revenue (no internal revenue)	165,251	1,797,994	1,963,245
Segment net loss before tax	(2,207,112)	(91,007)	(2,298,119)

	Australia 2011	USA 2011	Total 2011
	\$	\$	\$
Total segment revenue	66,147	1,305,890	1,372,037
Segment net loss before tax	(920,589)	325,261	(595,328)

(ii) Segment assets

	Australia 2012	USA 2012	Total 2012
	\$	\$	\$
Segment assets	38,521,217	26,575,802	65,097,019
Inter-segment elimination	(27,695,074)	-	(27,695,074)
	<u>10,826,143</u>	<u>26,575,802</u>	<u>37,401,945</u>

Additions to non-current segment assets in the period:

- capital expenditure	-	158,154	158,154
- exploration expenditure	-	8,323,089	8,323,089
- development and producing assets	-	326,510	326,510
	<u>-</u>	<u>8,807,753</u>	<u>8,807,753</u>

	Australia 2011	USA 2011	Total 2011
	\$	\$	\$
Segment assets	16,494,924	11,662,159	28,157,083
Inter-segment elimination	(11,548,111)	-	(11,548,111)
	<u>4,946,813</u>	<u>11,662,159</u>	<u>16,608,972</u>

Segment asset increase for period:

- capital expenditure	-	-	-
- exploration expenditure	340,000	2,130,806	2,470,806
- development and producing assets	-	529,889	529,889
	<u>340,000</u>	<u>2,660,695</u>	<u>3,000,695</u>

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(iii) Segment liabilities

	Australia	USA	Total
	2012	2012	2012
	\$	\$	\$
Segment liabilities	44,593	29,026,148	29,070,741
Inter-segment elimination	-	(27,695,074)	(27,695,074)
	<u>44,593</u>	<u>1,331,074</u>	<u>1,375,667</u>
	Australia	USA	Total
	2011	2011	2011
	\$	\$	\$
Segment liabilities	8,572,832	14,807,068	23,379,900
Inter-segment elimination	-	(11,548,111)	(11,548,111)
	<u>8,572,832</u>	<u>3,258,957</u>	<u>11,831,789</u>

NOTE 21: CONTROLLED ENTITIES

a. Controlled Entities

	Country of incorporation	Equity Holding	
		2012	2011
Parent Entity:			
Austin Exploration Limited	Australia		
Subsidiaries of Austin Exploration Limited:			
Ausco Petroleum Inc (Formally Aus-Tex Exploration Inc)	USA	100%	100%

b. Joint Venture interests

The Group has interests in joint venture operations in oil and gas blocks in Australia and USA as follows:

AUSTRALIA	
Prospect Name	PEL 105
Well Name(s)	The Pirie-1
Location	Cooper Basin, South Australia
Ownership Interest	Working Interest 50% Revenue Interest 50%
Partners / Operators	Beech Petroleum Limited
Objective / Focus	High Grade drilling targets validated by 2D seismic
Independent Evaluations	Mulready Consulting Services Pty Ltd
Current Status	Drill Ready. Waiting on rig. Waiting for flooding caused by recent rain in Cooper to subside. Site not accessible
Next Steps	Drilling operations to commence subject to weather conditions and site access

