

AUSTIN EXPLORATION LIMITED

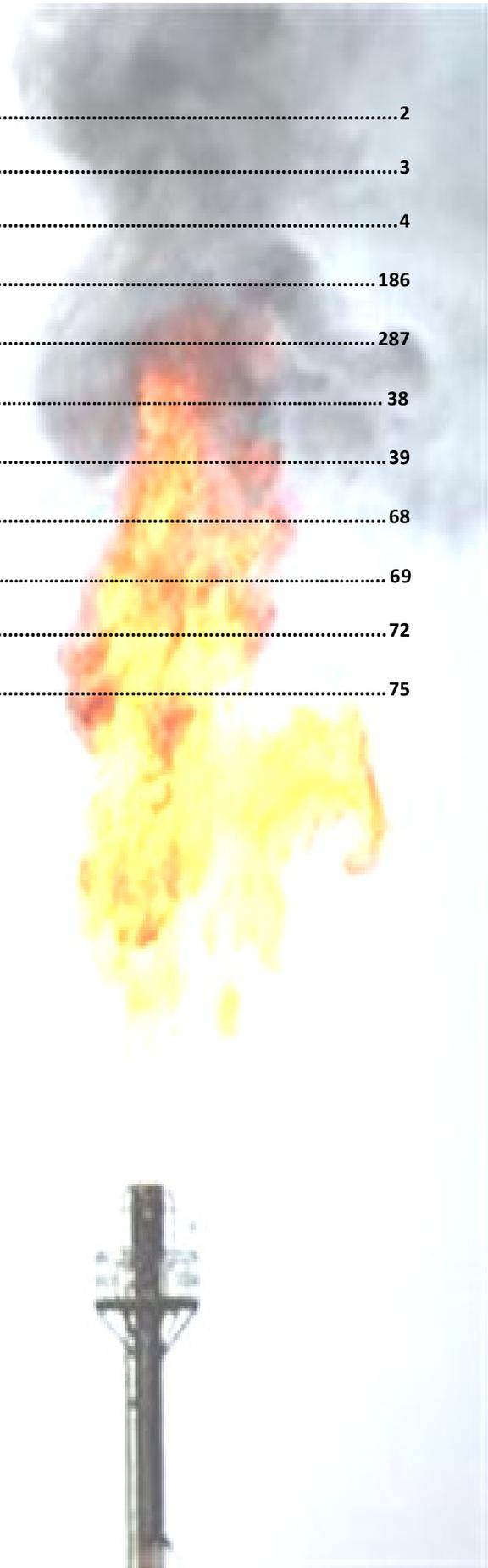


Austin Exploration Limited
ABN 98 114 198 471

2008 ANNUAL REPORT

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CHAIRMAN'S REPORT

On behalf of the Board of directors, our management team, employees and business partners I would like to sincerely thank our shareholders and private investors for their continued confidence in Austin Exploration Limited (Austin).

This fiscal year has seen sustained high prices in the oil and gas sector, with oil prices reaching new highs of more than US\$150 per barrel and natural gas prices in the range from US\$8 to US\$15 per mcf before settling down a bit at the end of the year.

The last twelve months represent Austin's second complete fiscal year of operation. During this time we have seen our fair share of ups and downs yet we have continued to focus on the development of opportunities for the company and we have seen this effort bear fruit via strong support from the private and institutional investment community.

The company recently acquired US\$5M of further private investment capital and in May of this year our shareholders helped us raise an additional AU\$2.4m via a Share Purchase Plan offering.

We believe that this strong support demonstrates our management teams' ability to find and develop worthy drilling prospects that offer our shareholders a more balanced combination of lower risk and reward.

This past November saw Austin shift the company's investment and resource focus to a lower risk portfolio of "development of known resources" types of plays. That effort began with the acquisition of the Park City Oil and Gas field, which achieved its first gas sales for the company July 1, 2008 and more recently the acquisition of the Moses Austin lease in Burleson County Texas.

Further progress at the company's PEL105 and PEL73 Australian Licence assets have also been achieved.

Through our Farmin agreement with Adelaide Energy (ASX code: ADE), the PEL105 licence area is on schedule to begin drilling in early 2009.

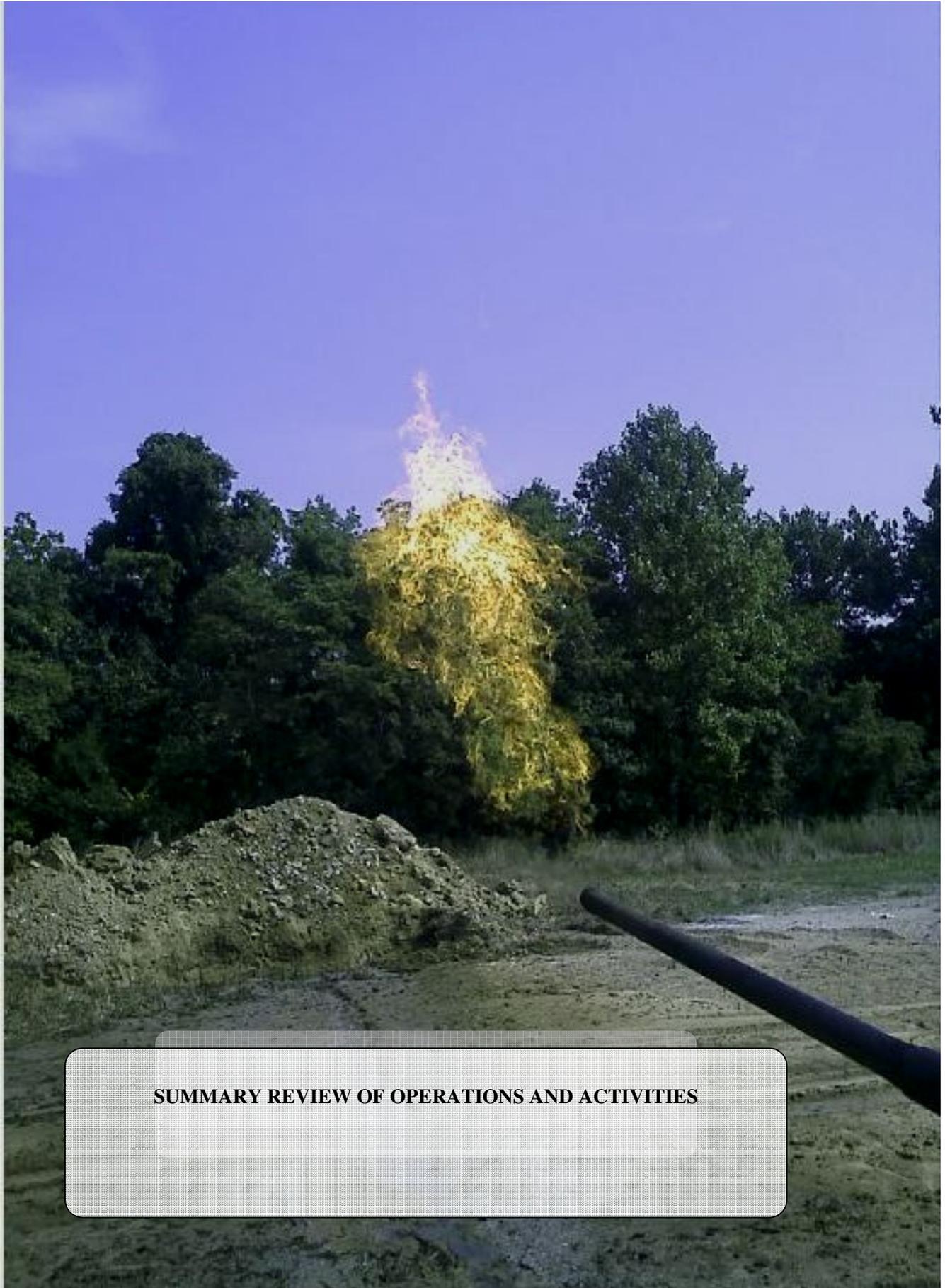
With the March 2008 confirmation of a thick hydrocarbon show at the company's first PEL73 test well, Gravestock #1, has commissioned a series of proprietary Hydrocarbon sensing tests that are planned for September 2008. This testing is designed to provide a more detailed set of data for the prospect that may lead to the selection of a series of potential drill sites.

As always, the Company welcomes feedback and dialogue from our shareholders. The Company would like to encourage everyone to add their name to our expanding [E-news distribution service](#) and visit our web site often.

Yours sincerely,



Paul Teisseire
Chairman
www.austinexploration.com



SUMMARY REVIEW OF OPERATIONS AND ACTIVITIES

OPERATIONS

Overview

The start of this financial year saw the company focussed firmly on exploration activities in the Gulf Coast States of the USA with several prospects showing promise.

At the same time, discussions were underway to secure an interest in the known gas and oil fields in Kentucky.

Ultimately Austin was able to secure access to leases in an area of 8,000 acres at Park City in that State and exploration commenced in early 2008.

Park City has proven to be positive for the company with both gas and oil being extracted for the first time in July 2008. The potential is promising for the company and has enabled it to alter its strategic focus in America towards production whilst still undertaking further exploration activity in its Australian tenements.

People

The progress in the company has also seen a further strengthening of the company's board and management structure.

In January 2008, Mr Don Reck retired as a director and our chief geologist. We were fortunate to be able to replace Don with Mr Stanley I Lindsey. Stanley has over 28 years of experience including prospect generation, operations, deal appraisal and recommendation, economics, and development. He is a Certified Petroleum Geologist.

In July 2008 Neville Martin retired as a director. Neville was a founding director of Austin and brought invaluable legal and commercial expertise to the company during his time as a director. He will continue to provide legal counsel to Austin on an ongoing basis.

Mr Martin has been replaced with Australian director Mr Dominic Pellicano. Mr Pellicano has been in private practice as a Certified Practising Accountant (CPA) and has extensive experience in financial management and corporate governance. Mr Pellicano is also a director of Newtak Pty Ltd which has substantial financial interests in the Park City gas project of Austin in Kentucky, USA. Mr Pellicano is also a director and shareholder of other companies which are associated with Newtak Pty Ltd.

Financial Position

The Company began the fiscal year in a strong financial position which enabled its commitments to exploration to be fulfilled. However, with the possibility of the Park City project imminent in November 2007, the company sought and secured US\$2.1 million of development funding. An additional US\$2.9 million of private funding will also be received after eight of the current eighteen Park City wells have been completed.

This funding has enabled the Park City project to proceed.

In May 2008 the company announced a share purchase plan to raise further capital for the company.

Eligible shareholders supported the plan by purchasing shares, thus contributing approximately \$2.4 million 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 held an Extraordinary General Meeting of members to consider and approve the raising of further equity for the company.

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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.

If successful, the funds raised would primarily be used by the Company to support ongoing business development and establish a foundation to enable Austin to expand its operations in oil and gas exploration and to provide funds for other business development opportunities that may arise.

Exploration and Production

Production revenue continues to come from the Park City project located just northwest of the city of Bowling Green, Kentucky and the Polecat Creek well located in central Texas. The company anticipates an increase in production from the Polecat Creek well following a planned September stimulation procedure by the operator.

Exploration efforts continue at the Australian licences of PEL105 and PEL73, however the most recent addition of the Moses Austin project located in Burleson County, Texas provides the company with its best opportunity this calendar year for oil production. The company anticipates an October spudding of its first well on this mineral lease. Other acreage leases are also currently being acquired.

Park City Development Funding

On March 24, 2008, the Company executed a Participation Agreement ("PA") for AU\$5.2M investment with two private Australian based investment groups. The investment provides the Company with capital resources to develop the initial drilling phases of the Park City, Kentucky project. In connection with the investment, the private Australian investment groups will be granted 16,828,969 options to acquire AKK shares at \$0.25 per share. The options will be issued 45 days after the total investment has been received by the Company. If the final amount invested is less than US \$5 million, the number of options

issued will be adjusted downward on a pro-rata basis.

At June 30, 2008, the Company has received funds of US \$2,250,000 from the investment groups.

As of August 31, 2008, the Company and Resource Energy Technologies (RET) have drilled eighteen wells under this program. All of these wells have had shows of natural gas and four of them also had shows of crude oil. Subsequent to June 30, 2008, two wells commenced sales of gas, effective July 1, 2008. The remainder of the wells are currently in the process of being completed and connected to the gas processing plant and pipeline infrastructure.

The PA provides the investors will be repaid on a two-for-one basis beginning January 1, 2009. Initial monthly payments will be \$104,112 for three months and \$130,140 per month for each of the second three months. After the initial six months, the remaining balance of the advances will be repaid in 30 equal monthly payments. Repayment of these advances is non-recourse to the Company and will be made only from production from the Park City project.

