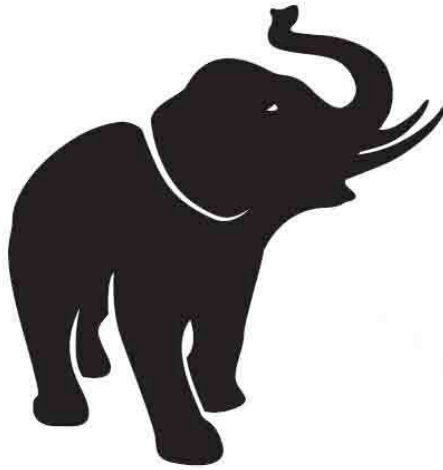


AUSTIN EXPLORATION LIMITED



A.B.N. 98 114 198 471

INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2011

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AUSTIN EXPLORATION LTD DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011.

Directors

The names of each person who has been a Director during the half-year and to the date of this report are:

| <i>Name</i> | <i>Appointment / Resignation Date</i> |
|------------------------------|--|
| Mr Richard Cottee | Appointed effective 22 March 2012 |
| Mr Guy Thomas Goudy | |
| Dr William Mark Hart | |
| Mr Nigel Denis Hartley | Appointed 3 August 2011 |
| Mr Dominic Pellicano | Resigned 8 September 2011 |
| Dr James Michael Edwards | |
| Mr Christopher Charles Hodge | |
| | Appointed 6 September 2011, Resigned 25 January 2012 |

Company Secretary

Mr David J Nairn is the Company Secretary.

Overview of Operations and Activities

Austin Exploration Limited currently maintains major working interests and net revenue interests in five key oil and gas areas in Australia and the United States.

The Company has built a significant presence in two of the most prolific oil and gas basins in North America, namely the Eagle Ford Shale in the Gulf Coast of Texas and the Niobrara Shale in the DJ Basin in the Rocky Mountains region of Colorado.

In Australia, Austin Exploration has a 50% share in PEL 105 prospect in the Cooper Basin South Australia with Joint Venture partner and operator Beach Energy following Beach's successful takeover of Adelaide Energy in December of 2011..

The Company views this development as an extremely positive step forward as it recognises Beach Energy has the extensive operating experience in the Cooper Basin necessary to maximise the value of this highly prospective asset.

Austin Exploration's wholly owned US subsidiary, Aus-Tex Exploration Inc, continues to be operationally cash flow positive through existing oil production in Kentucky, Texas and Mississippi.

2011 finished in a highly positive manner for the Company with the drilling of its first major well, called the Krueger #1 well, in Burleson County Texas. The primary objective of this well, the first at its Birch Prospect, was to test the Eagle Ford Shale formation. As the Company reported to the market on the 31st of January 2012 the well successfully reached its targeted depth of 9325 feet and encountered seven hydrocarbon bearing zones including a 270 feet section of the Eagle Ford Shale.

The Company was extremely encouraged by these initial results. Further extensive analysis is being undertaken by the Company's Management and Engineering teams in order to maximise the potential and reserves that Company believes exists at it Birch Prospect.

Austin completed 2011 in extremely robust condition having laid the foundations to build a world class energy Company well into the future. The main achievements for the year include, the acquisition of two world class oil and gas assets, and the strengthening the Company's Management team and Board. Also with the success of the Company's recent fund raising campaign, which raised AUD\$20mil and a possible further AUD\$5mil through a Share Purchase Plan, the Company now has the required working capital to aggressively grow its existing projects both in the USA and Australia.

AUSTIN EXPLORATION LTD

DIRECTORS' REPORT (cont.)