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

UNITED STATES				
Prospect Name	Armstrong	North Carrizo	Birch Eagle Ford Project	Niobrara Shale Project
Well Name(s)	Ellislie Plantation #1	Yolanda Villarrea No. 1-H	Birch Eagle Ford Prospect	Pathfinder Project
Location	Adams County, Mississippi USA	Dimmitt County, Texas USA	Burleson County, Texas, USA	DJ Basin – Freemont County, Colorado, USA
Ownership Interest	Working Interest 50% Revenue Interest 37.5%	Working Interest BCP = 45% ACP=36% NRI= 27.36%	Working Interest 93.5% Net Revenue Interest 71.125%	Working Interest 85% Net Revenue Interest 65%
Partners / Operators	Aldridge Operating Company - Dow Tate Energy LLC	Alamo Operating Company	H.H. Howell Inc Alamo Operating Co	Thomasson Petroleum E&P LLC
Objective / Focus	Re-entry of once uncommercial Well targeting Wilcox formation	Oil Dual Lateral Austin- Chalk	Taylor – Gas Austin Chalk – Gas/Oil Eagle Ford – Gas/Oil Buda – Gas/Oil Georgetown – Gas/Oil	Horizontal drilling and multi-stage fracturing the Niobrara Formation
Independent Evaluations	BARRY L. WHELAN, P.Geo. F.G.A.C. Vancouver, B.C. V6C 1G8	Ameritex, San Antonio Texas	CNI 51:101 Richard Braun Mike Mitchell	Mike Mitchell, Mitchell Geological Associates
Current Status	In production - On pump	In production – On pump	Three vertical well programme to test the Eagle Ford Shale Formation	Continuous Horizontal drilling programme to commence
Next Steps	Monitor daily production	Monitor daily production	Monitor production – analyze data for future laterals	Monitor daily production

The Group has accumulated acreage in a number of oil and gas projects comprising mineral leases in the USA. The mineral leases that have producing wells drilled on them during the primary lease term will be held as producing leases. Mineral leases that are drilled and produce a dry hole, or not drilled at all, will expire at the end of the primary term unless re-leased for a further term. The exploration of the leases is managed by operators who make cash calls, hire contractors and pay all accounts.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

NOTE 22: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss
from Ordinary Activities after Income Tax

	2012	2011
	\$	\$
Loss from ordinary activities after income tax	(2,298,119)	(655,008)
Non-cash flows in loss from ordinary activities		
Share based payments	1,018,525	12,980
Income tax expense	-	59,680
Share of Profit in equity investments	(116,640)	
Unrealised foreign exchange gain (loss)	-	12,413
Interest Receivable	(21,680)	-
Impairment Expenses	197,284	-
Depreciation expense	13,372	23,597
Amortisation	232,257	328,214
Prepayments	68,305	-
Finance Charges	-	178,200
Forgiveness of Debt	-	(2,189,228)
Loss on disposal of non-current assets	-	755,339
Accrued Expenses	1,600	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(132,345)	(106,778)
(Increase)/decrease in other assets	(141,520)	31,572
Increase/(decrease) in trade payables	(631,575)	249,537
Cash flow from operations	<u>(1,810,536)</u>	<u>(1,299,482)</u>

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

NOTE 23: FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, credit risk and currency risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and aging analysis for credit risk.

Risk management is carried out by the finance department under policies approved by the board of directors.

The Group holds the following financial instruments:

	2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	21,090,085	9,713,369
Trade and other receivables	269,749	233,905
	21,359,834	9,947,274
Financial Liabilities		
Trade and other payables	1,310,379	11,831,739
Borrowings	65,288	-
	1,375,667	11,831,739

(a) Market Risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2012	30 June 2011
	USD	USD
	\$	\$
Cash and cash equivalents	10,617,219	6,089,142
Trade Receivables	164,985	181,247
Trade Payables	1,286,238	3,447,761

Foreign Currency Sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit and equity for the year would have been the following:-

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

	2012	2011
Change in profit		
Improvement in AUD to USD by 10%	(39,664)	(49,560)
Decline in AUD to USD by 10%	39,664	49,560
Change in equity		
Improvement in AUD to USD by 10%	(39,664)	(49,560)
Decline in AUD to USD by 10%	39,664	49,560

Interest Rate Sensitivity Analysis

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2012	2011
Change in profit		
Increase in interest rate by 2%	283,221	45,618
Decrease in interest rate by 2%	0	(45,618)
Change in equity		
Increase in interest rate by 2%	283,221	45,618
Decrease in interest rate by 2%	0	(45,618)

(b) Credit risk

Credit risk is managed on a Group basis. Credit rise arises from cash and cash equivalents, revenue and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

There are no material amounts of collateral held as security at 30 June 2012 (2011: Nil)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits at call of \$21,090,085 (2011 - \$9,713,369) that are expected to readily meet operational cash flow requirements to manage liquidity risk.