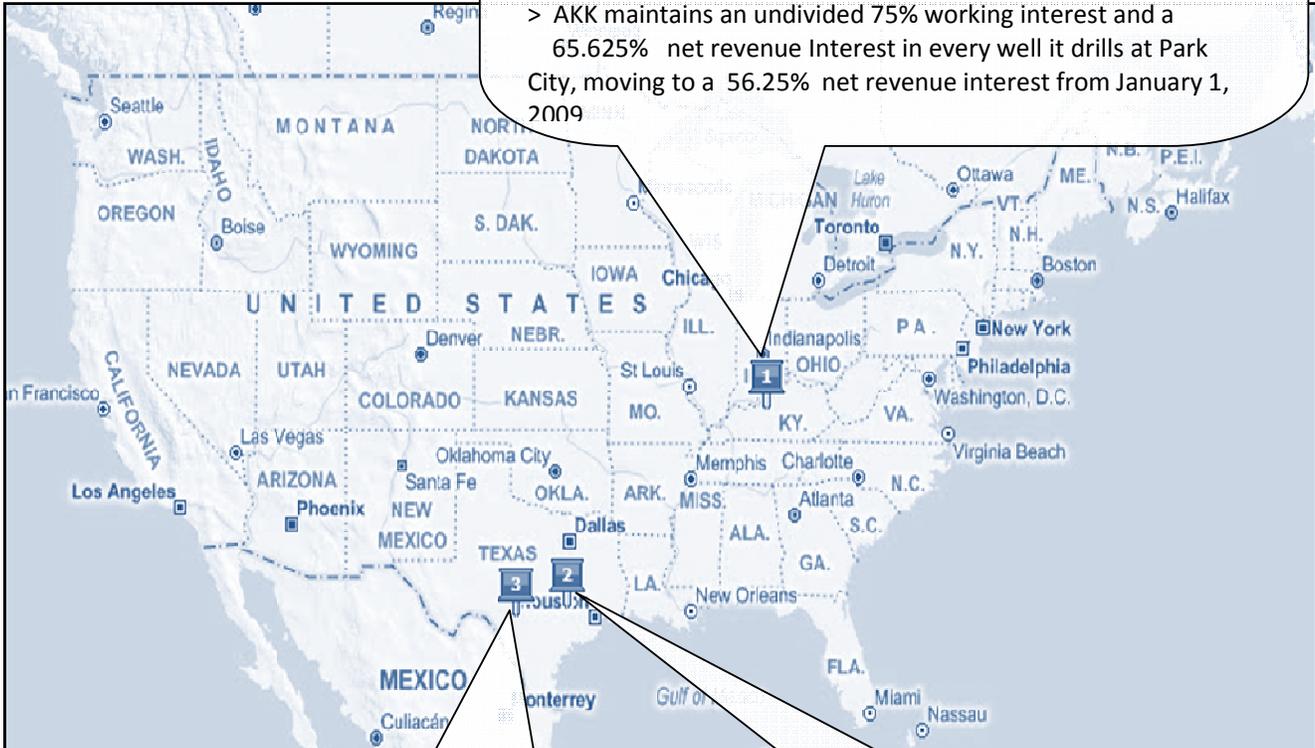
The company has recognised borrowing costs at a rate of 34% per annum on the anticipated repayment of these drilling advances. Borrowing costs of \$144,079 has been included in the accompany income statement.

A more detailed view of the company's worldwide exploration and production program follows.

OIL AND GAS ACTIVITIES (USA)

Park City, Kentucky

- > Acquired in November 2007 as part of a Participation and Operating agreement established with Resource Energy Technology (RET)
- > Gas production and sales began July 1, 2008
- > 8,000 acres with expansion capacity to 25,000
- > 18 wells drilled to date
- > AKK maintains an undivided 75% working interest and a 65.625% net revenue Interest in every well it drills at Park City, moving to a 56.25% net revenue interest from January 1, 2009



Polecat Creek Production Well

- > Acquired in July 2006 as part of a Participation and Operating agreement established with Old Stone Exploration of Boerne Texas.
- > Oil and Gas sales began October 2006
- > Over AU\$109,000 of gas sales this fiscal year
- > AKK net revenue interest is 26.25%.
- > Well stimulation scheduled for September 2008
- > Anticipated increase of oil and gas production to average 300mcf/day of gas and 5-10 barrels of oil per day

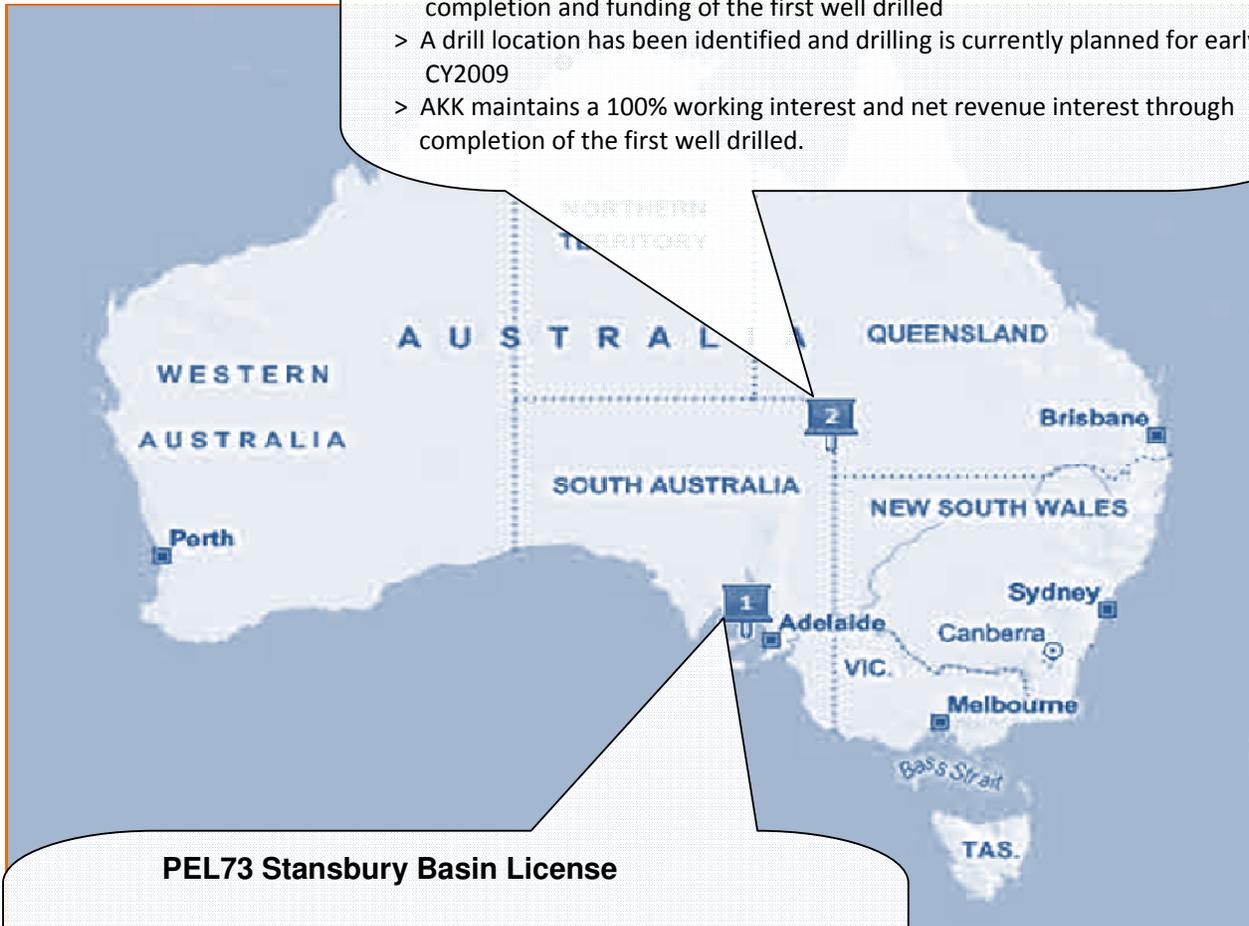
Moses Austin Lease

- > Acquired in August 2008 as part of an oil and gas minerals contract with the land owner
- > 731.88 acres of oil and gas mineral rights
- > More mineral rights and land are being acquired
- > 4 well sites identified for oil
- > AKK maintains a 78.3% net revenue interest with Newtak Pty Ltd and California Services Pty Ltd participating at a 30% NRI

EXPLORATION ACTIVITIES (Australia)

PEL105 Cooper Basin License

- > Acquired as part of the 2006 initial AKK public offering
- > Adelaide Energy Limited (ASX:"ADE, ADEO") farmin agreement was signed in October 2007. Adelaide Energy will earn a 50% NRI after the completion and funding of the first well drilled
- > A drill location has been identified and drilling is currently planned for early CY2009
- > AKK maintains a 100% working interest and net revenue interest through completion of the first well drilled.



PEL73 Stansbury Basin License

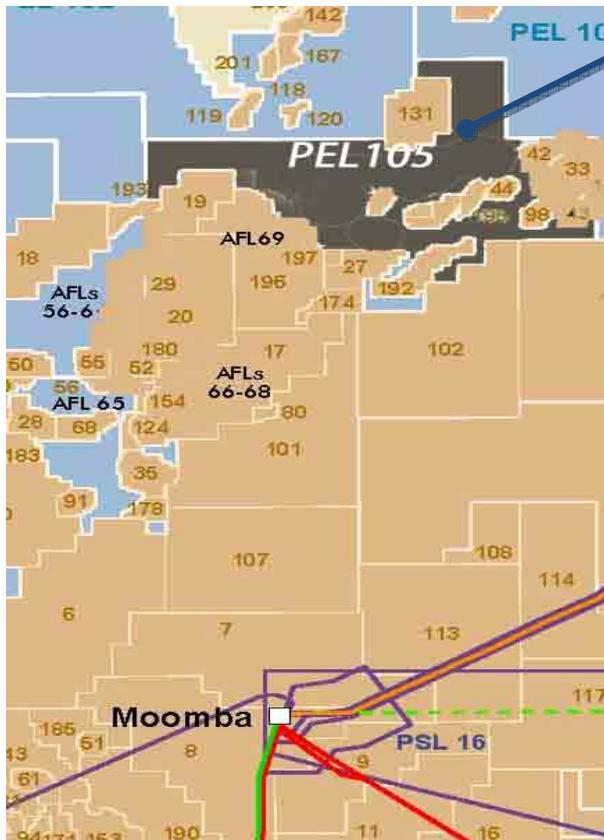
- > Acquired as part of the 2006 initial AKK public offering
- > First test well discovered hydrocarbon pay in March 2007
- > Direct Hydrocarbon Detection testing is scheduled for September 2008
- > Anticipated identification of a drill location by November 2008
- > AKK maintains a 16.666% working and net revenue interest



OIL AND GAS DETAIL OF HOLDINGS

PEL 105 LICENCE

- OIL FOCUSED PROSPECT
- COOPER BASIN
- FARMIN W/ ADELAIDE ENERGY, LTD



ABOUT PEL 105

Petroleum Exploration Licence 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 farmin agreement that was formally announced on October 10, 2007.

The agreement provides Austin with 100% interest of the PEL 105 licence. [Adelaide Energy Limited](#) has been named the official operator and has the right to earn 50% of Austin's interest by fully funding the first well in 2008/2009.

May 2008 - Adelaide-based, Austin Exploration Limited (ASX: "AKK") and Adelaide Energy Limited (ASX:"ADE, ADEO"), have announced that 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. Independent geophysical and reservoir consultants contracted by Adelaide Energy have completed a detailed review of the area, analysed the downdip Toonman #1 well and have estimated possible reserves (P10) of up to 6200 MMscf (6.2 billion cubic feet) of gas and 1040 kstb (1.04 million barrels) of oil/condensate.

The fault line upthrows the proven Tirrawarra sand, productive at the nearby Moorari and Tirrawarra fields, by over 100m and is just east of the gas and condensate bearing Toonman #1 well drilled by Santos in the 1980's. Well planning is now underway for the "Pirie #1" well with commencement expected in the third quarter of 2008. In addition, 100 kms of 2D seismic has been ordered for the Permit and scheduled also for the third quarter of 2008. The companies will announce more detailed information as it becomes available. Austin and Adelaide Energy are working together as a result of a farmin agreement that was formally announced on October 10, 2007.

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).

PEL 73 LICENCE

- **OIL FOCUSED PROSPECT**
- **SOUTH AUSTRALIA,
STANSBURY BASIN**
- **DRILLING PLANNED
FY2009**



ABOUT PEL 73

PEL 73 contains the Yorketown prospect which is located 96 kilometres west of Adelaide and relatively close to infrastructure.

PEL 73 covers an area of 625 square kilometres and is within the Stansbury basin, which basin has been the subject of both onshore and offshore drilling since the 1930's.

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

Calendar Year 2009 Drilling Effort Anticipated

A comprehensive geologic data review of the company's PEL 73, South Australia test well was concluded in March 2007. 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 that should be excellent hydrocarbon reservoirs.

Austin will now begin an extensive and proprietary "Direct Hydrocarbon Sensing and Detection" study 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 calendar year 2008 which may provide the company with the opportunity to commence a drilling program in calendar year 2009.

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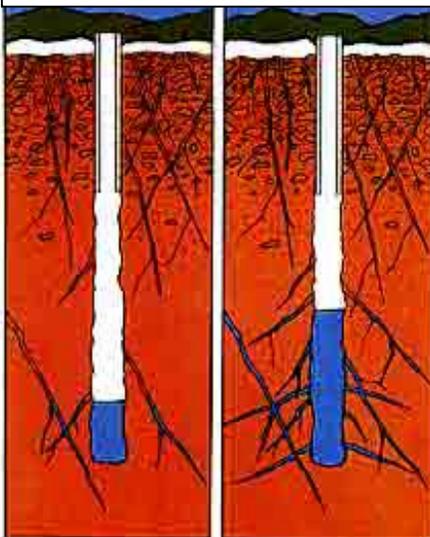
PARK CITY, KENTUCKY

- **GAS FOCUSED WITH SOME OIL PRESENT**
- **INITIAL 8,000 ACRE FOCUS AREA**
- **NEW ALBANY SHALE TARGETED**



Typical Shale fracture effects in a vertically drilled well

BEFORE & AFTER



ABOUT THE PARK CITY GAS PROJECT

The initial focus area encompasses approximately 8,000 acres in Kentucky with concentration being placed on the New Albany Shale and Fort Payne Limestone formations.

An expansion plan into an adjacent 25,000 acres of mineral leases on the same geologic structure is also contemplated.

The company maintains an undivided 75% Working Interest and a 65.625% Net Revenue Interest in every well it drills at Park City, moving to a 56.25% Net Revenue Interest from January 1, 2009. Austin maintains a 33.333% Net Revenue Interest in wells that it acquires.

Production Status at Park City

Since July 1, 2008 Austin has produced and sold varying daily amounts of natural gas through the Park City delivery and processing infrastructure. This has allowed the company produce a net to AKK gas volume of approximately 2,273 Mcf in July and an additional 3,437 Mcf in August at prices ranging from US\$7.75 to US\$12.65 per mcf. Testing of this infrastructure has been underway since drilling was paused on June 27, 2008.

All gas production has been sold to the [Texas Gas Transmission Company](#) by the operator Resource Energy Technologies, LLC (RET) through an established sales agreement with [Atmos Energy Marketing](#), a division of America's largest gas only utility.



Atmos Energy Gas Management System

This system is commonly called a “blue skid” by the field engineers. When a well is fully connected to the delivery system, daily gas flow and well head pressure data is wireless fed to a control system managed by Atmos Gathering Company. A solar panel charges the power system of the skid.

