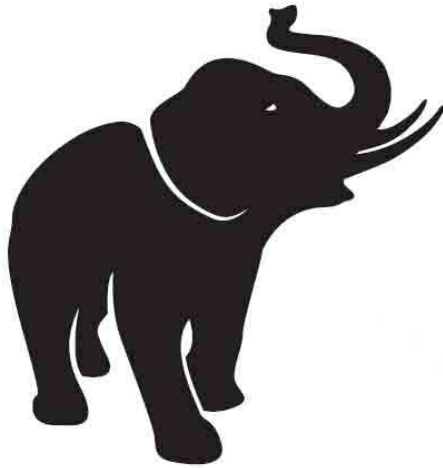


# AUSTIN EXPLORATION LIMITED



**A.B.N. 98 114 198 471**

## INTERIM FINANCIAL REPORT

**HALF-YEAR ENDED 31 DECEMBER 2010**

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# AUSTIN EXPLORATION LTD

## DIRECTORS' REPORT

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Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010.

### *Directors*

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

- Dominic Pellicano
- Dr. James Michael Edwards
- Guy Thomas Goudy
- William Kefalianos Resigned 17 November 2010
- Dr Mark Hart

### *Company Secretary*

Graham A Seppelt was the Company Secretary until 28 January 2011. David J Nairn took over as Company Secretary from that date.

### *Review of Operations*

## THE COMPANY

The last quarter of 2010 was exciting and carried with it many changes in Austin Exploration Limited (AKK) and the US subsidiary, Aus Tex Exploration Inc. that are focused setting up the Company for the future. The Company has implemented the following changes:

- A new management team was organised during the fourth quarter. This team consists of a new CEO, an operations, maintenance, engineering, and legal team and administration team. An in-field manager concept has also been implemented.
- All of the legal issues from the past 2 years have been resolved in relation to Austin Exploration Limited, AusTex.Exploration Inc and Newtak Pty Ltd. The issues have been resolved through the set up of a new 50/50 Joint Venture between the two companies. This agreement is awaiting shareholder approval.
- A trouble free severance process was implemented for the Austin Texas employees and the severance package was completed during November, 2010.
- The Aus Tex Exploration Company was moved from Austin, Texas to Denver, Colorado.

### **Kentucky**

In Kentucky a major sixty five day technical study (230 hours) was completed by AusTex that focused on oil for the Kentucky Park City field and the Sebree field. As part of this study a \$30,000 camera logging evaluation was completed to assess the condition and formation location of the wells. An operational plan has been completed and board approval was provided to spend \$364,000 to test and complete 10 wells with new technology. Results will be evaluated and if successful then another 10 well development plan will be prepared for board approval and implemented in the second half of 2011. ATMOS, the company that owns a gas plant is currently in litigation with many land owners in Park City area (not AusTex lands) and this is curtailing production activities of gas, but a study is currently underway which may be implemented once the ATMOS dispute is completed. Mr. Jamie Garcia has been hired as the Kentucky Business Unit Manager and is in the process of relocating to Bowling Green Kentucky from Denver Colorado and will manage all of the Kentucky assets. Mr. Garcia is a petroleum Engineer from the Colorado School of Mines. All shut-in payments required in Park City were made for 2010 during November, 2010.

### **Mississippi**

The Company has a very good working relationship with the Mississippi based operator. They are JV partners in the Ellislie well. This well has been in production since July of 2010. This well is doing very well and is on budget. This well has produced approximately 8000 barrels of oil and is producing at the rate of approximately 53Bbls/day. Another major 30 day engineering study was completed by AusTex/ME1 for the Commencement well and board approval was provided during late October, 2010. This well is planned for drilling during March 2011 and to be completed during April 2011.

## AUSTIN EXPLORATION LTD

### DIRECTORS' REPORT

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The cost of this well is projected to be approximately \$250,000 for drilling and \$250,000 for completion. The NRI to AKK is 37.5%. The base case for this well is 50Bbl/d.

#### **Louisiana Wildcat Bombing Range**

After an engineering study was completed by the Mississippi based operator, Board approval was sought and provided for the Company and Aldridge to develop this wildcat prospect in Louisiana. This prospect is called the Bombing Range and the Company has a 25.5% NRI in this well. The cost of this well to AKK is approximately \$210,000 for drilling and \$130,000 for completion. The drilling of this Bombing Range wildcat well is projected to be completed during the end of the first quarter of 2011. It is projected to produce 50 Bbls in the base case. Completion activities will take place immediately after drilling activities.

#### **Texas**

During the period an agreement was entered into with a Texas based operator to develop the Yolanda well in Carrizo Texas. The well has been producing at the rate of 42 Bbls/d after an initial one day IP rate of 244 Bbls on July 31<sup>st</sup>, 2010. This well is projected to double its current rate once the well is put on pump. This well is still on natural flow with a pressure of approximately 100 PSI. Since July 31<sup>st</sup> this well has produced approximately 11757 Bbls.