Management monitors rolling forecasts of the Group's cash flow position on the basis of expected cash flows. This is generally carried out at local level in accordance with the practice and limits set by the Group. These limits vary by location to take into account liquidity of the market in which the entity operates. All liabilities are expected to be paid in 30 days.

(d) Fair Value Measurements

The carrying value monetary financial assets and financial liabilities of the Group approximate their fair value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

NOTE 24: RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

i. Directors and executives

Disclosures relating to key management personnel are set out in Note 6.

ii. Transactions with Director-related Entities

- During the year the Group utilised the services of GTG Consulting Services Pty Ltd for the provision of consulting services at commercial rates. To the reporting date the costs of these services was \$129,500 (excluding GST). Mr Guy Goudy is a director of GTG Consulting Services Pty Ltd.
- During the year the Group utilised the services of HLB Mann Judd for the provision of accounting, secretarial and taxation services at commercial rates. To the reporting date the costs of these services was \$170,580 (excluding GST). Mr David Nairn is a partner at HLB Mann Judd.

NOTE 25: CAPITAL COMMITMENTS RELATING TO JOINT VENTURES AND TENEMENTS

The Group is required to meet minimum expenditure requirements of various Government bodies and joint venture agreements.

These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

	2012	2011
	\$	\$
- due within one year	4,182,425	3,234,000
- due within 1 — 3 years	1,476,150	8,965,000
	5,658,575	12,199,000

NOTE 26: SHARE BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2012.

On 6 July 2011 through a placement the Group issued 50,000,000 I Class Listed options to the Board of Directors. The options were granted with an exercise price of \$0.055 per option exercisable on or before 6 July 2013.

On 6 July 2011 through a placement the Group issued 7,750,000 I Class Listed options to various employees. The options were granted with an exercise price of \$0.055 per option exercisable on or before 6 July 2013.

On 12 December 2011, 2,000,000 ordinary shares and 2,000,000 options were granted to Mr Nigel Hartley and Mr Chris Hodge. The shares were issued at nil value but with an imputed value of 3 Cents per share. The options were granted with an exercise price of \$0.055 exercisable before 12 December 2013.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

All options granted to key management personnel are ordinary shares in Austin Exploration Limited, which confer a right of one ordinary share for every option held.

	2012		2011	
	Number of Options	Weight Average Exercise cents	Number of Options	Weight Average Exercise cents
Balance at beginning of year	43,300,000	43.49	41,100,000	45.28
Granted	52,000,000	0.055	2,200,000	10.00
Forfeited	-	-	-	-
Expired	(41,100,000)	-	-	-
Outstanding at year end	54,200,000	0.06	43,300,000	43.49
Exercisable at year end	-	-	-	-

The options outstanding at 30 June 2012 had a weighted average exercise price of \$0.06 and a weighted average remaining contractual life of 2 year.

The price was calculated by using a Black-Scholes option pricing model.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns which may not eventuate in the future.

Included under employee benefits expense in the statement of comprehensive income is \$893,525 (2011: \$51,740) and relates, in full, to the equity-settled share-based payment transactions.

NOTE 27: CONTINGENT LIABILITIES

There are no contingent liabilities that exist at reporting date (2011: Nil)

NOTE 28: GOING CONCERN

The financial report has been prepared on the basis of a going concern.

