

Authorised by:
Company Secretary 070211



Notice of General Meeting of Members and Explanatory Statement

Austin Exploration Limited

ACN 114 198 471

Date: 17 June 2011

Time: 12.00pm

Place: HLB Mann Judd

Level 1 160 Queen Street Melbourne

NOTICE IS HEREBY GIVEN that a general meeting of shareholders of Austin Exploration Limited ACN 114 198 471 ('Austin' or 'the Company') will be held at the offices of HLB Mann Judd Level 1 160 Queen Street Melbourne on 17 June 2011 at 12.00pm (Melbourne time).

The Independent Expert has come to the conclusion that the proposed Joint Venture is fair and reasonable to the shareholders entitled to vote on Resolution 1 relating to the establishment of the Joint Venture.

Special Business:

1. Approval of Joint Venture between Kentucky Exploration Inc and Newtak Pty Ltd

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Section 208 of the Corporations Act 2001 (Cth), and as required by ASX Listing Rule 10.1, and for all other purposes:

The terms of the joint venture agreement between Kentucky Exploration Inc and Newtak Pty Ltd (ACN 122 817 449) as trustee of the Newtak Unit Trust outlined in and otherwise on the terms and conditions described in the Explanatory Statement accompanying this Notice of General Meeting, are approved and authorised."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by the following persons:

- a) Newtak Pty Ltd (ACN 122 817 449); and
- b) Mr Dominic Pellicano; and
- c) any associates of those respective persons.

However, the Company is not required to disregard a vote if:

- a) it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Approval of 25 January 2011 Share Issue

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue on 25 January 2011 of a total of 39,900,000 fully paid ordinary shares in the Company at \$0.03 per share to sophisticated investors on the basis set out in section 2 of the Explanatory Statement accompanying the notice convening this meeting, is approved and authorised."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 2 cast by:

- a) any person who participated in the issue referred to in that resolution; and
- b) any associate of those persons; and
- c) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company is not required to disregard a vote if:

- a) it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Approval to issue of shares and listed options under a placement

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to issue a total of up to 300,000,000 fully paid ordinary shares in the Company at \$0.035 per share together with 150,000,000 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date two years from date of issue) ("I Class Listed Options") and 150,000,000 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue) ("J Class Listed Options"), on the basis set out in Section 3 of the Explanatory Statement accompanying the Notice of this meeting."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 3 cast by:

- a) any person who participates in the issue referred to in that resolution; and
- b) any associate of those persons; and
- c) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company is not required to disregard a vote if:

- a) it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with the proxy form to vote as the proxy decides.

4. Approval to issue of shares and listed options under a Share Purchase Plan

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to issue a total of up to 71,428,572 fully paid ordinary shares in the Company at \$0.035 per share together with up to 35,714,286 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue) ("J Class Listed Options"), on the basis set out in Section 4 of the Explanatory Statement accompanying the Notice of this meeting."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 cast by:

- a) any person who participates in the issue referred to in that resolution; and
- b) any associate of those persons; and
- c) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company is not required to disregard a vote if:

- a) it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with the proxy form to vote as the proxy decides.

The Directors will not be entitled to participate in the Share Purchase Plan. Accordingly, they will be entitled to vote on Resolution 4. In addition, the Share Purchase Plan will close at least 1 day prior to the date of the meeting. Therefore, the Company will be able to determine which shareholders intend to participate in the Share Purchase Plan and those shareholders will be excluded from voting on the resolution.

5. Approval of issue of listed options

5.1 To consider, and if thought fit to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, the issue of 15,000,000 I Class Listed Options to Dominic Pellicano on the basis set out in Section 5 of the Explanatory Statement accompanying the Notice of this meeting, is approved and authorised."

5.2 To consider, and if thought fit to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, the issue of 15,000,000 I Class Listed Options to Dr Mark Hart on the basis set out in Section 5 of the Explanatory Statement accompanying the Notice of this meeting, is approved and authorised."