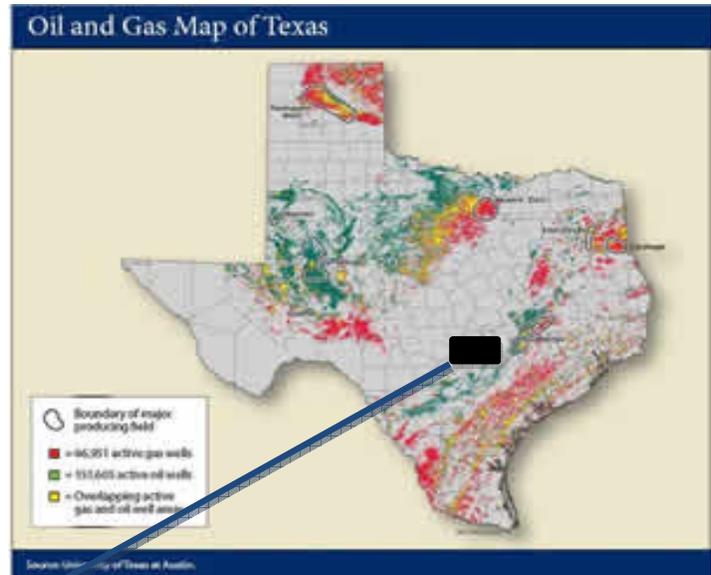
Ricky Hennion Gas Well Flare

This picture was taken in August 2008 just after a Fort Payne formation acid stimulation.



MOSES AUSTIN, TEXAS

- **OIL FOCUSED RESOURCE PLAY**
- **EAGLEFORD OIL SHALE IS THE PRIMARY TARGET**
- **LEASE ADJOINS PRODUCING ACREAGE**



MOSES AUSTIN PROJECT

This project is a major addition to the company's exploration, development and production portfolio. The company plans to acquire and expand its mineral lease holdings in this area. The initial acquisition of 731.88 acres (2.96 km²) is located inside one of the most productive fields in the United States.

The initial lease acquired by the company is part of a larger geographic resource play that has recently seen a significant increase in drilling activity, due in large part to the size of the resources made available in the Eagleford oil shale.

Austin maintains Net Revenue Interest of 78.3% in this project.

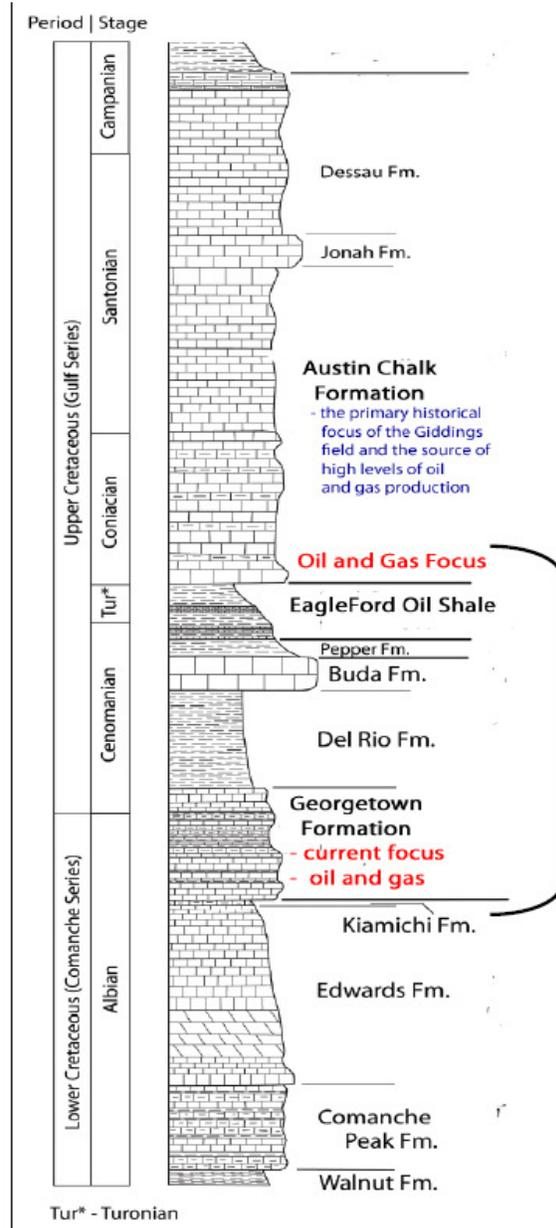
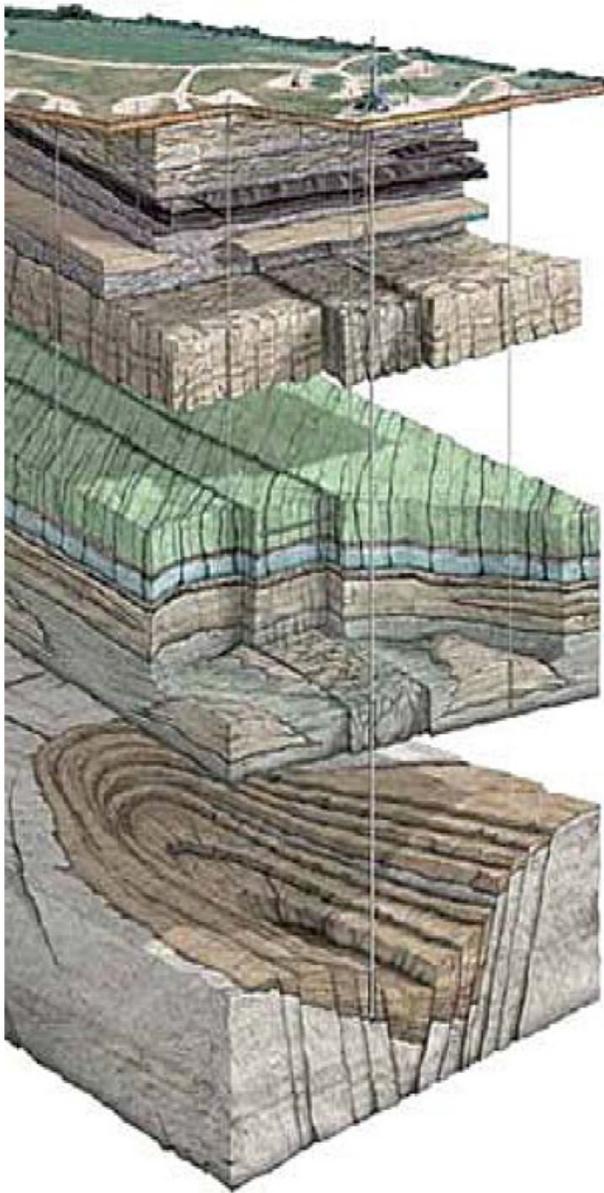
Our Focus on the Eagleford Oil Shale

Although the Austin Chalk play has been the historic focus of this field, the Eagleford Oil shale has been the primary focus of companies such as [Apache Corporation, of the U.S.A.](#), for the last few years. Apache and others have seen significant recent successes by exploiting the Eagleford Oil Shale. Typical oil production from this zone ranges from 50 BOPD for vertical wells up to 1,000 BOPD for horizontally drilled wells.

The organic-rich lower shales and condensed section has the highest hydrocarbon-generating potential of any part of the Eagleford Group. Outcrop samples of this interval near Austin were reported to have average TOC contents of 5.15 weight percent, and those at a locality north of Austin (outside the study area) average between 2.43 and 4.87 weight percent.

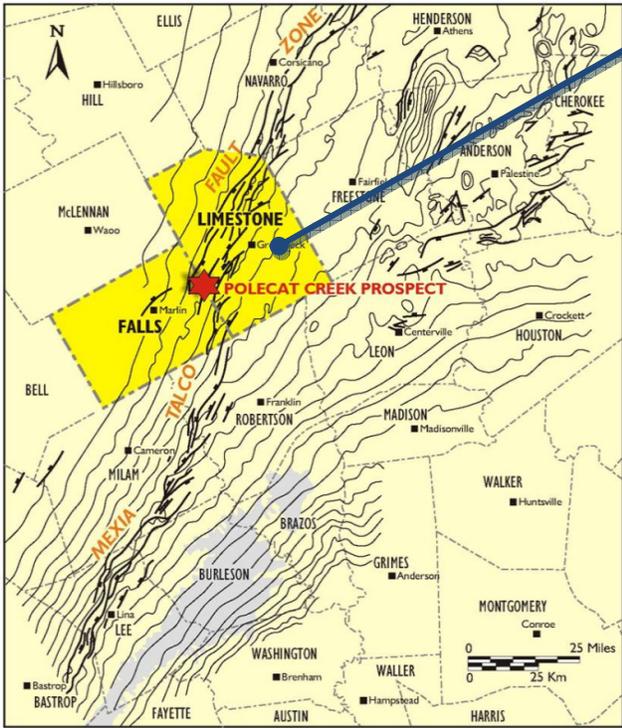
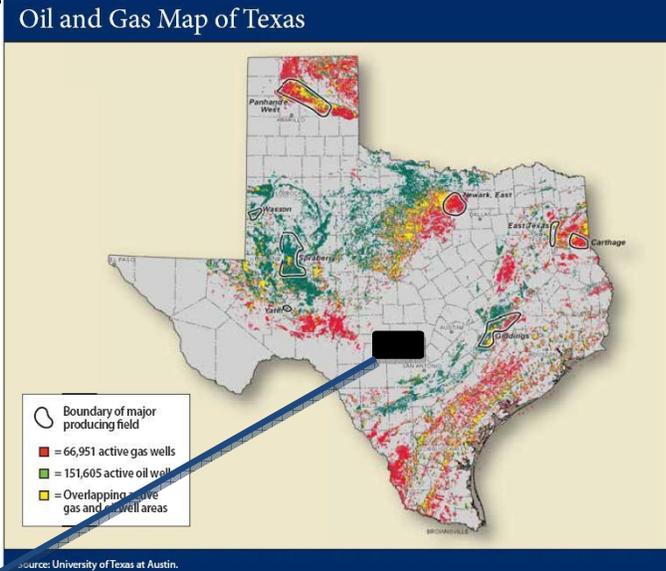
The Eagleford crops out irregularly along the northwest side of the study area, where its basal contact also marks the northwest boundary of the total petroleum system. It is present throughout the subsurface of the region, at least as far downdip as the Early Cretaceous shelf edge.

Stratigraphic Formations of Focus



POLECAT CREEK, TEXAS

- **GAS PRODUCTION**
- **AVERAGE \$100,000 OF INCOME PER YEAR**
- **PRODUCTION VOLUMES WILL DECREASE UNTIL THEY REACH A HYPERBOLIC STATE**



POLECAT CREEK PRODUCTION

This well represents the first prospect drilled by the company. Polecat Creek was started and completed at the beginning of calendar year 2007.

The Polecat Creek Prospect is located in Falls County, Texas. The initial well was a horizontal test in the Georgetown Limestone reservoir in the Denny Field. The tested well, the Old Stone Exploration Ezell 4-H, was a re-entry of an existing abandoned well where it was cleaned out to the top of Georgetown and was followed by drilling a 3000 ft. horizontal leg.

General Status

The Ezell 4-H well was completed in October 2006. The well originally produced between 400 mcf to 600 mcf of natural gas per day and averaged approximately 100 barrels of oil per day. Since completion the well has gradually declined to a hyperbolic state and is currently producing approximately 50 mcf of gas and 1-2 barrels of oil per day. Significantly the well has never been stimulated in any way.

On August 26, 2008 the company announced that it has agreed to a planned acid stimulation procedure on this well. This stimulation procedure is anticipated to contact new reservoir areas and increase permeability. Coupled with the lift valve replacement and the lowering of the tubing this process could increase daily production to 300-500 mcf of gas per day and oil production of approximately 5 barrels a day.

Austin has a 35% working interest and a net revenue interest of 26.25%.

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CONSOLIDATED VIEW OF OIL AND GAS HOLDINGS

Austin Exploration Limited Summary of Oil and Gas Holdings				
ACTIVE PROJECTS				
Licence / Lease	Location	Working Interest	Net Revenue Interest	Commentary
PEL 105 Oil and Gas Licence	Cooper Basin, South Australia	100.000%	100.000%	Farmin agreement provides Adelaide Energy Limited the opportunity to earn a 50% NRI after the first well is completed
PEL 73 Oil and Gas Licence	Stansbury Basin, South Australia	16.670%	12.500%	Proprietary "Direct Hydrocarbon Sensing and Detection" study to begin September 2008
Park City Gas Field	Kentucky, USA	75.000%	65.625% for wells drilled for AKK and 33.33% for wells acquired by AKK	NRI decrease to 56.25% on Jan 1, 2009, 18 wells currently drilled
Moses Austin Mineral Lease	Texas, USA	100.000%	48.300%	First oil well spudding being scheduled. Private investors maintain an additional 30% NRI
Polecat Creek Well	Texas, USA	35.000%	26.250%	Schedule for acid stimulation Sept. 2008
INACTIVE PROJECTS				
St Gabriel 1	Louisiana USA	20.00%		Inactive
St Gabriel 2	Louisiana USA	40.00%		Inactive
Jeter Branch	Louisiana USA	50.00%	37.00%	Inactive
Southwest Edwards	Mississippi USA	25.00%	19.00%	Inactive
Lil Bit	Texas USA	25.00%	18.75%	Inactive

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

The Board of Austin Exploration Limited (Austin) seeks to practice strong ethical and commercial standards while executing its responsibilities in directing the business and affairs of the Company on behalf of its shareholders.

The Board has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council (ASXCGC) in March 2003 and as revised in 2007. Although not mandatory for application until the reporting year commencing after 1 January 2008, Austin has chosen to adopt the revised principles and to report against them for this report. ASX Listing Rule 4.10.3 requires the Company to disclose the extent to which it follows or diverges from these best practice recommendations in its Annual Report.

This report discloses corporate governance practices Directors would like to highlight to stakeholders. Further information on the company's corporate governance charters and policies can be obtained from the company's web site www.austinexploration.com.au.

Board responsibility

The Board of Directors ultimately takes responsibility for corporate governance and operates in accordance with the Company's Constitution. The company's framework is designed to enable the board to provide strategic guidance for the company and effective oversight of management. It nominates the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to both the company and its shareholders. The Board develops strategies for the company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance process are to:

- Drive shareholder value;
- Ensure a prudent and ethical base to the Company's conduct and activities; and
- Ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities:

- Oversight of the company including its control and accountability systems;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- Appointing and removing the general manager; and
- Ratifying the appointment and where appropriate, the removal of the chief financial officer (or equivalent) and company secretary.