Australian Assets (Austin Exploration Limited)

Cooper Basin - PEL 105 oil and gas project

- AKK holds a 50% Joint Venture with Beach Energy
- PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia
- P10 reserves for the Pirie #1 well is estimated at 23 Million barrels of oil
- Estimated recovery of 1 Million barrels of oil per well
- Estimated well life of nine years
- Estimated spacing allows for five additional wells on the licence

North American Assets (Aus-Tex Exploration Inc)

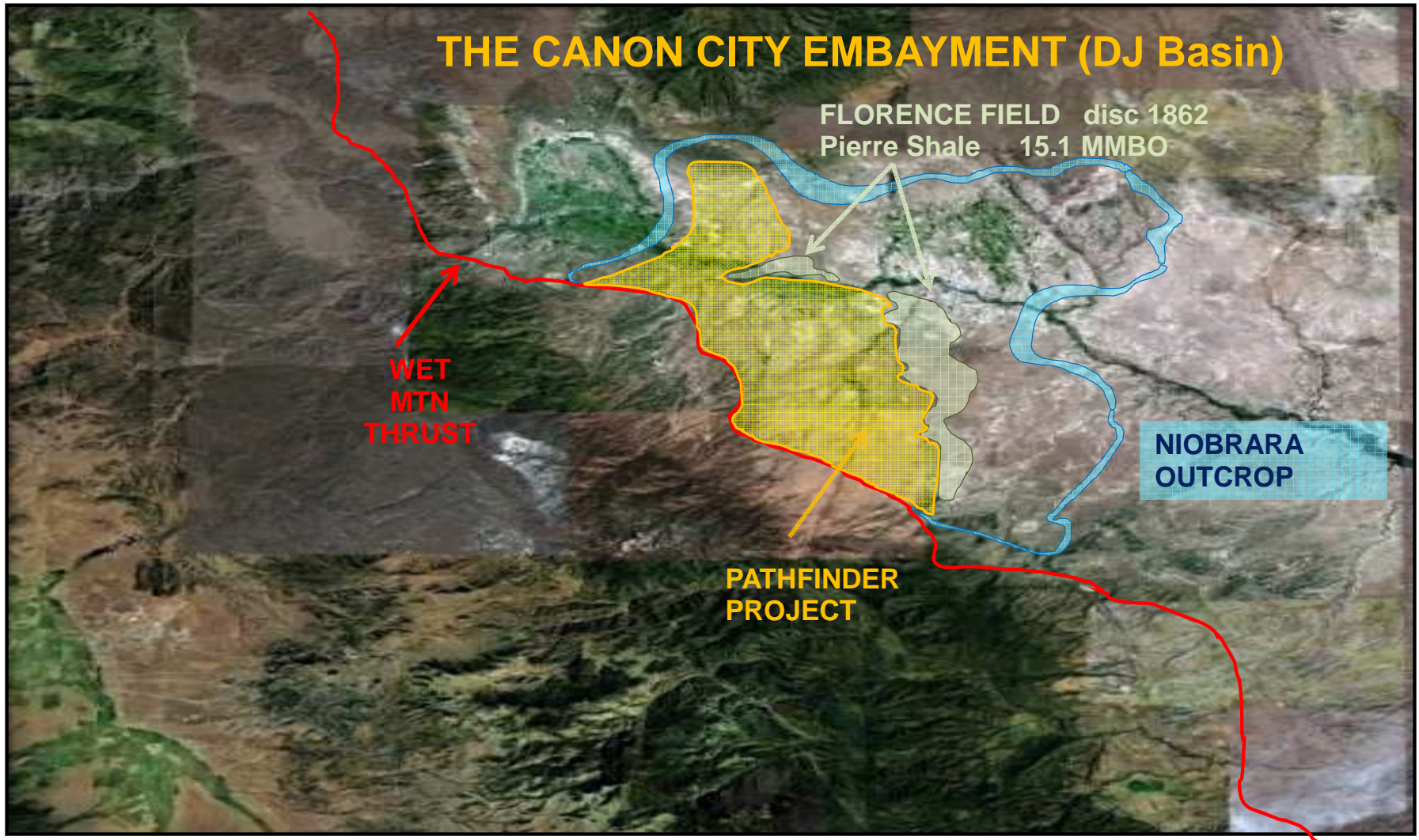
Non-conventional oil and gas projects acquired in 2011

