

AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



Fourth Quarter Report FY2008

For the Period Ended

June 30, 2008

REVIEW OF OPERATIONS AND ACTIVITIES

CORPORATE OPERATIONS

The Company began the fiscal quarter with \$504,086 cash held and completed the fiscal quarter with \$2,340,001 cash held. This significant increase can be primarily attributed to the success of the recently completed Share Purchase Plan (SPP). Although the SPP was only available to shareholders located in Australia and New Zealand it contributed almost \$2.5M to the company's capital account. This increase in working capital has given Austin an improved capacity to suitably invest in our U.S. and Australian projects.

On 4 August 2008, the company is holding a General Meeting of members to consider resolving to approve the raising of further equity for the company. If shareholder approval is given at that meeting, the funds raised will be primarily used by the Company to support ongoing business development and establish a base to enable Austin to expand its operations in oil and gas exploration and to provide funds for other business development opportunities that may arise.

The company is looking to raise an additional \$5 million via institutional and private (professional and sophisticated) investors that have already expressed an interest in participating in the placement.

U.S. BASED DEVELOPMENT ACTIVITIES

Park City Gas Field, Edmonson County, Kentucky

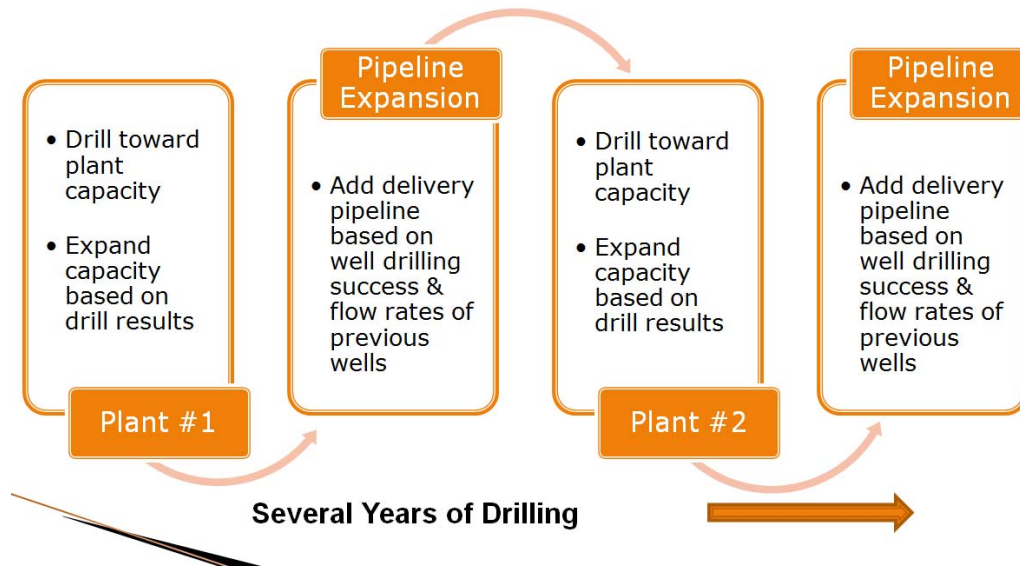
Since January 23rd, 2008 through the fiscal quarter end June 30 2008, the company has been working diligently to develop the Park City Gas Field located in Edmonson County, Kentucky U.S.A. By the end of the current fiscal quarter the company had drilled 17 wells to target depth, with all 17 having good shows of natural gas, oil, or both. Turnkey drilling costs of AU \$2.5M have been incurred and will cover all expenses associated with these wells, including stimulation of the Fort Payne formation and connection to the delivery pipeline system.

On the 28th of July, 2008 Austin announced its first gas sales from this field. The company also introduced a revised strategic focus and operational approach for the Park City development project. This adjusted approach was the result of a complete project and process review with the operator that transpired for a period of almost two months. An expansion of technical human resources on the part of Austin Exploration was also a result of this review.