The board has not adopted a formal statement of matters reserved to the board or a formal board charter that details its functions and responsibilities, nor a formal statement of the areas of authority delegated to senior executives.

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Board Composition

The Board is to be composed of a majority of non-executive Directors, including the Chairman. The Chairman of the Board is to be elected by the Board and the performance of Directors is to be reviewed on an ongoing basis. The chairman is an independent director and is responsible for the leadership of the board, for the efficient organization and conduct of the board's function and for the briefing of all directors in relation to issues arising at board meetings. He also reviews the performance of each director. The board considers that two of the three non-executive directors was an independent director at the date of this annual report.

One third of the Board will retire and be subject to election at the next annual general meeting of the Company. Subsequent Directors will be appointed initially by the Board, subject to election by Shareholders at the next annual general meeting.

Directors have the right, in connection with their duties and responsibility as Directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

The Board accepts that it has the responsibility for internal control procedures within the Company. Compliance with these procedures covering financial reporting, quality and integrity of personnel and operational control is to be regularly monitored.

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The external auditor will be requested to attend annual general meetings and be available to answer questions from the shareholders in relation to the conduct of the audit.

The skills, experience, expertise and financial interests in the company, relevant to the position of each director who is in office at the date of the annual report and their term in office are detailed in the directors' report.

The names of the directors of the Company are:

Director	Position	Independent
Paul Teisseire	Chairman and Non Executive Director	Yes
David Schuette	Executive Director	No
James Edwards	Non Executive Director	Yes
Dominic Pellicano	Non Executive Director	No

Board Committees

Due to the small size of the board and the company, the board will meet as a committee to deal with each of the areas of responsibility. This will normally mean that the managing director will be present and will contribute to the discussions of those committees although he will not vote during any of the decisions taken by each committee.

Director Independence

The board considers two of Austin's directors as independent under the guidelines; that is Chairman Paul Teisseire and non-executive director James Edwards.

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

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

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company

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- within the last three years has not been employed in an executive capacity by the company 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 company or another group member, or an employee materially associated with the service provided
- is not a material supplier or customer of the company 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 company or another group member other than as a director of the company
- 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 company
- 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 company.

Mr Pellicano is not considered to be independent because of his direct and indirect association with related parties who are material suppliers to the company.

ASXCGC Recommendation 2.1 states that the majority of directors of the company should be independent. Austin does not comply with that recommendation in that only one of the non-executive directors is independent.

The reason for departure from this Recommendation 2.1 is one of practicality. The Board has focussed on the overarching principle of having directors who add value to the business.

Austin's business is the exploration for oil and gas which can be turned into commercial ventures. As such it is appropriate that directors with expertise in the area of interest for the company are appointed.

Chairman

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

The roles of chairman and managing director are not exercised by the same individual.

Nomination Committee

The board believes that given the size of the company and the stage of the entity's life as a publicly listed junior exploration company, that the cost of establishing a Nomination Committee in line with ASX Recommendation 2.4 and establishing a formal charter cannot be justified by the perceived benefits of so doing.

Ethical Business Practices

The Company has adopted a formal Code of Conduct as required in ASXCGC Recommendation 3.1. The company 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 conflict between the interests of a director and those of the company. These procedures are reviewed as required by the board. To this end, the company has adopted a Conflict of Interest Policy that clarifies the processes for directors to determine and disclose when a conflict of interest exists.

This Code of Conduct:

- sets out the standards of behavior to apply to every aspect of the Company's dealings and relationships both inside and outside of the Company;

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- refers to policies, practices and procedures adopted by the Company to assist and guide the Company and its people to meet those standards;
- applies to the directors, officers and employees and where relevant and to the degree to which it is able, the contractors of the Company.

Meeting the standards means that each person who this Code applies to will take responsibility for conducting themselves in accordance with this Code in the context of their role in the Company.

Standards of Behavior

The following standards of behavior apply:

- Comply with the laws that govern the Company and its operations.
- Act honestly and with integrity and fairness in all dealings with others and each other.
- Avoid or manage conflicts of interest.
- Use Company assets properly and efficiently for the Company's benefit.
- Contribute to the well being of the Company's key stakeholders.
- Seek to be an exemplary corporate citizen.

Comply with the laws that govern the Company and its operations

This means:

- The Company aims to act in each place it operates, in a manner which complies with both the letter and the spirit of the law.
- Directors, officers and employees need to be familiar with the duties and responsibilities applying to them under the laws relevant to the Company and in the context of their role in the Company.
- Directors, officers and employees are encouraged to:
 - ask for clarification and assistance about the application and interpretation of any law;
 - regularly update their knowledge of the law as it applies to their role with the Company and undertake relevant training or professional development as necessary.

Trading Policy

Introduction

This policy applies to all directors, officers, employees and contractors of the Company and the companies in the group (collectively called Directors and Employees).

This policy:

- includes a brief summary of the laws that govern dealings in the Company's securities (this includes its shares, options, warrants and other financial products traded on a financial market) when Directors and Employees have inside information about the Company (called insider trading);
- gives guidance to Directors and Employees who may contemplate dealing in the Company's securities; and

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- states the Company's position on Directors and Employees dealing in the securities of other companies where they are in possession of inside information because of their position in the Company.

Insider Trading Prohibited for Dealings in Company Securities

Directors and Employees who are in possession of inside information about the Company's securities must not:

- deal in those securities;
- procure another person such as a family member, friend or associate to deal with those securities; or
- communicate the inside information to another person who is likely to deal in the Company's securities or procure another person to do so.

Inside information is information that is not generally available, but if it were a reasonable person would expect it to have a material effect on the price or value of the particular security. Information that would have a material effect on the price or value of a particular security is determined if and only if it would or would be likely to influence persons who usually acquire such securities in deciding whether to sell or buy those securities.

There may be significant criminal and civil liability and penalties (including imprisonment) imposed on those who breach the law concerning insider trading.

When Dealings in Company Securities are Not Permitted

In addition to the specific prohibition set out under the heading Insider Trading Prohibited for Dealings in Company Securities, Directors and Employees are prohibited from dealing in the Company's securities in the following circumstances:

- in the eight week period preceding the lodgement of the Company's half year and annual profit announcements with the ASX;
- where the dealing would be regarded as 'short term dealing'; and
- where the Board has resolved that there is a prohibition on dealing in the Company's securities which will be notified to Directors and Employees by the Managing Director or Company Secretary by email or facsimile.

Audit and Risk Management Committee

The Board has overall responsibility for the Company's system of risk oversight and management. The Company has put in place certain procedures to ensure effective and efficient operations to assist to identify, analyse and measure risks and to manage the risk of failure to achieve its business objectives in order to protect its assets and interests and to ensure the integrity of reporting. While these procedures minimize losses and maximise opportunities, those procedures cannot however guarantee assurance against a risk of material loss.

To assist in discharging its responsibility for risk management, the Board has a framework comprising various policies and practices. The policies and practices fall into a number of categories that include:

- Financial budgeting and management reporting: The Company presents financial statements to the ASX half yearly. A detailed financial budget is put forward to the Board by management and

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is approved and adopted as the annual budget. Regular management accounts are prepared to compare actual results against budget. Forecasts are prepared and revised on a regular basis.

The Audit Committee meets at least twice per year and reports on its activities to the Board;

- Limits of authority: The Company has policies and practices in place specifying delegated authority and limits of authority in areas such as its hedging activities and capital expenditure;
- Operational reporting: The Board receives regular reports on the Company's main operations including operations, production and development, exploration and appraisal, corporate and corporate opportunities; and
- Corporate opportunity reviews: The Company has practices in place to review new corporate opportunities. They include, in the case of new acquisitions detailed due diligence exercises and budgeting.

The Company also engages specialised contractors and external advisers including external auditors to assist with identifying and managing risk issues for the Company.

In accordance with best practice, for the annual and half- yearly financial statements, the Managing Director and the Chief Financial Officer provide to the Board a written certificate stating that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control, which in all material respects, implements the policies and arrangements assumed by the Board; and
- the risk management and internal compliance and control systems of the Company are operating efficiently and effectively, in all material respects, based on criteria for effective internal control established by the Company's policies and procedures.

The Company reviews regularly and at least annually, and where required, makes improvements to its risk management and internal compliance and control systems.

Continuous disclosure

Introduction

The Company must continuously advise the ASX of information to keep the market informed of events and developments relating to the Company as they occur. If it does not, then there may be significant criminal and civil penalties imposed on the Company and its officers.

This policy sets out the rules for disclosing information to the ASX, the obligations on the Company and its people and the procedures put in place by the Company to comply with the rule.

This policy is in addition to the rules the Company must comply with for routine disclosures to the ASX, such as quarterly and annual reporting.

Disclosure Obligations on the Company

Listing Rule 3.1 requires the Company to immediately disclose to the ASX information concerning the Company that it is or becomes aware of that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

This rule does not apply to particular information, if and only if each of the following applies:

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- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and the ASX has not formed a view that the information has ceased to be confidential; and
- one or more of the following applies:
 - i. it would be a breach of a law to disclose the information.
 - ii. the information concerns an incomplete proposal or negotiation.
 - iii. the information comprises matters of supposition or is insufficiently definite to warrant disclosure.
 - iv. the information is generated for the internal management purposes of the Company.
 - v. the information is a trade secret.

If the ASX considers there is or is likely to be a false market in the Company's securities, ASX may ask the Company to disclose information or make a statement to correct or prevent the false market. This may occur where there is market speculation or media reports arising from a leakage of confidential information concerning a proposal or negotiations that have not been disclosed by the Company because the exception to Listing Rule 3.1 applies.

Information must not be selectively disclosed to others such as prospective shareholders, the media or analysts, before it is disclosed to the ASX.

Obligations on individuals in the Company

It is the responsibility of each director, officer and employee to advise the Managing Director and/or the Company Secretary/Chief Financial Officer immediately of any information about the Company that has not been released to the ASX and that might be price sensitive, that is, it might influence someone to buy or sell the Company's securities.

If a person is unsure about the importance or relevance of the information which has become known, the information should be reported to the Managing Director and/or the Company Secretary/Chief Financial Officer so that a decision may be made about whether or not to disclose the information to the ASX.

Related party matters

Directors and senior management will be required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the Board, and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter.

Shareholder relations

In order to keep shareholders informed about the affairs of the Company and its important developments, the Company:

- has established a website containing information about the Company including details about its assets and activities, media releases, research reports and some of its key policies. The website also includes the latest financial reports and annual report of the Company;
- places all new ASX releases and other relevant information it has given to the ASX on its website once the releases and information have been received by the ASX;

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- encourages its shareholders to attend the annual general meeting and to discuss and question its Board and management. The Company's external auditor will also be invited to attend each annual general meeting to answer questions from shareholders as appropriate;
- in addition to encouraging attendance at annual general meetings, the Company should invite shareholders to direct general comments and queries to the Company using the "Investor Contact" page of its website; and
- may send letters to its shareholders from the Managing Director or Chairman specifically to inform shareholders of key matters of interest.

Performance Evaluation

Introduction

The Board has a process to review the performance of the Board, its committees and that of the individual directors and key executives. If the Board considers it necessary, an independent adviser may be used to facilitate the review process or aspects of it.

The Board, its Committees, Chairman and Individual Members

The Chairman is responsible for ensuring that regular reviews of the Board, its committees and individual members takes place.

The reviews are intended to:

- examine ways of assisting the Board to perform its duties more effectively;
- assess if the Board is working harmoniously;
- identify any areas of performance with scope for improvement or which may require increased attention by the Board;
- identify those areas of skill, experience or competencies which may need strengthening by the Board;
- take account of any succession planning issues or strategies for the ongoing effective performance of the Board as a whole; and
- identify improvements to the Boards processes and procedures so that the Board can consider what, if any, action should be taken in response to the results of the reviews.

An annual review of the performance of the Board and its committees will be conducted with each director and committee giving feedback to the Chairman.

The roles, responsibilities and functions as set out in the relevant charters, as well as any additional agreed criteria will be used in this process.

The constitution of the Company and the ASX Listing Rules require that at each annual general meeting one third of the directors (excluding the Managing Director) together with any director appointed since the last annual general meeting, retire from office. Retiring directors are eligible for re-election.

The Chairman will report to the Board on the outcome of all Board and committee reviews. The Chairman will decide how to communicate the outcomes of the reviews to the Board, although the details of individual reviews will be treated confidentially.

Key Executives

The Managing Director conducts annual performance reviews for key executives. Executive directors will participate in performance reviews for the Board in addition to the Managing Director's review.

The performance of the Managing Director is assessed by the Board yearly against key performance indicators determined by the Board. The key performance indicators include overall Company performance, individual performance and other relevant criteria.

Remuneration Committee

The following are intended to form part of the usual procedures for the committee's purpose:

- review and make recommendations to the Board for approval, on the advice of the Managing Director, of the remuneration amounts and packages for executives and senior managers, other than the Managing Director;
- review and make recommendations to the Board for approval of the Managing Director's remuneration amount and package;
- review remuneration policies and practices generally including incentive schemes for employees and performance targets as submitted by the Managing Director and, where necessary for approval by the Board;
- review and ensure compliance with the Company's obligations in relation to employee benefits and entitlements, superannuation and termination payments;
- review and make recommendations to the Board on the Company's recruitment, retention and termination policies for senior management;
- review, formulate policy and monitor progress of succession planning generally in the Company and make recommendations to the Board for approval;

Reporting

The committee chairman will usually provide an oral report to the Board of any material matters arising out of the previous meeting of the committee. The minutes of any meetings will be provided to the Board with its Board papers for information.

Review

The Board will, at least once a year review the membership and charter of the committee to determine its adequacy and effectiveness for current circumstances. The committee may make recommendations to the Board in relation to the committee's membership, purpose and responsibilities.

Safety and Environmental Committee

The Company recognises the importance of environmental and occupational health and safety issues. The Company is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the protection of the environment, the community and the health and safety of its employees. The Company intends to use contractors extensively. Contractors will be required to submit their safety, environmental and disaster recovery procedure as part of the due diligence to be conducted prior to the awarding of a contract.