Texas USA - Birch Eagle Ford project Colorado

- AKK holds a 93.5% Working Interest of a total of approx 5000 acres
- Primary Objective is the Eagle Ford Shale
- Secondary Objectives: Austin Chalk, Buda & Georgetown formations
- 160 acre spacing allows for 32 horizontal wells to be drilled
- 3 vertical well drills to be drilled initially to thoroughly analyse the hydrocarbon formations
- Initial vertical well, the Krueger #1 well successfully reached target depth of 9325ft with seven Hydrocarbon zones encountered including approximately a 270ft thick section of the Eagle Ford Shale
- Horizontal drilling program to commence mid 2012
- Independent reserve estimates of approximately 179,000 – 810,000 BO per horizontal well

Colorado USA – Pathfinder Niobrara Shale Project

- AKK controls 85% of a 11,560 acre property
- Primary Objective is the Niobrara Shale in the Denver-Julesburg (DJ) Basin
- Secondary Objectives: Pierre shale and Codell sandstone
- Spacing for approximately 70 horizontal wells at 160 acre spacing
- 1st Horizontal well to commence 1st half 2012
- Independent reserve estimates of approximately 200,000 – 500,000 BO per horizontal well



Aus-Tex producing assets

North Carrizo, Yolanda Villarreal #1 oil well (Dimmitt County, Texas)

- Aus-Tex holds 27.36% NRI
- Producing formation is the Austin Chalk
- The well was completed and put on production on July 31, 2010 and has been producing oil since that time. As at the 29th of February 2012 the well has flowed **23,500 barrels** of crude oil
- All Oil being produced is being sold to the local refinery
- The highest daily production rate to date was 256.7 BOPD

Armstrong, Ellislie Plantation # 1 oil well (Adams County Mississippi, USA)

- Aus-Tex holds a 37.5% NRI
- Producing formation is the Wilcox Formation
- The well was completed and put on production on August 8, 2010 and has been producing oil since that time. As at the 29th February 2012 the well had flowed **approximately 25,500** barrels of crude oil
- All Oil being produced is being sold to the local refinery
- The highest daily production rate to date was 82 BOPD

Armstrong, Commencement oil well (Adams County Mississippi, USA)

- Aus-Tex holds a 37.5% NRI
- Producing formation is the Wilcox Formation
- The well was completed and put on production on May 6 2011 and has been producing oil since that time. As at the 29th of February 2012 the well had flowed **approx 23,500 barrels** of crude oil
- All Oil being produced is being sold to the local refinery
- The highest daily production rate to date was 140 BOPD

Kentucky Exploration LLC

Since drilling began in August of 2011, Kentucky Exploration, LLC, a company jointly owned by Austin Exploration and Newtac its Joint venture partner, has experienced a stabilized production rate of **approximately 20 -25 barrels of oil per day** with an ultimate goal of 50 barrels per day by the end of 2012.

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors



Guy Thomas Goudy
Chief Executive Officer

Dated this 14th day of March 2012

AUDITOR'S INDEPENDENCE DECLARATION



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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 review of Austin Exploration Limited for the half-year ended 31 December 2011, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "B.L. Taylor".

B.L. Taylor
Partner - Audit & Assurance Services

Melbourne, 14 March 2012

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AUSTIN EXPLORATION LTD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2011

| | | Consolidated Group | |
|---|-------------|---------------------------|--------------------|
| | | 31 Dec | 31 Dec |
| | Note | 2011 | 2010 |
| | | \$ | \$ |
| Revenues | 2 | 1,086,669 | 525,627 |
| Expenses | | | |
| Cost of sales | | (150,140) | (156,746) |
| Employee benefits expense | | (469,755) | (359,696) |
| Depreciation and amortisation expense | | (118,437) | (180,248) |
| Other expenses from ordinary activities | 3 | (1,424,165) | (784,023) |
| Finance costs | | - | (178,200) |
| Travel and accommodation expense | | (136,729) | (68,991) |
| | | <u>(2,299,226)</u> | <u>(1,727,904)</u> |
| Joint venture contribution | | 57,342 | - |
| (Loss) before income tax expense | | (1,155,215) | (1,202,277) |
| Income tax expense | | - | - |
| Loss from continuing operations | | <u>(1,155,215)</u> | <u>(1,202,277)</u> |
| Loss for the period | | <u>(1,155,215)</u> | <u>(1,202,277)</u> |
| Other comprehensive income: | | | |
| Exchange rate differences on translating foreign operations | | 376,033 | (138,156) |
| Total comprehensive income (loss) for the period | | <u>(779,182)</u> | <u>(1,340,433)</u> |
| Basic earnings per share (cents per share) | | (0.0020) | (0.0041) |
| Diluted earnings per share (cents per share) | | (0.0020) | (0.0041) |