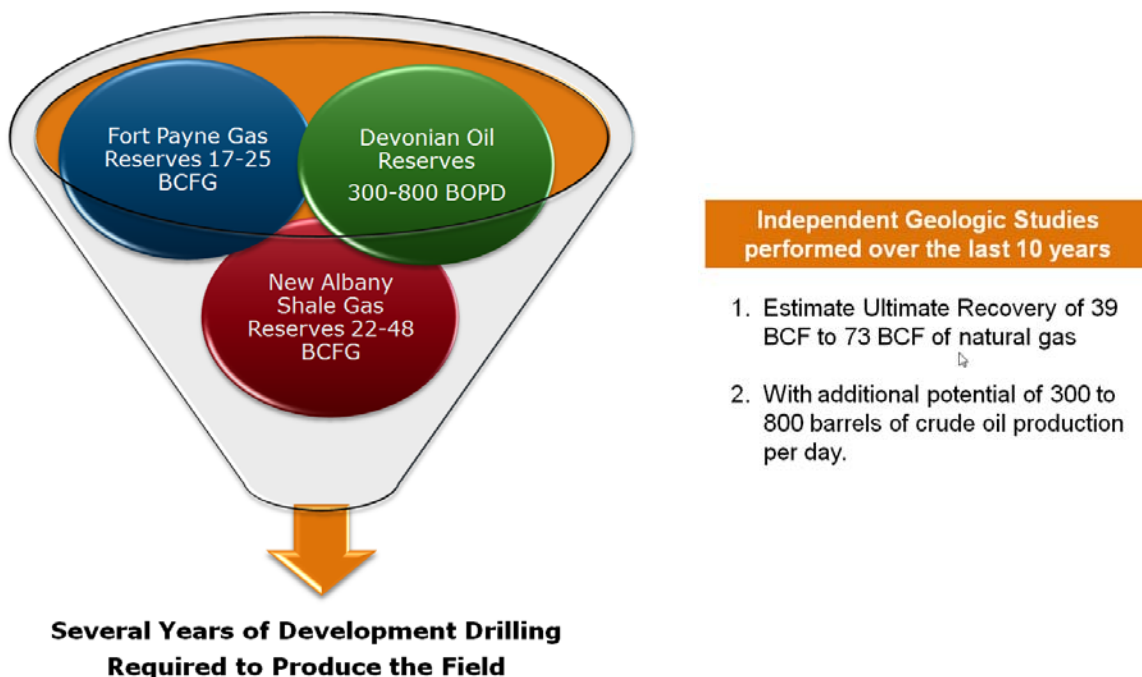
Austin has since hired or contracted with additional geologists, engineers and downstream consultants to work directly with RET to insure that Austin can retrieve the maximum hydrocarbons available from each of its 17 existing wells.

Full use of the current capacity at the processing plant should occur by the end of CY 2008. Estimated capacity of the existing plant is between 5,000 to 6,500 mcf per day. When at capacity this plant is capable of generating gross revenues annually for the Park City field of AUD \$18-\$25 million. (based on gas prices of \$11 - \$13 and the plant being operational for 90% of the year).

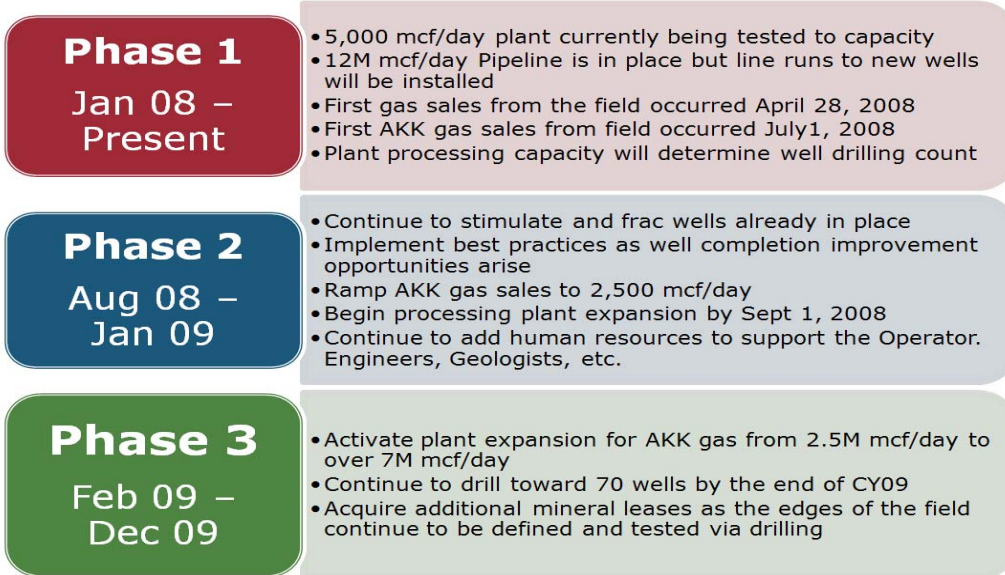
Planning discussions for construction of the next processing plant have already begun. Anticipated initial production from this new plant is expected to significantly exceed the current plant's processing capacity and give Austin the needed increase it may need. The planning process is designed to insure that plant capacity is always ahead of actual field production.