The main role of the Safety and Environmental Committee is to:

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- review the adequacy of compliance with all regulatory requirements in respect of the environment and occupational health and safety;
- monitor the management of identified risks, highlight new risks and review the actions to be taken for their control;
- support the culture of safe working practices and concern for the environment throughout the Company;
- review any serious injury or major environmental incident; and
- review proper practices are followed by all contractors.

Summary

The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the nature of the Company's operations and its size.

To the extent that any existing policy requires modifications in order to comply with the '*Principles of Good Corporate Governance and Best Practice Recommendations*' published by the ASX Corporate Governance Council, the Company will make such modifications and amendments as may be required from time to time.

DIRECTORS' REPORT

The Directors of Austin Exploration Limited ("Austin") present their report on the Company and its controlled entities for the financial year ended 30 June 2008.

Directors

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

Paul Desmond Teisseire

Non-executive director and Chairman

(appointed a director on 12 May 2006, appointed Chairman 18 October 2007)

Paul is a professional independent non-executive director. He spent over 20 years in private practice as a corporate lawyer specialising in business and corporate law with a special interest in corporate governance. He is a non-executive director of ASX listed Gunns Ltd, BSA Limited, Mesbon China Nylon Limited and is also a non executive director of Drake Foodmarkets. Until recently, Paul was also chairman of Auspine Ltd.

David Max Schuette

Managing Director

(appointed Managing Director on 3 June 2005)

David is the founder of DMS Exploration, an independent Texas oil and gas exploration company. Prior to founding DMS Exploration, he held executive positions with French Petroleum and Torch Energy Advisors in Houston, Texas. He has been an advisor to and investor in the oil and gas industry and brings over 25 years of experience to Austin Exploration.

Dr. James Michael Edwards

Non-executive director

(appointed a director on 14 March 2006)

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.

Dominic Pellicano

Non-executive director

(appointed a director on 25 July 2008)

Dominic has been in private practice as a Certified Practising 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. Dominic is also a director Newtak Pty Ltd which has substantial financial interests in the Park City gas project of Austin in Kentucky, USA. and is also a director and shareholder of other companies which are associated with Newtak Pty Ltd.

Neville Wayne Martin

Non-executive director

(appointed a director on 11 May 2005, retired as director on 25 July 2008)

Neville is a partner in the Australian law firm Minter Ellison, with over 35 years experience in corporate law and mining oil and gas law. He is a former director of Stuart Petroleum Limited and a former State President of the Australian Mining & Petroleum Law Association. He is also a director of an ASX listed oil exploration company, Adelaide Energy Ltd.

Donald Frederick Reck Jr.

Non-executive director

(appointed a director on 20 July 2005, retired as director 21 January 2008)

Don has been chief geologist for DMS Exploration since 2000. Prior to that date Mr Reck consulted to many USA oil and gas exploration companies including Rio-Tex Inc., Trio Exploration, Medders

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Oil Co., Texaco and Strategic Petroleum. He is also a former exploration geologist with Tenneco Oil and Conoco and brings over 30 years of experience to Austin Exploration.

Paul Joseph Davies

Non-executive director and company secretary

(appointed company secretary on 20 October 2006, retired as company secretary 17 July 2007.

Appointed as director 16 November 2006, retired as director 29 November 2007)

Paul has extensive financial experience across a broad range of industries most notably in the finance sector. He was formerly a Director of Deutsche Bank Australia and an Associate Director of Bankers Trust Australia.

Director Independence

The board considers chairman Paul Teisseire and non-executive director James Edwards as independent as defined under the guidelines of the ASX Corporate Governance Council. Messrs David Schuette and Dominic Pellicano are not considered independent.

Performance of Directors

In accordance with Principle 8(1) of the ASX Corporate Governance Principles and Recommendations (2nd Edition) 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 informally in this year because of the retirement and replacement of directors during the year. The principle of director performance review in accordance with the process established by the board, led by the chairman of the Remuneration committee will be re-instated and will be assessed in June 2009.

Company Secretary

Mr Graham Allan Seppelt (appointed 17 July 2007)

Mr Seppelt is a Certified Practising Accountant (CPA) and has had extensive experience as a contract accountant and in corporate advisory roles. He is currently the company secretary for ASX listed BSA Limited, Primary Resources Limited, Legend Corporation Limited and Mesbon China Nylon Limited.

Directors' Meetings

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

Director	Director's Meetings		Audit Committee Meetings		Remuneration Meetings	
	A	B	A	B	A	B
Paul Teisseire	10	11	3	3	1	1
David Schuette	10	11	*	*	*	*
James Edwards	7	11	2	3	-	1
Dominic Pellicano	-	-	-	-	-	-
Neville Martin	11	11	3	3	-	1
Don Reck	5	5	*	*	*	*
Paul Davies	4	2	2	2	-	-

A – Number of meetings attended

B – Number of meetings held during the time that the director held office during the year.

* Not a member of the committee.

Principal Activities

The principle activities of the Consolidated Entity during the year consisted of the accumulation and acquisition of mineral prospective areas and the exploration for oil and gas in both the United States of America and Australia.

Operating Results

The net loss after income tax of the Consolidated Entity for the year ended 30 June 2008 was \$7,736,312.

Dividends Paid or Recommended

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

Earnings per Share

	2008	2007
Loss per ordinary share	6.83 cents	1.30 cents

Review of Operations and Activities

a) Exploration

During 2007/2008 the company has been able to review its strategic direction and concentrate on the most significant areas of interest available to the company. In particular, the following activity has taken place during the year:

- In July 2007, final assessment as a result of the drilling program for St Gabriel 1 and St Gabriel 11 were undertaken but the wells proved to be commercially uneconomic;
- In August 2007, final assessment as a result of the drilling program for SW Edwards and Jeter Branch were undertaken but the wells proved to be commercially uneconomic;
- In October 2007, a farmin agreement was signed with Adelaide Energy Limited to enable further exploration in PEL 105. A drilling location has since been identified and drilling is currently planned for early 2009;
- In November 2007, final assessment as a result of the drilling program for Lil' Bit was undertaken but the well proved to be commercially uneconomic; and
- In January 2008 a participation and operating agreement was established with Resource Energy Technology(RET) to undertake a drilling program in an eight thousand acre area at Park City in Kentucky USA. To date 18 wells have been drilled. Each well has presented gas flows and four have identified oil. Further testing of volumes and connection to the pipeline infrastructure is currently taking place. Sales of gas commenced in July 2008 from some of these wells.

b) Corporate Matters

Capital Raising

In February, 2008, the Company entered into an agreement to jointly develop a shallow well drilling schedule in Kentucky USA. Simultaneously, the Company executed an US\$ 5M loan agreement with two private Australian based investments group that ensures the Company adequate resources for the first year of development of the newly acquired Kentucky project.

In June of 2008, the Company completed a shareholder share purchase plan issue, raising \$2.4 million by placing 7,932,745 common shares with existing shareholders at \$.31 per share.

Modification of Officers and Directors

Mr. Paul Davies retired as Chief Financial Officer with the company during the September quarter 2008 and handed the company secretarial role to Mr. Graham Seppelt. On November 29, 2008, Mr. Paul Davies retired as a director of Austin.

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On January 21, 2008, Mr. Donald R. Reck retired as a director and the Chief Geologist of Austin. Mr. Stanley L. Lindsey replaced Mr. Reck as the Chief Geologists of Austin on 1 May, 2008.

On July 25, 2008, Mr Neville Martin retired as a director of Austin.

On July 25, 2008 Mr Dominic Pellicano joined the Board of Directors of Austin.

The company thanks Don Reck, Neville Martin and Paul Davies for their valuable and considerable commitment to the company during its formative years. The company also welcomes Dominic Pellicano as a director, and Stanley Lindsey as chief geologist as the company moves forward through 2008 and beyond.

Significant Changes in State of Affairs

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

Net decrease in contributed equity to \$3,547,696 (2007: \$8,556,096) as a result of the following:

- Issue of 7,932,734 fully paid ordinary shares at \$0.31 per share to raise \$2,458,981;
- Issue of 1,000,000 options with a fair value of \$76,947. The vested value in the financial year was \$48,092; and
- Impairment of loans to the consolidated entity for exploration assets which have subsequently been impaired to the value of (\$7,125,216).

Subsequent Events

Since 30 June 2008, the company has continued to develop its interests and has achieved the following:

- Commencement of gas sales at its Park City Field, effective July 1, 2008.
- On July 25, 2008 Dominic Pellicano was appointed as a new Director of Austin and Neville Martin retired as a Director.
- A General Meeting of the members of Austin was held on August 4, 2008 where members approved the future share placement of up to 14,100,835 and 5,000,000 ordinary shares at \$0.31 per share and 80% of the market value at the time of placement, respectively.
- On August 6, 2008 Austin acquired a 78.3% net revenue interests in 731.88 acres in the Moses Austin project (Burlison County, Texas), with work-over and re-entry drilling of existing wells expected to begin late in this calendar year.
- On August 26, 2008 the company announced that it has agreed to a planned acid stimulation procedure on the Polecat Creek well to potentially increase the flow rate of oil and gas.
- Announced a comprehensive geological review of its PEL 73 prospect in Australia beginning in mid September 2008.

Future Developments

The likely future developments of the Consolidated Entity during the next financial year will involve the ongoing principal activity of oil and gas exploration. The Company 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 and Performance

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

Proceedings on Behalf of Company

The company is currently a defendant in a lawsuit in the state of Texas. The plaintiff alleges that the company owes it a commission and other damages on the leases entered into in the Park City project. The company believes the case is without merit and is vigorously defending its position in this matter. No provision has been made in the accompanying financial statements based on the company's belief the case will be settled without any additional costs.

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

REMUNERATION REPORT - AUDITED

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

Remuneration policy

The Company'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 consolidated 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 consolidated 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 consolidated entity 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 consolidated 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 predominantly on the forecast growth of shareholders' value. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. 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 employee share and option arrangements.

Any Australian executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company 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 Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent

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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 consolidated group. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company (but not trade in them) and have been granted options.

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 specified executives of the company and the Group are set out in the following tables.

	Short-term benefits	Post employment	Share-based payments	
2008	Salary, Fees and Commissions	Super-annuation Contributions	Options	Total
	\$	\$	\$	\$
Paul Teisseire	50,833	-	-	50,833
David Schuette	454,318	-	-	454,318
Paul Davies	43,403	-	-	43,403
Dr. James Edwards	-	-	-	-
Neville Martin	-	-	-	-
Donald Reck	139,790	-	-	139,790
Graham Seppelt	27,122	-	-	27,122
Kenneth Hill	291,695	-	48,092	339,787
	1,007,166	-	48,092	1,055,258

2007	Salary, Fees and Commissions	Super-annuation Contributions	Options	Total
	\$	\$	\$	\$
Paul Teisseire	46,750	-	-	46,750
David Schuette	166,144	-	-	166,144
Paul Davies	123,181	-	-	123,181
Dr. James Edwards	-	-	-	-
Neville Martin	-	-	-	-
Donald Reck	166,144	-	-	166,144
Kenneth Goughnour*	104,461	-	-	104,461
Kenneth Hill	66,675	-	-	66,675
	673,355	-	-	673,355

* Resigned 10 April 2007

Service Agreements

The company has service agreements with Messrs David Schuette and Kenneth Hill.

A summary of the terms of those agreements is as follows:

David Schuette – Managing Director

Under an agreement dated 12 May 2006 between David Max Schuette and the Company, Schuette was appointed as Managing Director (Managing Director) of the Company. As part of the agreement, the Managing Director is required to manage and supervise the day to-day operations of the Company in accordance with the Company's business plans and budgets and will be, based partly in Austin, Texas, USA and partly in Adelaide, South Australia, Australia.

The Managing Director was granted at the commencement of the term of employment 2,000,000 A class options to acquire one share each in the Company at AUD\$0.30 per share. All options must be exercised no later than 4.00pm on 31 December 2011.

The Managing Director may terminate his employment, without cause, at any time by 90 days written notice. The Company may not terminate without cause during the two year term of the employment, but it may then do so if the term is extended by a further period (or periods) of 1 year. In that event, the Company must make a severance payment equal to 3 months remuneration. The Company may terminate the Managing Director's employment for reasons which include:

- (a) if the Managing Director fails to carry out the agreed services in a competent and satisfactory manner; or
- (b) if the Managing Director engages in serious and wilful misconduct or gross neglect in discharging the duties under the agreement.

The Company may also terminate the Managing Director's employment if he is no longer able to perform his services for a consecutive period of 150 days or more (or an aggregate of 200 days in any 12 month period) due to illness, incapacity or accident.

The Managing Director is restrained from involvement with other organisations which may compete with the Company in places where it conducts operation, but is otherwise unrestrained from other unrelated activities. The Managing Director may spend no more than 50% of his available time on independent business activities not related to the Company.

In addition to the above, under an agreement dated 12 May 2006 between David Max Schuette and AUS-TEX, Mr Schuette was contracted as a Consultant to AUS-TEX. The Consultant is appointed as AUS-TEX's President and Chief Executive Officer, and to provide strategic technical and business development services in accordance with that company's business plans and budgets (from time to time). The consultancy will require services to be performed partly in Adelaide, South Australia, Austin, Texas, USA and other locations in which AUS-TEX presently conducts, or in the future may conduct, operations.

The Consultant is contracted for a term of 2 years, unless the consultancy is terminated earlier in accordance with the consultancy agreement. AUS-TEX may extend the consultancy beyond that term for a further period (or periods) of 1 year each. The Consultant will receive an annual consultancy fee of USD\$150,000.00. In June 2008, the directors extended the agreement for a further 2 years and increased Mr. Schuette's annual compensation to \$250,000. AUS-TEX also reimburses the Consultant for all reasonable and necessary business expenses properly incurred in the performance of the Consultant's services, including travel expenses to and from Australia and the USA and other destinations directed by AUS-TEX from time to time

Kenneth Hill – Chief Information Officer

Kenneth Hill was contracted as a Consultant to AUS-TEX.

Under the consulting agreement, the Consultant was appointed as AUS-TEX's Chief information officer to provide information technology support to the company and to its investors and to assist the Managing Member run the day to day operations of the company, in accordance with its business plans and budgets.