Notes to the financial statements are included on pages 10 to 15

AUSTIN EXPLORATION LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

| | Note | Consolidated Group | |
|---|------|----------------------|-----------------------|
| | | 31 Dec 2011 \$ | 30 June 2011 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,564,157 | 9,713,369 |
| Trade and other receivables | | 254,135 | 233,905 |
| Other current assets | | 38,003 | 525,926 |
| TOTAL CURRENT ASSETS | | <u>1,856,295</u> | <u>10,473,200</u> |
| NON-CURRENT ASSETS | | | |
| Investments accounted for using the equity method | | 2,268,417 | 2,123,100 |
| Property, plant and equipment | | 73,673 | 462 |
| Development and producing assets | 4 | 1,433,440 | 1,472,977 |
| Exploration and evaluation assets | 4 | 6,921,655 | 2,539,232 |
| TOTAL NON-CURRENT ASSETS | | <u>10,697,185</u> | <u>6,135,771</u> |
| TOTAL ASSETS | | <u>12,553,480</u> | <u>16,608,971</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 283,293 | 11,831,739 |
| Financial Liabilities | | 70,382 | - |
| TOTAL CURRENT LIABILITIES | | <u>353,675</u> | <u>11,831,739</u> |
| TOTAL LIABILITIES | | <u>353,675</u> | <u>11,831,739</u> |
| NET ASSETS | | <u>12,199,805</u> | <u>4,777,232</u> |
| EQUITY | | | |
| Issued capital | 7 | 30,971,924 | 23,938,894 |
| Reserves | | 1,292,751 | (252,007) |
| Retained earnings / (Accumulated Losses) | | (20,064,870) | (18,909,655) |
| TOTAL EQUITY | | <u>12,199,805</u> | <u>4,777,232</u> |

Notes to the financial statements are included on pages 10 to 15

AUSTIN EXPLORATION LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2011

| | Consolidated Group | |
|--|---------------------------|------------------------|
| | 31 Dec 2011 | 31 Dec 2010 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 824,599 | 467,781 |
| Payments to suppliers and employees | (1,382,366) | (1,659,477) |
| Interest received | 28,836 | 37,719 |
| | (528,931) | (1,153,977) |
| NET CASH USED IN OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from the sale of exploration asset | 420,000 | - |
| Payments for property, plant and equipment | (71,185) | - |
| Payments for exploration expenditure | (7,582,977) | (625,763) |
| Payments for development expenditure | (70,341) | (165,664) |
| | (7,304,503) | (791,427) |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 71,436 | - |
| Repayment of borrowings | (2,244) | - |
| Proceeds from the issue of equity securities | 85,093 | - |
| Payment for equity issue costs | (633,019) | - |
| | (478,734) | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| Net (decrease) increase in cash held | (8,312,168) | (1,945,404) |
| Cash at beginning of period | 9,713,369 | 3,599,437 |
| Foreign Currency movement | 162,956 | (63,086) |
| | 1,564,157 | 1,590,947 |
| Cash at end of period | | |