A review of independent geologic studies of this field performed and completed over the past ten years indicates that hydrocarbon reserve estimates are large enough to require several years of drilling to adequately tap them.



Given the substantial estimated hydrocarbons in place the company is working to ensure that the pace of drilling is more proportional to the operator's capability to complete the wells through stimulation and production. Three basic phases of development can best explain how the company intends to move forward.



Austin maintains an undivided 75% Working Interest and a 65.625% Net Revenue Interests in every well it drills at Park City. Beginning January 1, 2009 the Company will hold a 56.25% Net Revenue Interest and continue to hold an undivided 75% Working Interest. Austin maintains a 33.333% Net Revenue Interest in wells that it acquires.

AUSTRALIAN BASED EXPLORATION ACTIVITIES

PEL 105 and PEL 73 license areas

Our Australian Operation continues to see potential within the PEL 105 and PEL 73 licence areas. The renewal of these licence areas and subsequent work plans provide the company with valuable assets. The recent capital infusions into Austin coupled with the anticipated oil and gas sales from the Park City, U.S. development should provide opportunities for further investment into both the PEL 73 and PEL 105.

PEL 105 Update

Through its farmin agreement with Adelaide Energy Limited (ASX: "ADE, ADEO"), the two companies have discovered a significant fault line that will be the basis for the initial drilling location of the PEL 105 Cooper Basin prospect. 100 kms of additional 2D seismic has been ordered and scheduled for the July through September timeframe.

Well planning is now underway for the "Pirie #1" well. Current expectation for drilling commencement is early 2009.

The fault line upthrows the proven Tirrawarra sand by over 100m and is just east of the Santos Energy Toonman #1 well. A third party geophysicist contracted by Adelaide Energy has completed a detailed review of the area, analyzed the production records from the downdip Toonman #1 well and has estimated total gas and oil/condensate at 6200 MMscf and 1040 kstb respectively.

The prospect area is surrounded by producing fields, some of which are the largest in the Cooper Basin. Within the boundaries of PEL 105, but excised from it, are the Bimbaya Field (19 BCF of gas), the Bookabourdie Field (80 BCF of gas) and the Merupa Field (1.5 BCF of gas). There are very large structures and multiple unconformities present on PEL 105, making for significant potential for accumulations of oil and gas to exist on the flanks of these regional structures.

Petroleum Exploration License 105 (PEL 105) is an area of 437 sq km approximately 60 kms north of Moomba in South Australia. Austin and Adelaide Energy have developed a farm-in agreement that was formally announced on October 10, 2007. The agreement provides Austin with 100% interest of the PEL 105 licence. Adelaide Energy has been named the official operator and has the right to earn 50% of Austin's interest by funding the first well in 2008/2009.

PEL 73 Update

A comprehensive geologic data review of the company's PEL 73 South Australia test well, previously drilled this past January has concluded. Two separate and independent third party studies have now confirmed that the PEL 73 prospect may contain numerous separate closures and stratigraphic features with some being possibly fault trapped excellent hydrocarbon reservoirs. Austin will now begin an extensive and proprietary "Direct Hydrocarbon Sensing" program designed to pinpoint multiple drilling locations on this large South Australian prospect.