The consultancy required services to be performed partly in Adelaide, South Australia, Texas, USA and

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other locations in which AUS-TEX presently conducts, or in the future may conduct, operations.

The Consultant was contracted for a term of 2 years, and is renewable annually. The Consultant received an annual consultancy fee of USD\$150,000.00 and at the commencement of the consultancy. In February, 2008, the annual salary was increased to \$200,000. In February 2008, Mr Hill received 1,000,000 D class options to acquire one share each in the Company at AUD\$0.24 per share.

Share-based Compensation

Options over ordinary shares in Austin Exploration Limited were granted to Kenneth Hill on 20 February 2008 as reward for services rendered since he commenced providing services to the company.

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

Grant Date	Date vested and exercisable	Expiry Date	Exercise Price	Value per option at grant date
28 February 2008	28 February 2008	28 February 2013	\$0.24	\$0.077
28 February 2008	In monthly increments from 28 February 2008 until 28 February 2009	28 February 2013	\$0.24	\$0.077

Options granted carry no dividend or voting rights.

The incremental options vest monthly during the continuation of services provided by Kenneth Hill and will lapse if services cease to be provided.

Details of options over ordinary shares in the company 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 24 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Kenneth Hill	1,000,000	-	666,667	-

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.

Shares provided on exercise of remuneration options

No options were exercised during the year ended 30 June 2008.

Directors Interests in Shares and Options

The information on directors' interests in shares and options is set out in note 5 of the financial statements.

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.

Dominic Pellicano was appointed as director on 25 July 2008 and in accordance with the constitution retires as director at the annual general meeting. Being eligible, Dominic will offer himself for election.

Dr James Edwards is the director retiring by rotation who, being eligible, offers himself for re-election.

Indemnifying Officers and Auditors

The Company 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. The total amount of the premium was \$41,499.

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

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option	Class
19/5/2007	30/6/2011	\$0.30	5,400,000	A
12/5/2007	30/6/2011	\$0.50	12,600,000	B
12/5/2007	30/6/2011	\$0.75	12,600,000	C
28/2/08	28/2/2013	\$0.24	1,000,000	D

No ordinary shares of Austin Exploration Limited were issued on the exercise of options during the reporting year. 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.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened on behalf of the company with leave of the court under section 237 of the Corporations Act 2001.

Auditor

Grant Thornton South Australian Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

Non Audit Services

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

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

**Austin Exploration Limited ABN 35 116 249 060
and Controlled Entity**

There was no provision of non-audit services by the auditor during the financial year.

Auditor's Remuneration

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts paid/payable to Grant Thornton for:				
- auditing or reviewing the financial report	30,400	44,350	30,400	44,350
- taxation services	3,090	1,350	3,090	1,350
Total	33,490	45,700	33,400	45,700

Auditor's Independence Declaration

The lead auditors' independence declaration for the year ended 30 June 2008 as required under section 307c of the Corporations Act 2001 has been received and can be found on page 38 of this report.

Dated at Adelaide this 30th day of September 2008.

Signed in accordance with a resolution of the directors



Paul Teisseire
Director



Grant Thornton South Australian Partnership
ABN 27 244 906 724

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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 2008, 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
South Australian Partnership
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a horizontal line.

S J Gray
Partner

Signed at Wayville on this 30th day of September 2008

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

FINANCIAL INFORMATION

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue from ordinary activities	2	217,998	2,495,629	80,577	277,278
Directors' fees		(50,833)	(809,048)	(50,833)	(617,808)
Employment expense		(1,086,109)	(275,842)	(91,495)	(94,517)
Lease operating expense		(79,414)	-	-	-
Amortisation		(38,232)	(211,229)	-	-
Impairment charge		(5,322,965)	(612,312)	(7,125,216)	-
Depreciation expense		(23,208)	(7,116)	(12,051)	(6,690)
Interest expense	16	(144,079)	-	-	-
Other expenses	3	(1,209,470)	(1,666,421)	(316,012)	(1,160,863)
Loss before income tax expense	3	(7,736,312)	(1,086,339)	(7,515,030)	(1,602,600)
Income tax expense	4	-	(364,108)	-	(364,108)
Loss attributable to members of the consolidated entity		(7,736,312)	(1,450,447)	(7,515,030)	(1,966,708)
Overall operations					
Basic earnings per share (cents per share)	7	(6.83)	(1.30)	-	-

The accompanying notes form part of these financial statements

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

BALANCE SHEET AS AT 30 JUNE 2008

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	2,340,000	7,802,664	1,623,385	3,981,767
Trade and other receivables	9	40,948	1,880,231	984,922	3,956,139
Other current assets	10	38,768	66,668	-	53,625
TOTAL CURRENT ASSETS		2,419,716	9,749,563	2,608,307	7,991,531
NON-CURRENT ASSETS					
Financial assets	19	11,352	-	50,000	50,000
Property, plant and equipment	11	73,499	44,356	17,411	29,462
Development and producing assets	12	2,753,973	449,539	-	-
Exploration and evaluation expenditure	13	957,968	4,712,643	952,968	878,829
TOTAL NON-CURRENT ASSETS		3,796,792	5,206,538	1,020,379	958,291
TOTAL ASSETS		6,216,508	14,956,101	3,628,686	8,949,822
CURRENT LIABILITIES					
Trade and other payables	14	240,251	5,883,744	129,082	393,726
Short term borrowings	15	702,756	-	-	-
TOTAL CURRENT LIABILITIES		943,007	5,883,744	129,082	393,726
Drilling Advances Repayable	16	1,773,897	-	-	-
TOTAL LIABILITIES		2,716,904	5,883,744	129,082	393,726
NET ASSETS		3,499,604	9,072,357	3,499,604	8,556,096
EQUITY					
Issued capital	17	12,993,049	10,582,604	12,993,049	10,582,604
Share option reserve		55,492	7,400	55,492	7,400
Retained profits/ (losses)		(9,548,937)	(1,517,647)	(9,548,937)	(2,033,908)
TOTAL EQUITY		3,499,604	9,072,357	3,499,604	8,556,096

The accompanying notes form part of these financial statements.

**Austin Exploration Limited A.B.N 35 116 249 060
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

CONSOLIDATED GROUP	Note	Issued Capital \$	Share-based Payments Reserve \$	Retained Profits \$	Total \$
Balance at 1 July 2006		946,500	7,400	(67,200)	886,700
Share issued during the year	17	10,485,625	-	-	10,485,625
Transaction costs		(849,521)	-	-	(849,521)
Options Reserve on recognition of the bonus element of options		-	-	-	-
Loss attributable to members of the company		-	-	(1,450,447)	(1,450,447)
Balance at 30 June 2007		10,582,604	7,400	(1,517,647)	9,072,357
Share issued during the year	17	2,458,981	-	-	2,458,981
Transaction costs		(48,536)	-	-	(48,536)
Options Reserve on recognition of the bonus element of options		-	48,092	-	48,092
Loss attributable to members of the company		-	-	(7,736,312)	(7,736,312)
Foreign currency translation reserve				(294,978)	(294,978)
Balance at 30 June 2008		12,993,049	55,492	(9,548,937)	3,499,604

The accompanying notes form part of these financial statements.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Receipts from customers		108,932	787,717	-	-
Payments to suppliers and employees		(6,154,044)	(2,328,036)	(105,133)	(1,782,639)
Interest received		109,066	355,364	80,577	277,278
Interest expense		(144,079)	-	-	-
Net cash provided by (used in) operating activities	22	(6,080,125)	(1,184,955)	(24,556)	(1,505,361)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(52,352)	(45,683)	-	(30,364)
Loans to wholly owned subsidiary		-	-	(4,670,133)	(2,677,905)
Proceeds from Joint venture partners		-	7,805,394	-	-
Payments for development activities		(2,565,905)	-	-	-
Payments for exploration activities		(1,653,361)	(8,009,437)	(74,138)	(1,382,199)
Other		(11,353)	-	-	-
Net cash provided by (used in) investing activities		(4,282,971)	(249,726)	(4,744,271)	(4,090,468)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,458,981	10,849,705	2,458,981	10,849,705
Proceeds from borrowings		2,476,653	-	-	-
Repayment of borrowings		-	(224,922)	-	(224,922)
Payments for the capitalised costs of capital raisings		(48,536)	(1,088,935)	(48,536)	(1,088,935)
Net cash provided by (used in) financing activities		4,887,098	9,535,848	2,410,445	9,535,848
Net increase (decrease) in cash held		(5,475,998)	8,101,167	(2,358,382)	3,940,019
Cash at beginning of period		7,802,664	41,748	3,981,767	41,748
Foreign currency movement		13,334	(340,251)	-	-
Cash at end of period	8	2,340,000	7,802,664	1,623,385	3,981,767

The accompanying notes form part of these financial statements

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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*.

The financial report includes the consolidated financial statements and notes of Austin Exploration Limited and controlled entities, and the separate financial statements and notes of Austin Exploration Limited as an individual parent entity. Austin Exploration Limited is a listed public company, incorporated and domiciled in Australia.

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

Basis of Preparation

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 Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below.

Reporting basis and Conventions

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

Accounting Policies

a. 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 20 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-company 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.

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

b. Revenue

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.

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

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT)

c. 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.

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 Consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d. Trade Receivables

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

e. 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 income statement.

Impairment testing is performed annually for goodwill and 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.

f. 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 20.

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

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

g. Exploration and Evaluation 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.

h. Amortisation of Mineral Development Expenditures

The group amortises its development assets over the effective useful life of those assets. At each reporting date, the group reviews the carrying value of its production assets to ensure that the expected proceeds from revenue associated with those assets will recover the carrying value of the assets held.

i. Plant and Equipment

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

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.

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. The straight line method of depreciation is used.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Gains and losses are determined by comparing proceeds received with the asset's carrying amount.

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. Minimum lease payments are charged against profits over the accounting periods covered by the lease terms except where an alternative basis would be more representative of the pattern of benefits to be derived from the leased assets.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

I. Foreign Currency Transactions

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.

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 the income statement except where deferred in equity as a qualifying cash flow or net investment hedge.

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 income statement.

Group companies

The financial results and position of foreign subsidiaries 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;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rate prevailing at the date of the transaction.

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

m. Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of long service leave and other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

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

n. Equity-settled compensation

The fair value of options granted are recognised as an expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. 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 company 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. Accounts Payable

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

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

p. Financial assets and liabilities

Classification

The Group classifies its financial assets 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 in the balance sheet.

(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.

(iiii) 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.

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are originally recognised at fair value and transaction costs are expensed in the income statement. 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.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

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 balance 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 income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

q. Cash

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

- cash on hand and at call in banks net of overdrafts; and
- investments in short term deposits

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 in income in the period in which they are incurred.

s. Contributed Equity

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement 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 consolidated entity's policy for exploration and evaluation is discussed at note 1(g). 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 income statement.

v. Standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. Austin Exploration Limited and the consolidated entity's assessment of the impact or these new standards and interpretations are set out below.

- (i) *AASB101 Presentation of Financial Statements* – a revised AASB 102 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial positions), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standards from 1 July 2009.
- (ii) *AASB8 Operating Segments* – AASB 8 is effective for annual reporting periods on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources operating segments. The consolidated entity has not adopted AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However at this stage, it is not expected to affect any of the amounts recognised in the financial statements.
- (iii) *AASB-1 14 Borrowing Costs* – The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

(iv) AASB-1 14. *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* – AASB-1 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. Austin Exploration Limited does not operate a defined benefit plan and as a consequence this standard will not impact the consolidated entity.

w. Comparative Figures

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont)

NOTE 2 : REVENUE	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating activities				
- interest received from other parties	109,066	355,364	80,577	277,278
- Gas sales	108,932	197,168	-	-
- Geological & Geophysical fees	-	1,688,111	-	-
- Prospect fees	-	254,986	-	-
Total Revenue	217,998	2,495,629	80,577	277,278

NOTE 3 : LOSS FOR THE YEAR

Loss from ordinary activities before
income tax has been determined after:

Lease Operating Expenses	79,414	-	-	-
Employment expense	1,086,109	275,842	91,495	94,517
Depreciation expense	23,208	7,116	12,051	6,690
Share based payments	48,092	-	-	-
Amortisation expense	38,232	211,229	-	-
Impairment expense	5,322,965	612,312	7,125,216	-
Interest Expense	144,079	-	-	-
Other Expenses:				
Professional fees	520,661	330,482	114,860	274,634
Travel, accommodation, meals	274,373	598,676	14,566	594,215
Foreign exchange	86,092	340,251	86,092	-
Software expenses	23,544	54,620	-	12,074
Communication expenses	8,767	19,807	440	17,331
Printing and stationary	15,478	87,964	13,274	87,627
Listing, compliance and registration Fees	69,287	131,262	68,314	113,987
Occupancy costs	133,970	73,849	3,425	31,519
Insurance	41,500	115	-	-
Other	35,798	29,395	15,041	29,476
	1,209,470	1,666,421	316,012	1,160,863

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONT.)