Notes to the financial statements are included on pages 10 to 15

AUSTIN EXPLORATION LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2011

| | Issued Capital \$ | Share Options Premium Reserve \$ | Share Based Payments Reserve \$ | Currency Translation Reserve \$ | Retained Earnings \$ | Total \$ |
|--|-------------------------|---|--|--|----------------------------|------------------|
| BALANCE AT 1 JULY 2010 | 21,897,359 | 150,000 | 91,532 | (79,223) | (18,254,646) | 3,805,022 |
| Issue of share capital | 30,000 | - | - | - | - | 30,000 |
| Employee share options | - | - | 4,100 | - | - | 4,100 |
| Total comprehensive income for the period | - | - | - | (138,156) | (1,202,277) | (1,340,433) |
| BALANCE AT 31 DECEMBER 2010 | <u>21,927,359</u> | <u>150,000</u> | <u>95,632</u> | <u>(217,379)</u> | <u>(19,456,923)</u> | <u>2,498,689</u> |

| | Issued Capital \$ | Share Options Premium Reserve \$ | Share Based Payments Reserve \$ | Currency Translation Reserve \$ | Retained Earnings \$ | Total \$ |
|--|-------------------------|---|--|--|----------------------------|-------------------|
| BALANCE AT 1 JULY 2011 | 23,938,894 | 150,000 | 113,271 | (515,278) | (18,909,655) | 4,777,232 |
| Issue of share capital | 8,087,688 | - | - | - | - | 8,087,688 |
| Transaction Costs | (1,054,658) | - | - | - | - | (1,054,658) |
| Employee share options | - | - | 1,168,725 | - | - | 1,168,725 |
| Total comprehensive income for the period | - | - | - | 376,033 | (1,155,215) | (779,182) |
| BALANCE AT 31 DECEMBER 2011 | <u>30,971,924</u> | <u>150,000</u> | <u>1,281,996</u> | <u>(139,245)</u> | <u>(20,064,870)</u> | <u>12,199,805</u> |

Notes to the financial statements are included on pages 10 to 15

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standard.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Austin Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company is a company domiciled in Australia. The consolidated annual financial report of the consolidated entity for the year ended 30 June 2011 is available at www.austinexploration.com.

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

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of or disclosure in, its half-year financial statements.

NOTE 2 – REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

| | CONSOLIDATED GROUP | |
|---------------------|---------------------------|-----------------|
| | 31 | 31 |
| | December | December |
| | 2011 | 2010 |
| | \$ | \$ |
| Sale of oil and gas | 1,058,112 | 487,750 |
| Interest received | 28,557 | 37,877 |
| Total | 1,086,669 | 525,627 |

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 3 – OTHER EXPENSES FOR THE PERIOD

The following expense items are relevant in explaining the financial performance for the interim period:

| | CONSOLIDATED GROUP | |
|--|--------------------|------------------|
| | 31 December 2011 | 31 December 2010 |
| | \$ | \$ |
| Share option expense | 823,725 | 4,100 |
| Due diligence costs for potential foreign tenement acquisition | 126,483 | - |
| Other expenses | 473,957 | 779,923 |
| Total | 1,424,165 | 784,023 |

NOTE 4 – EXPLORATION AND DEVELOPMENT ASSETS

Movement in Exploration and Evaluation Expenditure capitalised

| | CONSOLIDATED GROUP | |
|------------------------------|--------------------|------------------|
| | 31 December 2011 | 30 June 2011 |
| | \$ | \$ |
| Balance at beginning of year | 2,539,232 | 3,651,722 |
| Additions | 4,633,920 | 2,470,806 |
| Exchange rate difference | 88,503 | (701,501) |
| Disposals | (340,000) | (2,881,795) |
| | 6,921,655 | 2,539,232 |

Movement in Development and Producing Assets

| | CONSOLIDATED GROUP | |
|------------------------------|--------------------|------------------|
| | 31 December 2011 | 30 June 2011 |
| | \$ | \$ |
| Balance at beginning of year | 1,472,977 | 1,809,925 |
| Additions | 17,145 | 529,889 |
| Exchange rate difference | 60,830 | (353,160) |
| Disposals | - | (236,143) |
| Amortisation expense | (117,512) | (277,534) |
| | 1,433,440 | 1,472,977 |

NOTE 5 – IMPAIRMENT CHARGE

At December 31, 2011, the Directors' reviewed the carrying values of its development and exploration assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at December 31, 2011, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

The directors noted that the price of oil had remained relatively stable throughout the past six months and believe their tenements will be able to produce oil at economic value to the Company. The Company has not impaired its exploration or development assets at 31 December 2011 and will further review the assets for impairment at 30 June 2012.