#### **PEL 105**

Due to the unusually wet weather, Access to the PEL 105 site has not been possible during 2010. The company is closely monitoring the situation with its JV partner Adelaide Energy( ASX:ADE). The company anticipates drilling operations will begin during the second half of 2011.

#### **New Developments Activities**

The Company is presently looking at several opportunities in Colorado, Montana/Wyoming, Texas and the Seychelles.

#### **Newtak Pty Ltd Dispute**

During the six months ending 31 December 2010 the Company and Newtak Pty Ltd negotiated a settlement to end their dispute by entering into a Joint Venture (JV) over Aus-Tex's Kentucky assets. The JV was executed in January 2011 and is subject to shareholder approval. The terms of the JV were announced to the market on the 14 January 2011. An EGM will be called in early 2011 for the company's shareholders to approve the JV.

#### ***Auditor's Declaration***

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors



**Dominic Pellicano**  
**Director**

**Adelaide**

Dated this 16 day of March 2011

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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 2010, 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.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 16 March 2011

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**AUSTIN EXPLORATION LTD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2010**

|   |             | <b>Consolidated Group</b> |                        |
|---|-------------|---------------------------|------------------------|
|   |             | <b>31 Dec<br/>2010</b>    | <b>31 Dec<br/>2009</b> |
|   | <b>Note</b> | <b>\$</b>                 | <b>\$</b>              |
| <b>Revenues</b>   | 2           | 525,627                   | 39,561                 |
| <b>Expenses</b>   |             |                           |                        |
| Cost of sales   |             | (156,746)                 | -                      |
| Employee benefits expense                                   |             | (359,696)                 | (241,841)              |
| Depreciation and amortisation expense                       |             | (180,248)                 | (25,752)               |
| Other expenses from ordinary activities                     |             | (784,023)                 | (915,950)              |
| Impairment expense – exploration assets                     | 4           | -                         | (219,213)              |
| Finance costs   |             | (178,200)                 | (559,606)              |
| Travel and accommodation expense                            |             | (68,991)                  | (19,666)               |
|   |             | <u>(1,727,904)</u>        | <u>(1,982,028)</u>     |
| Joint venture contribution                                  |             | -                         | 250,000                |
| <b>(Loss) before income tax expense</b>                     |             | (1,202,277)               | (1,692,467)            |
| Income tax expense  |             | -                         | (185,136)              |
| <b>Loss from continuing operations</b>                      |             | <u>(1,202,277)</u>        | <u>(1,877,603)</u>     |
| <b>Loss for the period</b>                                  |             | <u>(1,202,277)</u>        | <u>(1,877,603)</u>     |
| <b>Other comprehensive income:</b>                          |             |                           |                        |
| Exchange rate differences on translating foreign operations |             | (138,156)                 | 54,088                 |
| <b>Total comprehensive income (loss) for the period</b>     |             | <u>(1,340,433)</u>        | <u>(1,823,515)</u>     |
| Basic earnings per share (cents per share)                  |             | (0.0041)                  | (1.12)                 |

Notes to the financial statements are included on pages 8 to 11

# AUSTIN EXPLORATION LTD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

|  | Note | Consolidated Group   |                      |
|--|------|----------------------|----------------------|
|  |      | 31 Dec<br>2010<br>\$ | 30 Jun<br>2010<br>\$ |
| <b>CURRENT ASSETS</b>                  |      |                      |                      |
| Cash and cash equivalents              |      | 1,590,947            | 3,599,437            |
| Trade and other receivables            |      | 92,117               | 93,849               |
| Other current assets                   |      | 41,987               | 25,121               |
| <b>TOTAL CURRENT ASSETS</b>            |      | <u>1,725,051</u>     | <u>3,718,407</u>     |
| <b>NON-CURRENT ASSETS</b>              |      |                      |                      |
| Other non current assets               |      | -                    | 32,377               |
| Property, plant and equipment          |      | 12,512               | 27,479               |
| Development and producing assets       |      | 1,311,788            | 1,809,925            |
| Exploration and evaluation expenditure |      | 3,865,451            | 3,651,722            |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <u>5,189,751</u>     | <u>5,521,503</u>     |
| <b>TOTAL ASSETS</b>                    |      | <u>6,914,802</u>     | <u>9,239,910</u>     |
| <b>CURRENT LIABILITIES</b>             |      |                      |                      |
| Trade and other payables               |      | 73,769               | 469,470              |
| Financial Liabilities                  | 3    | 4,342,344            | 3,971,484            |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | <u>4,416,113</u>     | <u>4,440,954</u>     |
| <b>NON-CURRENT LIABILITIES</b>         |      |                      |                      |
| Long-term financial liabilities        | 3    | -                    | 993,934              |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   |      | <u>-</u>             | <u>993,934</u>       |
| <b>TOTAL LIABILITIES</b>               |      | <u>4,416,113</u>     | <u>5,434,888</u>     |
| <b>NET ASSETS</b>                      |      | <u>2,498,689</u>     | <u>3,805,022</u>     |
| <b>EQUITY</b>                          |      |                      |                      |
| Issued capital                         |      | 21,927,359           | 21,897,359           |
| Reserves                               |      | 28,253               | 162,309              |
| Retained earnings                      |      | (19,456,923)         | (18,254,646)         |
| <b>TOTAL EQUITY</b>                    |      | <u>2,498,689</u>     | <u>3,805,022</u>     |