NOTE 4 – INCOME TAX EXPENSE

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) The components of income tax expense comprise:				
Current Tax	-	-	-	-
Deferred Tax	20,809	364,108	20,809	364,108
	<u>20,809</u>	<u>364,108</u>	<u>20,809</u>	<u>364,108</u>
(b) The prima facie tax benefit on loss from ordinary activities is reconciled to the income tax as follows:				
Net Profit/(Loss)	<u>(7,736,312)</u>	<u>(1,086,339)</u>	<u>(7,515,030)</u>	<u>(1,602,600)</u>
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(2,331,958)	(325,902)	(2,254,509)	(480,780)
Add/(less) the tax effect of:				
- Differences in tax rate for US controlled entities	(964,824)	(133,421)	-	-
- Other allowable/(non allowable) items	-	-	-	-
	<u>(3,296,248)</u>	<u>(459,323)</u>	<u>(2,254,509)</u>	<u>(480,780)</u>
Deferred tax assets associated with capital raising recognised direct to equity and not meeting the recognition criteria of AASB 112	-	364,108	-	364,108
Tax effect of tax losses and temporary differences not brought to account as they do not meet the recognition criteria	<u>3,296,248</u>	<u>459,323</u>	<u>2,254,509</u>	<u>480,780</u>
Income tax attributable to operating loss	<u>-</u>	<u>364,128</u>	<u>-</u>	<u>364,108</u>
(c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised				
- In Australia at 30%	116,944	617,094	2,254,509	617,094
- In USA at 35%	<u>2,215,014</u>	<u>616,438</u>	<u>-</u>	<u>-</u>
	<u>2,331,958</u>	<u>1,233,532</u>	<u>2,254,509</u>	<u>617,094</u>

**Austin Exploration Limited A.B.N 35 116 249 060
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 5 : KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held by key management personnel in office at any time during the financial year are:

Key Management Person	Position
Paul Teisseire	Non Executive Chairman and Director
David Schuette	Managing Director – Executive
Paul Davies*	Non Executive Director
Dr. James Edwards	Non Executive Director
Neville Martin***	Non Executive Director
Donald Reck Jr.**	Chief Geologist – Executive Director
Graham Seppelt	Company Secretary

18. Resigned 29 November 2007

** Resigned 21 January 2008

*** Resigned 25 July 2008

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

c. Options and Rights Holdings

Number of options held by Key Management Personnel

	Type	Balance 1.7.07	Options Exercised	Options Granted	Total Vested 30.6.08	Total Exercisable	Total un-Exercisable
Paul Teisseire	A	350,000	-	-	350,000	350,000	-
David Schuette	A	2,000,000	-	-	2,000,000	2,000,000	-
David Schuette	B	6,300,000	-	-	6,300,000	6,300,000	-
David Schuette	C	6,300,000	-	-	6,300,000	6,300,000	-
Paul Joseph Davies		-	-	-	-	-	-
Dr. James Edwards	A	350,000	-	-	350,000	350,000	-
Neville Martin	A	350,000	-	-	350,000	350,000	-
Donald Reck Jr.	A	2,000,000	-	-	2,000,000	2,000,000	-
Kenneth Hill	-	-	-	1,000,000	666,667	666,667	333,333
Graham Seppelt	-	-	-	-	-	-	-
Total		17,650,000	-	1,000,000	18,316,667	18,316,667	333,333

**Austin Exploration Limited A.B.N 35 116 249 060
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

d. Shareholdings

Number of Shares held by Key Management Personnel

	Note	Balance 30.6.07	Net Change Other*	Balance 30.6.08
Paul Desmond Teisseire	(a)	350,000	-	350,000
David Max Schuette		7,900,000	-	7,900,000
Paul Joseph Davies		550,000	-	550,000
Dr. James Michael Edwards		-	-	-
Neville Martin	(b)	800,000	-	800,000
Neville Martin	(b)	900,000	-	900,000
Neville Martin	(c)	630,000	-	630,000
Donald Frederick Reck Jr.		7,500,000	-	7,500,000
Total		18,630,000	-	18,630,000

* Net Change other refers to shares issued as promoter and founder shares or purchased or sold during the financial year.

Notes

- (a) Interest relates to Shares held by the spouse of Mr. Teisseire
- (b) Interest relates to shares held by Chaffey Consulting Pty Ltd. Mr. Martin is a director of Chaffey Consulting Pty Ltd which holds the shares on behalf of Mr. Martin and partners of the Adelaide office of Minter Ellison.
- © Interest relates to Shares held by the Houmar Nominees Pty Ltd as trustee of the Martin Superannuation Fund. Mr. Martin is a beneficiary of that fund. Mr. Martin is also a director of Houmar Nominees Pty Ltd

NOTE 6 : AUDITORS' REMUNERATION

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor for:				
- auditing or reviewing the financial report	30,400	44,350	30,400	44,350
- Taxation Services	3,090	1,350	3,090	1,350
	33,490	45,700	33,400	45,700

NOTE 7 : EARNINGS PER SHARE

	Consolidated	
	2008	2007
	\$	\$
Net loss attributed to ordinary equity holders	(7,688,220)	(1,450,447)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	112,604,934	111,187,654
Basic Earnings per share	(\$0.0683)	(\$0.013)

**Austin Exploration Limited A.B.N 35 116 249 060
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 8 : CASH ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank and in hand	2,340,000	7,802,664	1,623,385	3,981,767

The effective interest rate on cash at bank was 4.75% pa (2007; 1.0% pa.) This amount is at call.

**NOTE 9 : TRADE AND OTHER
RECEIVABLES**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Amounts due from wholly owned entity	-	-	967,854	3,422,937
Amounts due from director related entity (1)	12,006	503,370	-	503,370
Other Debtors	11,874	1,347,029	-	-
GST Receivable	17,068	29,832	17,068	29,832
	40,948	1,880,231	984,922	3,956,139

(1) Amount is due from DMS Exploration Pty Ltd, a company related to Mr D Schuette. Refer note 22.

NOTE 10 : OTHER CURRENT ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Prepayments	38,767	66,668	-	53,625

**NOTE 11 : PROPERTY, PLANT AND
EQUIPMENT**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Plant and equipment at Cost	102,588	51,472	36,152	36,152
Accumulated depreciation	(29,089)	(7,116)	(18,741)	(6,690)
Total Property, Plant and Equipment	73,499	44,356	17,411	29,462

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
		\$		\$
Balance at the beginning of year	44,356	5,788	29,462	5,788
Additions	52,351	45,684	-	30,364
Disposals	-	-	-	-
Depreciation expense	(23,208)	(7,116)	(12,051)	(6,690)
Carrying amount at the end of year	73,499	44,356	17,411	29,462

**Austin Exploration Limited A.B.N 35 116 249 060
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

**NOTE 12 : DEVELOPMENT AND
PRODUCING ASSETS**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Development Expenditure Capitalised				
Development assets at cost	3,838,986	1,273,080	-	-
Accumulated amortisation	(232,106)	(211,229)	-	-
Provision for impairment	(852,907)	(612,312)	-	-
Total development and producing assets	2,753,973	449,539	-	-

a. Movements in Carrying Amounts

Movement in the carrying amounts for development expenditure capitalised.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at the beginning of year	449,539	-	-	-
Additions	2,565,906	1,273,080	-	-
Amortisation expense	(20,877)	(211,229)	-	-
Impairment expense	(240,595)	(612,312)	-	-
Carrying amount at the end of year	2,753,973	449,539	-	-

**NOTE 13 : EXPLORATION AND
EVALUATION EXPENDITURE**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Exploration Expenditure Capitalised				
Total exploration and evaluation costs	957,968	4,712,643	952,968	878,829

a. Movements in Carrying Amounts

Movement in the carrying amounts for exploration and evaluation expenditure capitalised.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at the beginning of year	4,712,643	795,032	878,829	-
Additions	1,327,695	5,190,691	74,139	878,829
Impairment	(5,082,370)	-	-	-
Transfers to development	-	(1,273,080)	-	-
Carrying amount at the end of year	957,968	4,712,643	952,968	878,829

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 14 : TRADE AND OTHER PAYABLES	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Trade payables	73,021	-	37,100	-
Accruals	93,064	2,359,139	73,098	393,726
Other payables ⁽¹⁾	-	3,524,605	-	-
Amounts payable to Director related entities	74,166	-	18,884	-
	<u>240,251</u>	<u>5,883,744</u>	<u>129,082</u>	<u>393,726</u>

⁽¹⁾ Other payables relate to cash calls received in advance from joint venture partners for future drilling expenditure.

NOTE 15 : SHORT TERM BORROWINGS	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current Portion of Drilling Advances Repayable (refer note 16)	702,756	-	-	-

NOTE 16 : DRILLING ADVANCES REPAYABLE	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Total Drilling Advances Repayable	2,476,653			
Due within 1 year	702,756	-	-	-
Net long term Repayable	<u>1,773,897</u>	<u>-</u>	<u>-</u>	<u>-</u>

On March 24, 2008, the Company executed a Participation Agreement ("PA") for AU\$5.2M investment with two private Australian based investment groups. The investment provides the Company with capital resources to develop the initial drilling phases of the Park City, Kentucky project. In connection with the investment, the private Australian investment groups will be granted 16,828,969 options to acquire AKK shares at \$0.25 per share. The options will be issued 45 days after the total investment has been received by the Company. If the final amount invested is less than US \$5 million, the number of options issued will be adjusted downward on a pro-rata basis. At June 30, 2008, the Company has received funds of US \$2,250,000 from the investment groups.

As of August 31, 2008, the Company and Resource Energy Technologies (RET) have drilled eighteen wells under this program. All of these wells have had shows of natural gas and four of them also had shows of crude oil. Subsequent to June 30, 2008, two wells commenced sales of gas, effective July 1, 2008. The remainder of the wells are currently in the process of being completed and connected to the gas processing plant and pipeline infrastructure.

The PA provides the investors will be repaid on a two-for-one basis beginning January 1, 2009. Initial monthly payments will be \$104,112 for three months and \$130,140 per month for each of the second three months. After the initial six months, the remaining balance of the advances will be repaid in 30 equal monthly payments. Repayment of these advances is non-recourse to the Company and will be made only from production from the Park City project.

The company has recognised borrowing costs at a rate of 34% per annum on the anticipated repayment of these drilling advances. Borrowing costs of \$144,079 has been included in the accompany income statement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 17 : ISSUED CAPITAL

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
120,125,859 (2007: 112,193,125) fully paid ordinary shares				
a. Ordinary shares				
At the beginning of reporting period	11,432,125	946,500	11,432,125	946,500
Shares issued during the year				
- Share Purchase Plan	2,458,981	-	2,458,981	-
- Seed Capitalists	-	80,000	-	80,000
- Initial Public Offering	-	10,405,625	-	10,405,625
	13,891,106	11,432,125	13,891,106	11,432,125
- Less: Cost of capital raising	(898,057)	(849,521)	(898,057)	(849,521)
At the end of the reporting period	12,993,049	10,582,604	12,993,049	10,582,604
	Number	Number	Number	Number
At the beginning of reporting period	112,193,125	59,765,000	112,193,125	59,765,000
Shares issued during the year				
- Share Purchase Plan	7,932,734	-	7,932,734	-
- Seed Capitalists	-	400,000	-	400,000
- Initial Public Offering	-	52,028,125	-	52,028,125
At the end of the reporting period	120,125,859	112,193,125	120,125,859	112,193,125

At shareholders 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.

b. Options

	Class	Consolidated		Parent	
		Number	Number	Number	Number
At the beginning of the reporting period		32,600,000	32,600,000	32,600,000	32,600,000
Options issued during the year					
- Issued to key personnel of the company	D	1,000,000	1,000,000	1,000,000	1,000,000
Options cancelled during the year		(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
At the end of the reporting period		31,600,000	31,600,000	31,600,000	31,600,000

The options have the following terms:

- D These options are unlisted with an exercise price of \$0.24 and vest 500,000 on February 28, 2008 and 1/12 of 500,000 per month for 12 months thereafter. They are exercisable until February 28, 2013

c. Capital 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 re-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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE: 18 SEGMENT REPORTING

Primary reporting – Business Segments

The entity operates in the oil and gas exploration industry within Australia and the USA.

The Company does not have any differentiated business segments.

Secondary reporting – Geographical Segments

	Australia		USA	
	2008	2007	2008	2007
	\$	\$	\$	\$
Inter-segment sales	-	-	-	-
Gas sales	-	-	108,932	197,168
Geological and geophysical	-	-	-	1,688,111
Prospect fees	-	-	-	254,986
Interest revenue	80,577	277,278	28,489	78,086
Total Revenue	80,577	277,278	137,421	2,218,351
Depreciation and amortisation	12,051	6,690	11,157	226,820
Segment result	(341,722)	(1,966,708)	(7,346,498)	516,261
Segment assets	2,660,832	5,526,885	3,555,677	9,429,216
Additions to non current assets	74,139	952,503	4,197,479	3,453,215
Segment liabilities	(129,082)	(393,726)	(2,587,822)	(5,490,018)

NOTE 19 : FINANCIAL ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
NON CURRENT				
Shares in Controlled Entities at cost	-	-	50,000	50,000

NOTE 20 : CONTROLLED ENTITIES

a. Controlled Entities

	Country of Incorporation	Percentage Owned	
		2008	2007
Parent Entity:			
Austin Exploration Limited	Australia	-	-
Subsidiaries of Austin Exploration Limited:			
AUS-TEX Exploration, Inc.	USA	100%	100%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

b. Joint Venture interests

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

Austin Exploration Limited Summary of Oil and Gas Holdings				
ACTIVE PROJECTS				
Licence / Lease	Location	Working Interest	Net Revenue Interest	Commentary
PEL 105 Oil and Gas Licence	Cooper Basin, South Australia	100.000%	100.000%	Farmin agreement provides Adelaide Energy Limited the opportunity to earn a 50% NRI after the first well is completed
PEL 73 Oil and Gas Licence	Stansbury Basin, South Australia	16.670%	12.500%	Proprietary "Direct Hydrocarbon Sensing and Detection" study to begin September 2008
Park City Gas Field	Kentucky, USA	75.000%	65.625% for wells drilled for AKK and 33.33% for wells acquired by AKK	NRI decrease to 56.25% on Jan 1, 2009, 18 wells currently drilled
Moses Austin Mineral Lease	Texas, USA	100.000%	48.300%	First oil well spudding being scheduled. Private investors maintain an additional 30% NRI
Polecat Creek Well	Texas, USA	35.000%	26.250%	Schedule for acid stimulation Sept. 2008
INACTIVE PROJECTS				
St Gabriel 1	Louisiana USA	20.00%		Inactive
St Gabriel 2	Louisiana USA	40.00%		Inactive
Jeter Branch	Louisiana USA	50.00%	37.00%	Inactive
Southwest Edwards	Mississippi USA	25.00%	19.00%	Inactive
Lil Bit	Texas USA	25.00%	18.75%	Inactive

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 21 : LEASE COMMITMENTS

The company leases its office space and certain equipment under non-cancellable operating leases which require regular monthly payments with varying terms ranging from 1 – 3 years. Total rent expense for all operating leases approximated \$134,000 and \$74,000 for the twelve months ended 30 June 2008 and 2007, respectively.