NOTE 6 – OPERATING SEGMENTS

Segment Information

(i) Segment Performance

| | 6 months to 31 December 2011 | 6 months to 31 December 2011 | 6 months to 31 December 2011 | Total |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------|
| | Australia | US Subsidiary | US Joint Venture | |
| | \$ | \$ | \$ | \$ |
| Total segment revenue | 107,916 | 978,753 | - | 1,086,669 |
| Joint Venture net revenue | - | - | 57,342 | 57,342 |
| Segment net (loss)/profit before tax | (1,394,945) | 182,388 | 57,342 | (1,155,215) |

| | 6 months to 31 December 2010 | 6 months to 31 December 2010 | 6 months to 31 December 2010 | Total |
|-----------------------------|---------------------------------|---------------------------------|---------------------------------|-------------|
| | Australia | US Subsidiary | US Joint Venture | |
| | \$ | \$ | \$ | \$ |
| Total segment revenue | 37,851 | 487,776 | - | 525,627 |
| Joint Venture net revenue | - | - | - | - |
| Segment net loss before tax | (468,790) | (733,487) | - | (1,202,277) |

(ii) Segment Assets

| | Australia | USA | Total |
|---------------------------|--------------|------------|--------------|
| | \$ | \$ | \$ |
| Segment Assets | 14,715,739 | 12,047,302 | 26,763,041 |
| Inter segment elimination | (14,209,561) | | (14,209,561) |
| | 506,178 | 12,047,302 | 12,553,480 |

(iii) Segment Liabilities

| | Australia | USA | Total |
|----------------------------|-----------|--------------|--------------|
| | \$ | \$ | \$ |
| Segment Liabilities | 36,838 | 14,526,398 | 14,563,236 |
| Inter segment elimination | | (14,209,561) | (14,209,561) |
| | 36,838 | 316,837 | 353,675 |

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 7 – ISSUED CAPITAL

| | Number | \$ |
|---|-------------|-------------|
| 6 months to 31 December 2011 | | |
| As at 1 July 2011 | 362,543,668 | 23,938,894 |
| Issue of 2,000,000 shares @ 0.028 per share | 2,000,000 | 56,000 |
| Issue of 228,620,092 shares @ 0.035 per share | 228,620,092 | 8,001,703 |
| Proceeds from issue of Listed Options | - | 29,985 |
| Less: Costs of Capital Raising | - | (1,054,658) |
| At 31 December 2011 | 593,163,760 | 30,971,924 |
| 6 months to 31 December 2010 | | |
| As at 1 July 2010 | 295,051,718 | 21,897,359 |
| Issue of shares at a deemed value of \$0.03 per share | 1,000,000 | 30,000 |
| At 31 December 2010 | 296,051,718 | 21,927,359 |

During the six month period to 31 December 2011, a total of 2,000,000 listed shares were issued equally to Nigel Hartley and Chris Hodge (or their nominees), directors of Austin Exploration Limited at no cost upon approval from shareholders at the Annual General Meeting held on the 29th November 2011. The issue to the directors was in consideration of their joining the Board and for the skills they will bring to the Company.

On the 6 July 2011, 228,620,092 shares at \$0.035 were formally issued to subscribers under the group's capital raising placement announced to the market on 24 May 2011.

NOTE 8 – OPTION ISSUE

Options issued and authorised for the period to 31 December 2011 are as follows:

| | Number |
|-------------------------------------|---------------|
| 6 months to 31 December 2011 | |
| As at 1 July 2011 | 189,687,930 |
| Issue of "K" Class Unlisted Options | 2,000,000 |
| Issue of "I" Class Listed Options | 237,750,000 |
| Issue of "J" Class Listed Options | 163,295,975 |
| Expired Listed Options | (146,512,930) |
| Expired Unlisted Options | (41,100,000) |
| At 31 December 2011 | 405,120,975 |

During the six month period to 31 December 2011, a total of 2,000,000 unlisted options were issued equally to Nigel and Chris Hodge (or its nominees), directors of Austin Exploration Limited at no cost upon approval from shareholders at the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

Those options have an exercise price of \$0.055 per option and have an expiry date of 12 December 2013. The issue to the directors was in consideration of their joining the Board and for the skills they will bring to the Company.