5.3 To consider, and if thought fit to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, the issue of 15,000,000 I Class Listed Options to Guy Thomas Goudy on the basis set out in Section 5 of the Explanatory Statement accompanying the Notice of this meeting, is approved and authorised."

5.4 To consider, and if thought fit to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, the issue of 5,000,000 I Class Listed Options to Dr James Michael Edwards on the basis set out in Section 5 of the Explanatory Statement accompanying the Notice of this meeting, is approved and authorised."

5.5 To consider, and if thought fit to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 10,000,000 I Class Listed Options to Employees on the basis set out in Section 5 of the Explanatory Statement accompanying the Notice of this meeting, is approved and authorised."

Voting exclusion statement

The Company will disregard any votes cast on:

- a) Resolution 5.1 by Dominic Pellicano;
- b) Resolution 5.2 by Dr Mark Hart;
- c) Resolution 5.3 by Guy Thomas Goudy;
- d) Resolution 5.4 by Dr James Michael Edwards;
- e) Resolution 5.5 by Employees,

and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed any associate of these persons.

However, the Company is not required to disregard a vote if:

- a) it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Background Information

To assist you in deciding how to vote on the above Resolutions, further details as background information to the Resolutions are set out in the Explanatory Statement forming part of this notice of meeting.

Voting Entitlement

The Company has determined that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at close of business (Melbourne time) on 15 June 2011, subject to the Constitution of the Company.

Proxies

A shareholder who is entitled to attend and vote at the meeting has a right to appoint a proxy and should use the proxy form accompanying this document. The proxy need not be a shareholder.

A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a shareholder at the meeting is suspended if the shareholder is present at the meeting. The proxy form must be signed and dated by the shareholder or the shareholder's attorney. Joint shareholders must each sign.

Proxy forms or the original of such other authority (if any) under which the proxy form is signed must be received by Computershare Investor Services Pty Ltd at GPO Box 242, Melbourne, VIC 3001 or by fax (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555 not later than 48 hours before the commencement of the meeting.

Custodian Voting – For Intermediary Online subscribers only (Custodians) please visit www.intermediaryonline.com to submit your voting intentions.



By Order of the Board
David Nairn
Company Secretary
Dated: 17 May 2011
Melbourne, Victoria

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Aus-Tex Exploration Inc. CHAIRMAN'S LETTER

Dear Shareholder Austin Exploration Limited

Accompanying this letter is a Notice of Meeting for a General Meeting of Shareholders to be held at 12pm on 10 June 2011.

The main purpose of the General Meeting is to seek Shareholder approval for the joint venture to be established between Kentucky Exploration Inc and Newtak Pty Ltd as trustee of the Newtak Unit Trust ("Newtak"), to approve a placement of shares and options to sophisticated investors, to approve a SPP and to approve options to be issued to Directors and employees.

In March 2008, Austin's wholly owned subsidiary, Aus-Tex Exploration Inc ("Aus-Tex"), entered into a Participation Agreement with Newtak and California Services Pty Ltd ("CS"). The purpose of the Participation Agreement was to obtain funding of up to US\$5,000,000 to enable Austin to drill a number of wells in the Park City Gas Field in Kentucky, USA and other fields that may be identified for oil and gas drilling.

Since March 2008, Newtak has advanced US\$2,250,000 to Austin and with accrued interest this liability totalled A\$4,342,344 as at 31 December 2010. CS has not advanced any funds under the Participation Agreement.

Due to a dispute between Austin and RET (the Operator of the Park City Gas Field), only 17 wells were drilled in the Park City Gas Field before all drilling had to stop pending the resolution of the legal action. As part of the settlement agreement, Austin had the acreage in which it had the right to drill reduced from 8,000 acres to 857 acres. Newtak then alleged that Austin was no longer capable of drilling the number of wells that were originally proposed because it no longer had sufficient acreage to do so. As a consequence, expected production from the Park City Field would be substantially reduced and this would reduce the amount of royalties payable under the Participation Agreement.