The Group's ability to continue as a going concern is contingent upon successfully raising additional capital. If additional funds are not raised, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

NOTE 29: POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Notes to the Financial Statements
For the year ended 30 June 2012

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 26 to 56 are in accordance with the *Corporations Act 2001*:
 - a comply with Australian Accounting Standards including the Australian Accounting Interpretations and the *Corporations Regulations 2001*; and
 - b giving a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date; and
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the Chief Executive Officer, Chief Financial Officer and Company Secretary required by Sec 295(a) of the Corporations Act 2001.
4. The consolidated financial statements comply with International Financial Reporting Standards as stated in Note 1

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Richard Cottee
Chairman

Dated this 21st day of September 2012

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**Independent Auditor's Report
To the Members of Austin Exploration Limited**

Report on the financial report

We have audited the accompanying financial report of Austin Exploration Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Austin Exploration Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 19 to 23 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Austin Exploration Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.L. Taylor
Partner - Audit & Assurance

Melbourne, 21 September 2012

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Shareholder Information
For the year ended 30 June 2012

Additional Information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 21 September 2012

a. Distribution of Shareholders

Category	Holders of Ordinary Shares	% of Issued Capital	Listed options	Unlisted options
1 – 1000	110		2	0
1,001 – 5,000	191		0	0
5,001 – 10,000	182		0	0
10,001 – 100,000	1,319		72	0
100,001 – and over	1,763		548	9
Total number of security holders	3,566	100.00	622	9

b. Unmarketable Parcels

	Minimum Parcel Size	Number of Holders	Units
Ordinary Shares	22728	827	8020344

c. Substantial shareholders

There are no substantial shareholders listed in the holding Group's register as at 21 September 2012.

d. Voting Rights

Fully paid ordinary shares

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member present (in person, by proxy, attorney or representative) has one vote and on a poll, each member present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold.

Options

Option holders will be entitled on the payment of the exercise price shown below to be allotted one ordinary fully paid share in the Group for each Option exercised. Options are exercisable in whole or in part at various times until 30 June 2013. Any Options not exercised before expiry will lapse.

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Shareholder Information
For the year ended 30 June 2012

e. Twenty largest shareholders

The names of the 20 largest holders of fully paid ordinary shares constituting a class of quoted equity securities on the Australian Stock Exchange Limited including the number and percentage held by those at 21 September 2012 are as follows:

Name	Number of fully paid ordinary shares held	% held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,253,486	2.69
MR LEIGH DAVID KALAZICH	29,000,000	1.94
COMSEC NOMINEES PTY LIMITED	25,072,289	1.67
NATIONAL NOMINEES LIMITED	25,058,500	1.67
MR TROY WILLIAM BENTLEY	18,705,674	1.25
BRANGLEBAR PTY LTD	17,000,000	1.14
MR ANDREW BRUCE AND MRS WENDY BRUCE	15,129,983	1.01
PERSHING AUSTRALIA NOMINEES PTY LTD	14,230,000	0.95
MR RUSSELL NEIL CREAGH	13,500,000	0.90
CITICORP NOMINEES PTY LIMITED	12,029,825	0.80
MR JOHN MACQUARIE CAPP	12,000,000	0.80
INVESCO NOMINEE PTY LTD	11,758,045	0.79
W KELSO PTY LTD	11,000,000	0.73
MR TIMOTHY JOHN MOORE	10,667,241	0.71
DE GRAFF SUPER PTY LTD	10,525,000	0.70
MR ROBERT BRYAN	9,000,000	0.60
EDALE CAPITAL PTY LTD	8,749,999	0.58
REMOND HOLDINGS PTY LIMITED	8,749,999	0.58
BRANGLEBAR PTY LTD	8,000,000	0.53
MR RAJAN ANDITHEVAR PANDIAN AND MS CHITRADEVI VEERANATHEVAR ANDY	7,226,860	0.48
TOTAL	307,656,901	20.55

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Shareholder Information
For the year ended 30 June 2012

Twenty largest option holders

The names of the twenty largest option holders of listed options constituting a class of quoted securities on the Australian Stock Exchange Limited including the number and percentage held at 21 September 2012 are as follows:

Name	Number of listed options held	% held
ZENIX NOMINEES PTY LTD	183,750,000	19.77
BRANGLEBAR PTY LTD	30,000,000	3.23
MR EGAN HARVEY JOHNSON	30,000,000	3.23
MR SAMUEL WILLIAM WYTHES-WILLIS	29,547,397	3.18
DR COLIN FREDERICK RAYNER	27,500,000	2.96
FEINT HOLDINGS PTY LTD	27,000,000	2.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,241,500	1.85
COMSEC NOMINEES PTY LIMITED	16,660,000	1.79
MR XUAN KHOA PHAM	16,500,000	1.77
MR GUY THOMAS GOUDY	15,862,500	1.71
DR WILLIAM MARK HART	15,862,069	1.71
BENFORD PTY LTD	15,000,000	1.61
TROPICAL HARVEST PTY LTD	10,820,000	1.16
MRS THUAN KIM HUYNH	10,000,000	1.08
NEPTUNE DRILLING PTY LTD	9,000,000	0.97
HIRSCH FINANCIAL PTY LTD	8,750,000	0.94
MR ADAM JOHN EGGINS AND MR KEVIN ALBERT EGGINS	8,000,000	0.86
GOULD NOMINEES PTY LTD	7,418,692	0.80
MS THI LY HUONG PHAM	6,534,483	0.70
BRYAN WELCH PTY LTD	6,000,000	0.65
MALARCH PTY LTD	6,000,000	0.65
TOTAL	497,446,641	53.52

Austin Exploration Ltd and Controlled Entities ABN 98 114 198 471
Shareholder Information
For the year ended 30 June 2012

f. Unquoted Securities

Options over Unissued Shares

Twenty largest option holders – Unquoted ordinary options

The names of the largest holders of unquoted ordinary options constituting a class of quoted equity securities on the Australian Stock Exchange Limited including the number and percentage held by those at 21 September 2012 are as follows:

Name	Number of unlisted options held	% held
MR NIGEL DENIS RICHARD HARTLEY	1,000,000	27.97
MR CHRISTOPHER CHARLES HODGE	1,000,000	27.97
MR KENNETH HILL	375,000	10.49
OLA AKRAD	200,000	5.59
MR FAHAD ALHARTHI	200,000	5.59
MR JAMIE GARCIA	200,000	5.59
MR AARON JAMES GOSS	200,000	5.59
LONNY HAUGEN	200,000	5.59
MR ROBERT ALLEN LEES	200,000	5.59
TOTAL	3,575,000	100.00

The exercise price for each class of option described in Note 18 is:

Class G	These options have an exercise price of \$0.10 per share;
Class H	These options have an exercise price of \$0.10 per share;
Listed "I"	These options have an exercise price of \$0.055 per share;
Listed "J"	These options have an exercise price of \$0.055 per share.
Class K	These options have an exercise price of \$0.055 per share.

Tenements

All tenements including locations and percentage interest are listed in the Review of Operations (page 17).

CORPORATE DIRECTORY

DIRECTORS

Mr Richard Cottee	Non-Executive Director and Chairman of the Board
Mr Dominic Pellicano	Non-Executive Director
Mr Guy Goudy	Executive Director and Chief Commercial Officer
Dr William Mark Hart	Executive Director and President/Chief Executive Officer
Mr Nigel Hartley	Non-Executive Director

COMPANY SECRETARY

Mr David Nairn

REGISTERED OFFICE

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PRINCIPAL ADMINISTRATIVE OFFICES

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COLORADO 80214

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Level 5, 115 Grenfell Street
ADELAIDE, SA 500
Phone (inside Australia) : 1300 556 161
Phone (outside Australia): 61 3 9615 4000

AUDITORS

Grant Thornton Australia
Chartered Accountants
Level 2, 215 Spring Street
MELBOURNE VIC 3000

AUSTRALIAN LEGAL ADVISORS

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

AUSTRALIAN SECURITIES EXCHANGE

The company is listed on the Australian Securities Exchange.

The home exchange is Adelaide.

ASX Codes: Shares: AKK