Future minimum lease commitments under non-cancellable leases at 30 June 2008 are as follows:

Period ending 30 June

2009	\$90,454
2010	98,157
2011	32,424
2011 and thereafter	-
Total minimum lease payments	\$221,035

NOTE 22 : CASH FLOW INFORMATION	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
a. Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax				
Loss from ordinary activities after income tax	(7,736,312)	(1,450,447)	(341,722)	(1,966,708)
Non-cash flows in profit from ordinary activities				
Share option expensed	-	-	-	-
Unrealised foreign exchange loss	(13,335)	340,251	-	-
Depreciation expense	23,208	7,116	12,051	6,690
Amortisation	38,232	211,229	-	-
Impairment expense	5,322,965	612,312	-	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	1,839,283	(1,855,918)	516,134	(3,186,794)
(Increase)/decrease in other current assets	27,900	349,636	53,625	362,679
Increase/(decrease) in trade creditors and accruals	(5,595,401)	5,712,181	(264,644)	222,163
Receivables recognised as investing activities	(503,370)	503,370	-	3,181,275
Trade creditors and accruals recognised as investing activities	565,240	(5,490,019)	-	-
Prepayments recognised as finance costs	(48,535)	(124,666)	-	(124,666)
Cash flow from operations	(6,080,125)	(1,184,955)	(24,556)	(1,505,361)

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 23 FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and hire purchase liabilities.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

The board meets on a regular basis and analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management is reviewed by the board on a regular basis and includes review of the group's cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are foreign currency risk, liquidity risk and credit risk.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the activities in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balanced date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets as disclosed in the balance sheet and notes to the accounts.

There are no material amounts of collateral held as security at 30 June 2008.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

b. Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate	Floating Interest Rate	Non-interest Bearing	Total
	2008 %	2008 \$	2008 \$	2008 \$
Financial Assets:				
Cash and cash equivalents	4.75	2,340,000	-	2,340,000
Receivables	-	-	40,948	40,948
Deposits	-	-	11,352	11,352
Total Financial Assets		2,340,000	52,300	2,392,300
Financial Liabilities:				
Trade and sundry payables	-	-	240,251	240,251
Borrowings	34.00	-	2,476,653	2,476,653
Total Financial Liabilities		-	2,716,904	2,716,904
	2007 %	2007 \$	2007 \$	2007 \$
Financial Assets:				
Cash and cash equivalents	1.0	7,802,664	-	7,802,664
Receivables	-	-	1,880,231	1,880,231
Total Financial Assets		7,802,664	1,880,231	9,682,895
Financial Liabilities:				
Trade and sundry payables	-	-	5,883,744	5,883,744
Total Financial Liabilities		-	5,883,744	5,883,744

Trade and sundry payables are expected to be paid within two months.

Reconciliation of Net Financial Assets to Net assets	2008	2007
	\$	\$
Net Financial Assets (liabilities) (as above)	(324,604)	3,799,151
Non Financial assets and liabilities:		
Development and producing assets	2,753,973	449,539
Exploration expenditure	957,968	4,712,643
Plant & Equipment	73,499	44,356
Other current assets	38,768	66,668
Net Assets per Balance Sheet	3,499,604	9,072,357

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

c. Net Fair Values

The net fair value of cash and cash equivalent and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the balance sheet of the consolidated entity.

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

Financial assets, where the carrying value exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

d. Sensitivity analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk.

Interest rate sensitivity analysis

At 30 June 2008, 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:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
Increase in interest rate by 2%	46,800	156,053	32,468	79,635
Decrease in interest rate by 2%	(46,800)	(156,053)	(32,468)	(79,635)
Change in equity				
Increase in interest rate by 2%	46,800	156,053	32,468	79,635
Decrease in interest rate by 2%	(46,800)	(156,053)	(32,468)	(79,635)

Foreign currency sensitivity

At 30 June 2008, the effect on profit and equity as a result of changes in the value of the Australian Dollar (AUD) to the United States dollar (USD), with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
Improvement in AUD to USD by 10%	-	-	-	-
Decline in AUD to USD by 10%	-	-	-	-
Change in equity				
Improvement in AUD to USD by 10%	(71,662)	-	-	-
Decline in AUD to USD by 10%	71,662	-	-	-

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 24 : RELATED PARTY TRANSACTIONS

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

i. Directors and specified executives

Disclosures relating to key management personnel are set out in Note 5.

ii. Transactions with Director-related Entities

- At 30 June 2008, the company owed \$55,282 to DMS Exploration Pty Ltd, (DMS) an entity owned by a director, Mr D Schuette, for its share expenditures as a joint venture participant in a well drilled during the year and for future commitments in the PEL 73 prospect. DMS is the operator of the well (PEL 73) in which Austin Exploration has a working interest on a 2:1 basis by paying 1/3 of the costs.
- Mr. Paul Davies is also a director of DMS Exploration Pty Ltd.
- Mr. Paul Teisseire received directors fees of \$50,833 during the year, of which \$5,959 was payable at June 30, 2008
- During the year, the company utilised the services of Minter Ellison for the provision of legal advice at commercial rates. To the balance date the cost of these services was \$38,396. Mr Neville Martin is a partner of Minter Ellison, of which AU\$ 12,925 was payable at June 30, 2008.

NOTE 25 : CAPITAL COMMITMENTS RELATING TO JOINT VENTURES AND TENEMENTS

The company 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.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Payables (Note)				
- due within one year	-	750,000	-	750,000
- due within 1 – 3 years	3,000,000	2,000,000	3,000,000	2,000,000

Note: During the year the commitments on PEL 105 were revised and are currently as follows:

- 2009 \$1,000,000, of which 100% of this is carried
- 2010 \$1,000,000
- 2011 \$1,000,000
- 2012 \$1,000,000

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Cont.)

NOTE 26 : SHARE BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2008.

On 11 November 2005, 5,400,000 share options were granted to directors to accept ordinary shares at an exercise price of \$0.30. The options are exercisable before 30 June 2011. The options hold no voting or dividend rights. At balance date, no share option has been exercised.

On 11 November 2005, 12,600,000 share options were granted to promoters and seed capitalists to accept ordinary shares at an exercise price of \$0.50. The options are exercisable before 30 June 2011. The options hold no voting or dividend rights. At balance date, no share option has been exercised.

On 11 November 2005, 5,400,000 share options were granted to promoters and seed capitalists to accept ordinary shares at an exercise price of \$0.75. The options are exercisable before 30 June 2011. The options hold no voting or dividend rights. At balance date, no share option has been exercised.

On 28 February 2008, 1,000,000 options were granted to Mr Kenneth Hill. The options will not vest if certain conditions are not met. The options are exercisable before 28 February 2013. The options are to be expensed over the vesting period. At 30 June 2008, 666,667 options had vested to Mr Hill. The exercise price is \$0.24. The options hold no voting or dividend rights. At balance date, no share option has been exercised.

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.

	Consolidated Group				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average exercise Price cents						
Outstanding at the beginning of the year	32,600,000	56.76	32,600,000	56.76	32,600,000	56.76	32,600,000	56.76
Granted	1,000,000	24.00	-	-	1,000,000	24.00	-	-
Forfeited	(2,000,000)	-	-	-	(2,000,000)	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year end	31,600,000	55.72	32,600,000	56.76	31,600,000	55.72	32,600,000	56.76
Exercisable at year end	31,266,667	55.25	32,600,000	56.76	31,266,667	55.25	32,600,000	56.76

The options outstanding at 30 June 2007 had a weighted average exercise price of \$0.5676 and a weighted average remaining contractual life of 3.0 years.

The weighted average fair value of options granted during the year was \$0.077.

The price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.5525
Weighted average life of the options	4.67
Underlying share price	0.22
Expected share price volatility	35.29%
Risk free interest rate	5.0%

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 income statement is \$48,092 (2007: nil) and relates, in full, to the equity-settled share-based payment transactions.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

NOTE 27 : EVENTS AFTER THE BALANCE SHEET DATE

Since balance date, the following events have occurred:

The company has continued to develop its interests and has achieved the following:

- Austin Exploration announced the commencement of gas sales at its Park City Field, effective July 1, 2008;
- On July 25, 2008 Dominic Pellicano was appointed as a new Director of Austin and Neville Martin resigned as a Director of Austin;
- A General Meeting of the members of Austin was held on August 4, 2008 and the members approved the future share placement of up to 14,100,835 and 5,000,000 ordinary shares at \$0.31 per share and 80% of the market value at the time of placement, respectively; and
- On August 6, 2008 Austin acquired a 78.3% net revenue interests in 731.88 acres in the Moses Austin project (Burlleson County, Texas), USA, with work-over and re-entry drilling of existing wells.

NOTE 28 : GOING CONCERN BASIS OF ACCOUNTING

The financial report has been prepared on the basis of a going concern. The projects of the Consolidated Group will require capital for continued development. The Company will be seeking to raise equity capital to fund development and working capital.

The Company'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 Consolidated Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

DIRECTORS' DECLARATION

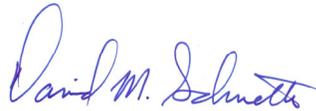
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 39 to 67 are in accordance with the *Corporations Act 2001*:
 - a comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated entity;
2. In the directors' opinion there are reasonable grounds to believe that the company 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 Managing Director and Company Secretary required by Sec 295(a) of the Corporations Act 2001.

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



Director



Director

Dated this 30th day of September 2008

**Grant Thornton South Australian
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTIN EXPLORATION LIMITED

We have audited the accompanying financial report of Austin Exploration Limited, (the Company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTIN EXPLORATION LIMITED Cont

Auditor's Responsibility Cont

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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence

In conducting our audit, we complied with applicable 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As detailed in Note 28 of the financial statements the Consolidated Entity'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 Consolidated Entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTIN EXPLORATION LIMITED Cont**

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report (audited) for the year ended 30 June 2008. 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

In our opinion the Remuneration Report of Austin Exploration Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 30th day of September 2008

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

SHAREHOLDER INFORMATION

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 22 September 2008

a. Distribution of Shareholders

Category	Holders of Ordinary Shares	% of Issued Capital	Unquoted options
1 – 1000	53	0.03	-
1,001 – 5,000	284	0.76	-
5,001 – 10,000	269	1.85	-
10,001 – 100,000	799	22.18	-
100,001 – and over	139	75.18	100.00
Total number of security holders	1,544	100.00	100.00

b. Unmarketable Parcels

	Minimum Parcel Size	Number of Holders	Units
Ordinary Shares	\$500.00 at \$0.21/unit	142	195,227

c. Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 22 September 2008 are:

Name	Number of fully paid ordinary shares held	% held
Assam Co Ltd	12,500,000	11.14
Mr David Schuette	7,900,000	7.04
Mr Donald Reck Jnr	7,500,000	6.68
A I L Holdings Ltd	6,650,000	5.93
Cromwell Securities Ltd	6,250,000	5.57

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 company for each Option exercised. Options are exercisable in whole or in part at any time until 30 June 2011. Any Options not exercised before expiry will lapse.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

SHAREHOLDER INFORMATION

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 22 September 2008 are as follows:

Name	Number of fully paid ordinary shares held	% held
Citicorp Nominees Pty Limited	19,688,457	16.39
Assam Co Ltd	12,500,000	10.41
A I L Holdings Ltd	6,650,000	5.54
Cromwell Securities Ltd	6,250,000	5.20
Robert Anthony Healy	5,866,000	4.88
Merrill Lynch (Australia) Nominees Pty Limited	3,271,634	2.72
Maple Place Pty Ltd	1,894,000	1.58
Dr Kuen Seng Chan	1,366,130	1.14
Mr Zaccaria Rossi & Mrs Thelma Rossi	1,000,000	0.83
ANZ Nominees Limited Cash Income Account	772,354	0.64
Mr George Karagounis & Mrs Helen Karagounis	769,274	0.64
Seca Constructions Pty Ltd	765,418	0.64
Chaffey Consulting Pty Ltd	750,000	0.62
Nigel Simpson	724,403	0.60
H-PEL Pty Ltd	706,000	0.59
Medicus Inc	675,000	0.56
Mr Seng Tan & Mrs Wan Neo Tan	658,577	0.55
David Paul Berndt	650,000	0.54
Houmar Nominees Pty Ltd	630,000	0.52
Dr Krishna Kumar Jajodia	620,000	0.52
TOTAL	63,003,288	56.14

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

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 22 September 2008 are as follows:

Name	Number of unlisted options held	% held
David Max Schuette	14,600,000	47.71
Assam Company Limited	5,861,708	19.16
A I L Holdings Limited	3,092,452	10.11
Cromwell Securities Limited	2,906,640	9.50
Donald Frederick Reck Jnr	2,000,000	6.54
Kenneth Hill	1,000,000	3.27
Anjali Jajodia	506,884	1.66
James Michael Edwards	350,000	1.14
Kenneth Peter Lyle Mackay	350,000	1.14
Neville Wayne Martin	350,000	1.14
Paul Desmond Teisseire	350,000	1.14
Ruchika Jajodia	232,316	0.76
TOTAL	31,600,000	100.00

The exercise price for each class of option described in note 24 is:

Class A	These options have an exercise price of \$0.30 per share;
Class B	These options have an exercise price of \$0.50 per share;
Class C	These options have an exercise price of \$0.75 per share;
Class D	These options have an exercise price of \$0.24 per share.

**Austin Exploration Limited A.B.N 35 116 249 060
and Controlled Entity**

CORPORATE DIRECTORY

DIRECTORS

Paul Teisseire	Non Executive Director and Chairman
David Schuette	Managing Director - Executive
Dr. James Edwards	Non Executive Director
Dominic Pellicano	Non Executive Director

COMPANY SECRETARY

Graham Seppelt

REGISTERED OFFICE

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SHARE REGISTRY

Computershare Investor Services Pty. Ltd.
Level 5, 115 Grenfell Street
ADELAIDE, SA 500
Phone (inside Australia) : 1300 556 161
Phone (outside Australia): 61 3 9615 4000

AUDITORS

Grant Thornton South Australian Partnership
Chartered Accountants
Level 1, 67 Greenhill Road
WAYVILLE S.A. 5034

AUSTRALIAN LEGAL ADVISORS

Minter Ellison
Level 10
50 Grenfell Street
Adelaide SA 5000

AUSTRALIAN SECURITIES EXCHANGE

The company is listed on the Australian Securities Exchange Limited.

The home exchange is Adelaide.

ASX Codes: Shares: AKK