Newtak then claimed that Austin had failed to drill 50 wells by 1 January 2009 as orally agreed to prior to the execution of the Participation Agreement.

This problematic matter has plagued Aus-Tex for over two years and has caused considerable difficulty in terms of a focused strategy for the company and it has impacted shareholder value. It has had an impact on the ability of the company to raise required capital for shareholder growth and it has had a negative impact on the Company's name and goodwill. The fact of the matter is that most companies do not want to work with a Company that spends its energy and money litigating issues that could last for 5 to 10 years. Further, the time required to litigate issues is all negative energy in terms of time and money. This money and time needs to be directed to drilling and completion techniques to add value to the Company.

After several management meetings between Newtak and Aus-Tex, the two company's management teams have come to an agreement that should work for both companies. This work is based on a plan that new technologies will cause the Kentucky property to be a financially sound business enterprise. This should be a viable economic solution to the problem. These new technologies are associated with formation treatment via nitrogen foam and sand fracing and potential horizontal drilling.

Aus-Tex and Newtak do believe the project is worth developing and we have a JV commercial solution for the Aus-Tex shareholders and it solves the problem for Newtak as the companies work to explore, develop and produce the property. The JV will allow much more time to grow the company and we believe that the market will react favourably with the news that the dispute has been resolved and thus will add value for the shareholders.

Newtak has agreed to drop all potential, pending and future litigation with the advent of this new joint venture. Newtak will transfer its loan into the joint venture as their capital contribution so there will no longer be an obligation for Aus-Tex to repay the loan and Newtak will not require any past interest or royalty payments as part of this agreement.

Aus-Tex has agreed to be a 50 percent owner and partner in the joint venture. Aus-Tex has agreed to match the \$US2.25 million investment that Newtak is making to the JV. Aus-Tex has agreed to place the Park City and Sebree assets in the JV which Aus-Tex has valued at approximately \$US500,000 as part of their \$US2.25 million investment and to contribute \$US1,725,000 towards further exploration and development costs of these assets.

Further, there is the risk that the new technology may not work, but both parties are willing to attempt to apply the best oil and gas practices and technologies to make this a profitable venture for both companies. After Aus-Tex matches the initial \$US2.25 million investment by Newtak then each company will invest 50% of the required capital to advance the joint venture.

All costs to date are considered a sunk cost as the project has not been successful. All new investment capital will be focused on new technology and lands. There has been virtually no revenue from this Kentucky project to date. This problem has had an extremely negative impact on the shareholders as it relates to share price and the ability to raise future capital dollars. Again, this joint venture solves any potential litigation.

There is upside potential in the gas production if and when prices recover, but they cannot be quantified at this time due to the litigation associated with the gas gathering and processing system in the area between ATMOS and the other, non Aus-Tex, land owners. While Aus-Tex is not directly involved in this litigation the litigation does have the Park City gas gathering system and the processing system in an idle state. It has been idle for approximately 2 years and there is no indication when the issue may be resolved and the plant recommissioned.

Therefore the management of the company recommends that the shareholders vote for the Kentucky Exploration LLC joint venture as the most reliable method of putting this negative issue behind us.

The Company has appointed an Independent Expert to review the proposed transaction and his report is attached to the Explanatory Statement.

The Independent Expert has come to the conclusion that the Proposed Transaction is fair and reasonable to the shareholders of the Company entitled to vote on the Resolution.

All of the Directors of the company (except for Mr Pellicano who has declined to make a recommendation due to his interest in the matter) recommend that shareholders vote in favour of the resolution.

You are urged to read the Explanatory Statement carefully and to attend and vote at the General Meeting. If you are unable to attend, but wish to vote, complete the proxy form enclosed with the Notice and ensure that it reaches the address at least 48 hours prior to the meeting. If you are in doubt as to how to vote or in relation to any aspect of this Notice of Meeting or Explanatory Statement you should consult your investment or other professional advisor.