Notes to the financial statements are included on pages 8 to 11

# AUSTIN EXPLORATION LTD

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2010

|  | <b>Consolidated Group</b> |                        |
|--|---------------------------|------------------------|
|  | <b>31 Dec<br/>2010</b>    | <b>31 Dec<br/>2009</b> |
|  | <b>\$</b>                 | <b>\$</b>              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                           |                        |
| Receipts from customers                          | 467,781                   | 259,367                |
| Payments to suppliers and employees              | (1,659,477)               | (795,861)              |
| Interest received                                | 37,719                    | 14,326                 |
|  | (1,153,977)               | (522,168)              |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>     |                           |                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |                           |                        |
| Payments for exploration expenditure             | (625,763)                 | (757,707)              |
| Payments for development expenditure             | (165,664)                 | -                      |
|  | (791,427)                 | (757,707)              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>     |                           |                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                           |                        |
| Proceeds from the Issue of Ordinary Shares       | -                         | 7,257,984              |
|  | -                         | 7,257,984              |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b> |                           |                        |
| Net (decrease) increase in cash held             | (1,945,404)               | 5,978,109              |
| Cash at beginning of period                      | 3,599,437                 | 296,580                |
| Foreign Currency movement                        | (63,086)                  | (14,497)               |
|  | 1,590,947                 | 6,260,192              |

Notes to the financial statements are included on pages 8 to 11



# AUSTIN EXPLORATION LTD

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

|   | Issued<br>Capital<br>\$ | Share Options<br>Premium<br>Reserve<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Currency<br>Translation<br>Reserve<br>\$ | Retained<br>Earnings<br>\$ | Total<br>\$      |
|---|-------------------------|---|--|--|----------------------------|------------------|
| <b>BALANCE AT 1 JULY 2009</b>             | 13,993,049              | -   | 67,245                                   | (15,343)                                 | (13,498,039)               | 546,912          |
| Share issued during the year              | 8,336,293               | -   | -  | -  | -                          | 8,336,293        |
| Transaction costs                         | (431,981)               | -   | -  | -  | -                          | (431,982)        |
| Total comprehensive income for the period | -                       | -   | -  | 54,088                                   | (1,877,603)                | (1,823,515)      |
| <b>BALANCE AT 31 DECEMBER 2009</b>        | <u>21,897,359</u>       | <u>-</u>                                  | <u>67,245</u>                            | <u>38,745</u>                            | <u>(15,375,642)</u>        | <u>6,627,708</u> |

|   | Issued<br>Capital<br>\$ | Share Options<br>Premium<br>Reserve<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Currency<br>Translation<br>Reserve<br>\$ | Retained<br>Earnings<br>\$ | Total<br>\$      |
|---|-------------------------|---|--|--|----------------------------|------------------|
| <b>BALANCE AT 1 JULY 2010</b>             | 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)      |
| <b>BALANCE AT 31 DECEMBER 2010</b>        | <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> |

Notes to the financial statements are included on pages 8 to 11

# NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

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## NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 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 Standards.

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 2010, 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 as at and for the year ended 30 June 2010 is available at [www.austinexploration.com](http://www.austinexploration.com).

### Going Concern

The financial report has been prepared on the basis of a going concern. 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 at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

## NOTE 2 – LOSS FOR THE PERIOD

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

|                     | CONSOLIDATED GROUP     |                        |
|---------------------|------------------------|------------------------|
|                     | 31<br>December<br>2010 | 31<br>December<br>2009 |
|                     | \$                     | \$                     |
| Sale of oil and gas | 487,750                | 25,235                 |
| Interest received   | 37,877                 | 14,326                 |
| <b>Total</b>        | <b>525,627</b>         | <b>39,561</b>          |

## NOTE 3 – FINANCIAL LIABILITIES

At 31 December 2010 the company had development and evaluation assets at Park City, Kentucky against which it is carrying a liability for the repayment of borrowings to fund the purchase of those assets.