Drill site locations for the license should be determined before the end of the calendar year with expectations of drilling commencement in CY2009.

Independent geological assessment of the PEL 73 license area estimates a range of potential recovery from 197 million barrels of oil and 78 billion cubic feet of gas to 788 million barrels of oil and 315 billion cubic feet of gas with best potential recoverable reserves of 394 million barrels of oil and 157 billion cubic feet of gas.

Austin maintains a 16.666% Working Interest the PEL 73 prospect.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Austin Exploration Limited

ABN

98 114 198 471

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (12 Mths) \$A
1.1 Receipts from product sales and related debtors	20,369	108,932
1.2 Payments for (a) exploration and Evaluation	(203,059)	(3,252,442)
(b) development	(215,566)	(215,566)
(c) production	(16,583)	(76,675)
(d) administration	(747,240)	(2,768,109)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	13,819	109,066
1.5 Interest and other costs of finance paid	(144,079)	(144,079)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,292,339)	(6,238,873)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(53,099)	(1,653,361)
(b) development	(1,666,951)	(2,407,157)
(c) equity Investments		
(d) other fixed assets	(14,170)	(52,352)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material) Deposit	(6,784)	(11,352)
Net investing cash flows	(1,741,004)	(4,124,222)
1.13 Total operating and investing cash flows (carried forward)	(3,033,343)	(10,363,095)
1.13 Total operating and investing cash flows (brought forward)	(3,033,343)	(10,363,095)

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,458,981	2,458,981
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,476,653	2,476,653
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(48,535)	(48,535)
	Net financing cash flows	4,887,099	4,887,099
	Net increase (decrease) in cash held	1,853,756	(5,475,996)
1.20	Cash at beginning of quarter/year to date	504,086	7,802,664
1.21	Exchange rate adjustments to item 1.20	(17,841)	13,333
1.22	Cash at end of quarter	\$2,340,001	\$2,340,001

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	332,833
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Consulting & Directors fees to Directors	\$327,853
Legal fees to Firm of director	\$ 5,000

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities (Note 1)	5,205,600	2,476,653
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	53,000
4.2 Development	879,000
Total	932,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	2,340,001	504,086
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,340,001	504,086

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	PC 4	Working/Net Revenue	75%/65.625%	0
6.2	Interests in mining tenements acquired or increased	PC 7	Working/Net Revenue	0	75%/65.62%
		PC 8	Working/Net Revenue	0	75%/65.62%
		PC 9	Working/Net Revenue	0	75%/65.62%
		PC 10	Working/Net Revenue	0	75%/65.62%
		PC 11	Working/Net Revenue	0	75%/65.62%
		PC 12	Working/Net Revenue	0	75%/65.62%
		PC 13	Working/Net Revenue	0	75%/65.62%
		PC 14	Working/Net Revenue	0	75%/65.62%
		PC 15	Working/Net Revenue	0	75%/65.62%

PC 16	Working/Net Revenue	0	75%/65.62%
PC 17	Working/Net Revenue	0	75%/65.62%
PC 18	Working/Net Revenue	0	75%/65.62%
		0	

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	120,125,859	67,488,362		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,932,734		\$. 31	\$2,458,981
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and	5,400,000 "2011 A Class Options"		Exercise price \$.30	Expiry date 30 June 2011

	<i>conversion factor</i>	12,600,000 "2011 B Class Options" 12,600,000 "2011 C Class Options" 666,668 "2012 D Class Options"		\$.50 \$.75 \$.24	30 June 2011 30 June 2011 28 Feb 2012
7.8	Issued during quarter	666,668		\$.24	28 Feb 2012
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Note 1

Amount committed and/or to be advanced under a Participation Agreement for US\$ 5,000,000 by two private Australian based investment groups. As of June 30, 2008 the investors have advanced US\$2,250,000, and have committed an additional US\$2,750,000, subject to the Company achieving specified development milestones in the project. The loan is a non-recourse note payable by AKK within 36 months from 1 January 2009.

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 30 July 2008

(Company secretary)

Print name: Graham Seppelt

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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