Mark Hart, Chairman of AusTex Exploration

EXPLANATORY STATEMENT

1. Resolution 1. – Approval of Joint Venture between Kentucky Exploration Inc, a wholly owned subsidiary of Aus-Tex Exploration Inc and Newtak Pty Ltd

Background

On 24 March 2008, the Company and its wholly owned subsidiary, Aus-Tex Exploration Inc (**Aus-Tex**), entered into a Participation Agreement with Newtak Pty Ltd (ACN 122 817 449) as trustee for the Newtak Unit Trust (**Newtak**) and California Services Pty Ltd.

Relationship to Dominic Pellicano

At the time the Participation Agreement was entered into, Mr Dominic Pellicano was a director of Newtak. Mr Pellicano is currently a Director of the Company but was not a Director of the Company at the time the Participation Agreement was entered into.

Mr Pellicano resigned as Director of Newtak on 29 October 2009.

Mr Pellicano also indirectly holds a minority interest in Newtak through his interest in Benford Pty Ltd and Essential Superannuation PTY Ltd, which are unitholders in the Newtak Unit Trust. Mr Pellicano does not control Newtak or the Newtak Unit Trust.

Terms of Participation Agreement

The Participation Agreement sets out the terms on which Newtak and California Services would advance up to USD\$5,000,000 to Aus-Tex for exploration and development activities on the Park City Kentucky Oil and Gas sites in the United States of America.

The funds were repayable on a 2-for-1 basis from production revenue, or from any other source of revenue as determined by Aus-Tex. Repayment of the funds was on a non-recourse basis, such that Aus-Tex was not obliged to make any repayments in the absence of production revenue.

Under the Participation Agreement, Newtak advanced USD\$2,250,000 to Aus-Tex. California Services has not advanced any funds under the Participation Agreement.

On a 2:1 basis of the funds advanced by Newtak, a total of USD\$4,500,000 is therefore required to be repaid by Aus-Tex from production from the Park City project. No repayments by Aus-Tex have been made to date.

Also under the Participation Agreement:

1. Aus-Tex agreed to assign to Newtak a royalty interest in the first 200 wells drilled in the Park City Gas Field; and
2. the Company agreed to grant to Newtak and CS up to 16,828,969 options over unissued fully paid ordinary AKK shares, exercisable at AUD\$0.25 per share and expiring three years from the date of issue (**Participation Options**).

The number of Participation Options would be decreased pro rata in the event that less than USD\$5,000,000 was advanced to Aus-Tex. Newtak's funding of USD\$2,250,000 therefore represents 7,573,036 Participation Options. The Participation Options have not yet been issued.

Dispute

Due to a dispute arising between Aus-Tex and RET (the Operator of the Park City Gas Field), only 17 wells were drilled in the Park City Gas Field. Details of the settlement of this dispute were announced to the ASX on 14 July 2009.

Explanatory Statement continued

Newtak alleges that as a result of the settlement with RET which reduced the acreage over which Aus-Tex had the right to drill wells from 8,000 acres to 857 acres, Aus-Tex is no longer capable of drilling the number of wells that were originally proposed because it no longer has sufficient acreage to do so. As a consequence, expected production from Park City will be substantially reduced and this reduces the amount of royalties payable under the Participation Agreement.

In addition, Aus-Tex has failed to drill 50 wells by 1 January 2009 as orally agreed to prior to the execution of the Participation Agreement.

Resolution of Dispute

As announced by the company on 14 January 2011, the parties agreed to form a joint venture between Kentucky Exploration Inc (KEI) (a wholly owned subsidiary of Aus-Tex Exploration Inc which is in turn a wholly owned subsidiary of Austin Exploration Limited) and Newtak Pty Ltd ("Joint Venture").

Terms and conditions of Settlement Agreement

Significant operational terms of the new joint venture agreement are as follows:

- A joint venture will be formed between KEI, Aus-Tex and Newtak, named Kentucky Exploration LLC,(KEL), major terms of which are:
 - Aus-Tex and Newtak will each hold 50% of the units in KEL and after the initial contribution, will share profits and losses from the operation of the joint venture on an equal basis;
 - KEL will operate oil and gas wells in the Park City and Sebree prospects and other leasehold prospects which may be acquired from time to time by the joint venture;
 - KEL will operate and manage the joint venture; and
 - The joint venture will continue in operation until 2040 or until production ceases.
- The Park City project will be vendored into the joint venture.
- The Sebree project will be vendored into the new joint venture.