On 6 July 2011, 207,750,000 I Class Listed Options at \$0.001 and 163,295,975 J Class Listed Options at \$0.0001 were formally issued to subscribers under the group's capital raising placement announced to the market on 24 May 2011. The Board of Directors were issued with 50,000,000 I Class Listed Options and various employees were issued with 7,750,000 I Class Listed Options which was approved by shareholders at the Extraordinary General Meeting.

On 12 December 2011, 30,000,000 I Class Listed Options were issued to Hartleys Limited (or its nominees) in accordance with the mandate letter the Company has signed with Hartleys Limited in relation to their corporate advisory work. This was approved by shareholders at the Annual General Meeting held on the 29th November 2011.

NOTE 9 – RELATED PARTIES

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

Transactions with Director-related Entities

During the year the company utilised the services of GTG Consulting Services Pty Ltd for the provision of consulting services at commercial rates. To the reporting date the costs of these services was \$70,417. Mr Guy Goudy is a director of GTG Consulting Services Pty Ltd.

During the year the company issued listed shares and options to directors (or their nominees). These details are disclosed in Note 7 and 8.

NOTE 10 – CONTINGENT LIABILITIES

There has been no material change to contingent liabilities since the last annual reporting date.

NOTE 11 – EVENTS OCCURRING AFTER THE REPORTING DATE

On 31 January 2012, the Company issued 44,000,000 ordinary shares at an issue price of \$0.027 together with 44,000,000 I Class Listed options at \$0.055 and expiring on 6 July 2013 to sophisticated investors raising \$1,188,000 new capital (before costs). This new capital will be used for ongoing and further exploration in the USA.

On 22 February 2012, Austin Exploration Limited announced that it has resolved to raise up to approximately \$20 million through a placement of up to approximately 690 million fully paid ordinary shares ("Shares") to domestic and international institutional and sophisticated investors ("Placement"). The placement is being undertaken at an issue price of \$0.029 per Share, together with a 1 for 2 free attaching I Class Listed Options which are exercisable at \$0.055 cents expiring on 6 July 2013.

In addition, Austin Exploration Limited is also undertaking a share purchase plan ("SPP") which will be capped at \$5 million, allowing Austin shareholders registered on Monday 20 February 2012 to subscribe for shares up to the amount of \$15,000 each. The issue price of the shares under the SPP will also be \$0.029 per share.

Since the announcement to the market on 22 February 2012, Austin Exploration Limited has announced 310,000,000 Listed shares at an issue price of \$0.029 per share together with 155,000,000 I Class Listed Options at no consideration on a 1 for 2 basis have been issued.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

Listing of the other shares and the options will be sought once raising has been approved by shareholders at the General Meeting on 30 March 2012 and once the monies have been received and cleared by the financial institutions.

On 29 February 2012, 1,500,000 I Class Listed Options were issued to staff for no consideration exercisable at \$0.055 expiring on 6 July 2013 which were issued to staff pursuant to a motion passed by the shareholders last year.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 6 to 15 are in accordance with the Corporations Act 2001, including
 - a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011, and of its performance for the half-year ended on that date; and
 - b) complying with Accounting Standard AASB 134 "Interim Financial Reporting"; and
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.

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



Guy Thomas Goudy
Chief Executive Officer

Dated this 14th day of March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT



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

We have reviewed the accompanying half-year financial report of Austin Exploration Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

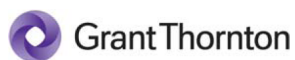
Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the

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INDEPENDENT AUDITOR'S REVIEW REPORT (cont.)



auditor of Austin Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "B.L. Taylor".

B.L. Taylor
Partner - Audit & Assurance Services

Melbourne, 14 March 2012