The loans are non-recourse loans against the sale of oil and gas from the Park City gas field. The Participation Agreement in relation to Park City has been superceded by a Settlement Agreement with Newtak Pty Ltd, subject to shareholder approval. That approval has not yet been obtained. Should approval not be obtained, the Participation Agreement again becomes on foot and the Company and Newtak are required to re-negotiate in good faith.

## NOTES TO THE FINANCIAL STATEMENTS

### For the half-year ended 31 December 2010

As announced to the market on 14 January 2011, the company has reached agreement, subject to shareholder approval, with Newtak Pty Ltd in relation to the Park City Oil and Gas Participation Agreement. The agreement sets up a joint venture owned equally by the company and Newtak.

As the joint venture agreement requires shareholder approval, no adjustment relating to these transactions has been made in this financial report.

#### NOTE 4 –IMPAIRMENT CHARGE

At 31 December 2010, 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 31 December 2010, 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.

The directors noted that the world economy had seen both an increase in both oil and gas prices and a recovery to the point where some of the company's assets could again produce oil and gas at economic value to the company. The directors believe that the current prices for oil and gas are subject to movements both downwards and upwards. Applying these principles, the Company has not impaired its exploration or development assets at 31 December 2010 and will further review the assets for impairment at 30 June 2011.

|                                      | <b>CONSOLIDATED GROUP</b>       |                                 |
|--------------------------------------|---------------------------------|---------------------------------|
|                                      | <b>31<br/>December<br/>2010</b> | <b>31<br/>December<br/>2009</b> |
|                                      | \$                              | \$                              |
| Impairment – Exploration Expenditure | -                               | (219,213)                       |

#### NOTE 5 –OPERATING SEGMENTS

##### Segment Information

##### (i) Segment Performance

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

|                             | <b>6 months to 31<br/>December 2009</b> | <b>6 months to 31<br/>December 2009</b> | <b>Total</b> |
|-----------------------------|---|---|--------------|
|                             | <b>Australia</b>                        | <b>US</b>                               |              |
|                             | \$                                      | \$                                      | \$           |
| Total segment revenue       | 14,325                                  | 25,236                                  | 39,561       |
| Segment net loss before tax | (485,493)                               | (1,206,974)                             | (1,692,467)  |

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

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### (ii) Segment assets

| Movement for the period          | Australia   | USA         | Total       |
|----------------------------------|-------------|-------------|-------------|
|                                  | \$          | \$          | \$          |
| Opening balance 1 July 2010      | 3,507,063   | 5,732,847   | 9,239,910   |
| Inter segment transfer           | (1,743,890) | 1,743,890   | -           |
| Additions                        | 37,851      | 467,992     | 505,843     |
| Disposals                        | (506,373)   | (2,324,578) | (2,830,951) |
| Closing balance 31 December 2010 | 1,294,651   | 5,620,151   | 6,914,802   |

### NOTE 6 – ISSUED CAPITAL

|   | Number      | \$         |
|---|-------------|------------|
| <b>6 months to 31 December 2010</b>                   |             |            |
| 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 |

|   | Number      | \$         |
|---|-------------|------------|
| <b>6 months to 31 December 2009</b>                   |             |            |
| As at 1 July 2009                                     | 125,125,859 | 13,993,049 |
| Issue of Shares for cash                              | 160,925,859 | 7,886,293  |
| Issue of shares at a deemed value of \$0.05 per share | 9,000,000   | 450,000    |
| Transaction costs                                     | -           | (431,982)  |
| At 31 December 2009                                   | 295,051,718 | 21,897,360 |

### NOTE 7 – OPTION ISSUE

During the six month period to 31 December 2010, 1,000,000 unlisted options were approved by shareholders to be issued to Mark Hart, CEO of Austin Exploration Limited. Those options have an exercise price of \$0.10 per option and have an expiry date of 30 November 2011.

Options issued and authorised for the period to 31 December 2010 are as follows:

|                                     | Number      |
|-------------------------------------|-------------|
| <b>6 months to 31 December 2010</b> |             |
| As at 1 July 2010                   | 187,612,930 |
| Issue of Options – unlisted         | 1,000,000   |
| Issue of Options – listed           | -           |
| At 31 December 2010                 | 188,612,930 |

### NOTE 8 – CONTINGENT LIABILITIES

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2010**

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### ***NOTE 9 – EVENTS OCCURRING AFTER THE REPORTING DATE***

Subsequent to 31 December 2010, the Company issued 39,900,000 ordinary shares to sophisticated investors raising \$1,197,000.

## DIRECTORS' DECLARATION

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The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 4 to 11 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 2010, 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.



**Dominic Pellicano**  
**Director**

**Adelaide**

Dated this 16 day of March 2011

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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 2010, 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 2010 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 auditor of Austin Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 2010 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.

**Material uncertainty regarding continuation as a going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the half-year financial report.

These conditions, as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial report.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



P S Paterson  
Partner

Adelaide, 16 March 2011