Capital Contributions to the Joint Venture

Under the current Participation Agreement between Aus-Tex and Newtak, Newtak provided USD2.25million dollars as loan moneys to Aus-Tex to develop the Park City prospect. The accrued liability against that loan in the Austin balance sheet is \$4,342,344 as at 31 December 2010. In addition Newtak was to receive overriding royalties calculated as 9.5% of the production and 7,573,056 Share Options at an exercise price of \$AUD0.25 per share as part of the agreement.

Under the new joint venture agreement, the two parties will provide initial capital contributions as follows:

- Aus-Tex will provide USD1.75million funding as required, as equity to further develop the oil and gas fields and other projects;
- Aus-Tex will vend into the joint venture their interests in the Sebree prospect and the Park City prospect at an agreed value of USD500,000;
- Newtak will convert its USD2,250,000 loan in relation to the Park City Prospects as their contribution to the equity in the joint venture; and
- The new joint venture agreement will supercede and cancel the current participation agreement between Aus-Tex and Newtak.

Explanatory Statement continued

Upon shareholder approval of the joint venture, the Participation Agreement dated 24 March 2008 between Aus-Tex Exploration Inc, Newtak Pty Ltd and California Services Pty Ltd will be cancelled and all legal action will cease.

Approval under s 208 of the Corporations Act 2001 (Cth)

Section 208 of the *Corporations Act 2001* (Cth) prevents the Company from giving a 'financial benefit' to a related party, other than in certain circumstances, unless approval is given by the Company's shareholders.

The Company will be giving a financial benefit to a related party if the terms of the Settlement Agreement are fulfilled.

The information required by s 219 of the *Corporations Act 2001* (Cth) is as follows:

- a) *Related party to whom the proposed resolution would permit financial benefits to be given*

Mr Dominic Pellicano.

Mr Pellicano is a Director of the Company and has an interest in Benford Pty Ltd and Essential Superannuation Pty Ltd, unitholders in and creditors of the Newtak Unit Trust.

- b) *Nature of the Financial Benefit*

By entering into the joint venture, Newtak's share of the production from the Park City, Sebree and other Kentucky prospects may in the long run exceed the USD4,500,000 owing to Newtak and the royalties payable under the current Participation Agreement.

As Mr Pellicano holds an indirect minor interest in the Newtak Unit Trust, a benefit to a related party would arise.

- c) *Interests of Directors in Outcome of Resolution*

None of the Directors (other than Mr Pellicano) has an interest in the outcome of this Resolution.

- d) *All other material information*

All other material information known to the Directors in relation to Resolution 1 is set out elsewhere in this Explanatory Statement or in the Independent Expert's Report.

If approval is obtained

The cancellation of the Participation Agreement would remove the current high gearing of the Company's consolidated balance sheet by removing the non current liabilities from the balance sheet which would improve the asset backing per share for shareholders and present the company as more attractive to investors.

The comparison of the pro forma balance sheet before and after the cancellation would be as follows:

Explanatory Statement continued

	Reviewed Balance Sheet of the Group as at 31 December 2010	Pro Forma Balance Sheet after approval of the joint venture agreement by shareholders
	\$AUS	\$AUS
Current assets	1,725,051	1,725,051
Non current assets		
Exploration assets	3,865,451	546,969
Development assets	1,311,788	1,311,788
Other assets	12,512	12,512
Investment in joint venture	-	2,205,882
Total assets	6,914,802	5,802,202
Current liabilities		
Accrued expenses	73,769	1,789,455
Non-current liabilities		
Drilling advances	4,342,344	-
Total liabilities	4,416,113	1,789,455
Equity	2,498,689	4,012,747

- The above Proforma Balance Sheet was prepared based on an exchange rate of \$A to \$US 1.02.
 - The Park City and Sebree Fields had a cost base of \$A 3,318,482 at 31 December 2010 and are being transferred to the joint venture for an agreed value of \$A490,196. This results in an impairment of \$A 2,828,286 in the Austin balance sheet.
 - The interest component of the Newtak debt at 31 December 2010 of \$A 2,136,462 will be forgiven as will the loan balance of \$2,205,882 which will form Newtak's capital contribution to the joint venture.
 - Austin will contribute a further \$A1,715,686 to the joint venture as part of its capital contribution which will be paid on an "as required " basis.
1. The cancellation of the Participation Agreement will enable the joint venture to expand their interests in both Park City and Sebree prospects and other areas in Kentucky rather than applying all revenues from Park City to the repayment of the Newtak loans.
 2. With the joint venture in place, Aus-Tex would receive 50% of the net profit of the joint venture whereas under the Participation Agreement, Newtak would receive 100% of the net revenue until its loan and interest is repaid as well as 9.5% royalty on the production.
 3. By approving the joint venture, all litigation will cease and Aus-Tex has the opportunity to explore more projects through the participation of a supporting joint venture partner.

If approval not obtained

In the event that the Resolution is not approved,

1. The joint venture agreement will become inoperative and Newtak will be entitled to receive repayments under the Participation Agreement from all of the Park City production.

Explanatory Statement continued

2. In addition, Newtak may then pursue a claim for compensation against Aus-Tex as a result of the reduced royalties and rate of repayments caused as a consequence of the RET settlement.
3. All of the revenues from Park City would be paid to Newtak, thus leaving no revenue for working capital or the development of the potential additional wells in Park City.

All of the Company's Directors (except for Mr Pellicano who has declined to make a recommendation due to his interest in the matter) recommend that shareholders vote in favour of the Resolution.

These Directors consider that:

1. Approval of the joint venture will provide further funding to the Park City prospect to allow development to its full potential and for the acquisition, exploration and development of other prospects.
2. Conversion of Newtak's loan into Newtak's share of the joint venture capital contributions would improve the consolidated balance sheet of Aus-Tex and the Company and would allow Aus-Tex to utilise its share of the production for working capital.
3. A consolidated balance sheet free of external debt will assist in further capital investment in the Company.
4. Cessation of litigation will allow management to focus on the operations and provide greater flexibility to fund and grow the Company.

The Directors therefore consider that the creation of a joint venture and the cancellation of the Participation Agreement is a beneficial outcome for the Company.

ASX Listing Rule 10.10 requires the Company to provide a report to shareholders on the transaction establishing a joint venture from an independent expert on whether the transaction is fair and reasonable to the shareholders entitled to vote on the resolution.

The independent expert's report is attached to this Explanatory Statement and concludes that the transaction establishing the joint venture is fair and reasonable to the non-associated shareholders in the Company.

2. Resolution 2 - Approval of 25 January 2011 Share Issue

ASX Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period which, when aggregated with the value of the other securities issued within that 12 month period, exceed 15% of the number of ordinary shares on issue at the beginning of the 12 month period, unless the issue falls within one of the nominated exceptions or the prior approval of the members of the Company in general meeting is obtained. The Company has not exceeded the 15% threshold.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the Company's members subsequently ratify it. The effect of such ratification is to restore the Company's discretionary power to issue further shares up to 15% of the number of the Company's issued shares at the beginning of the relevant 12 month period without obtaining shareholder approval.

Shareholder approval of Resolution 2 will provide the Company with added flexibility in raising funds because it:

- renews the Company's capacity to issue further shares and options (to a limited extent) without exceeding the 15% limit in ASX Listing Rule 7.1; and
- allows the Company to issue further shares and options at short notice (without exceeding the 15% limit in ASX Listing Rule 7.1) and without seeking shareholder approval, where the resulting delay could compromise the success of a commercial transaction.

Explanatory Statement continued

The Company is seeking shareholder approval of the issue on 25 January 2011 of a total of 39,900,000 fully paid ordinary shares in the Company at a price of \$0.03 per share to sophisticated investors to raise \$1,197,000. None of the investors were related parties of the Company.

The shares were all issued on the same terms as the Company's existing fully paid ordinary shares.

The purpose of this capital raising was to enable the commencement of further exploration potential in its US operations

The Directors unanimously recommend that Shareholders vote in favour of the Resolution. The Chairman intends to vote undirected proxies in favour of this Resolution.

Other than the information set out in this Explanatory Statement, the directors are not aware of any additional information that would reasonably be required by shareholders to enable them to make a decision whether or not it is in the best interests of the Company to pass the proposed Resolution.

3. Resolution 3 – Approval of issue of shares and Listed Options under a placement

The Company has engaged Otsana Pty Ltd trading as Otsana Capital ("Otsana") as financial arranger/lead manager to raise on a best endeavours basis, up to \$10,530,000 through a capital raising to sophisticated and professional investors. Otsana will be paid brokerage of 6% on the funds raised and will be employed as financial advisor for the following twelve months at \$10,000 per month..

ASX Listing Rule 7.1 provides that the Company must obtain approval of the shareholders to issue shares which would exceed the 15% cap provided in ASX Listing Rule 7.1.

The Company is seeking shareholder approval of the issue to sophisticated investors 300,000,000 fully paid ordinary shares at a price of \$0.035 per share to raise \$10,500,000 together with 150,000,000 listed options over fully paid ordinary shares in the Company for \$0.0001 per option excisable at \$0.055 per option and a two year expiry date from the date of issue ("I Class Listed Options") and 150,000,000 listed options over fully paid ordinary shares in the Company for \$0.0001 per option excisable at \$0.055 per option and a one year expiry date from the date of issue ("J Class Listed Options"). The issue of the I Class Listed Options and J Class Listed Options will raise \$30,000. As at the date of this Notice, the shares are trading at \$0.038 each. The shares are therefore being issued at an 8% discount to this price.

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) the shares, I Class Listed Options and J Class Listed Options are proposed to be issued to sophisticated and professional investors introduced by Otsana, none of whom will be related parties of the Company;
- (b) all of the shares, I Class Listed Options and J Class Listed Options will be issued within 3 months of the date of the general meeting, or such longer period permitted by ASX;
- (c) the shares will be issued on the same terms as the Company's existing fully paid ordinary shares;
- (d) the I Class Listed Options which have a calculated theoretical value of \$2.595 million (based on the Black & Scholes valuation set out at the end of this Explanatory Statement), will be issued on the terms and conditions set out in Schedule 1;
- (e) the J Class Listed Options which have a calculated theoretical value of \$1.635 million (based on the Black & Scholes valuation set out at the end of this Explanatory Statement), will be issued on the terms and conditions set out in Schedule 2;
- (f) in the event that Resolution 3 is approved by shareholders, all of the shares, I Class Listed Options and J Class Listed Options are issued and the I Class Listed Options and J Class Listed Options are converted into shares (which would ordinarily only occur if they are 'in the money'), it will increase the number of shares on issue from 335,951,718 at the date of this Notice (assuming no further shares are issued) to 935,951,718. This would dilute existing

shareholders by approximately 64.1%. The Company notes that the I Class Listed Options and the J Class Listed Options are significantly 'out of the money' as at the date of this Notice; and

- (g) the funds raised from the capital raising are intended to be used to:
- (i) fund the obligations of Aus-Tex under the Joint Venture (as outlined above);
 - (ii) fund exploration activities of the Company in relation to the Birch Prospect (as announced to ASX on 19 April 2011);
 - (iii) should the proposed transaction in relation to the Niobrara Shale Project proceed (as announced to ASX on 11 May 2011), satisfy the Company's obligations in relation to the 'Niobrara Shale Project; and
 - (iv) meet general working capital and additional project generation commitments.

The application of the funds raised that is set out above is a statement of current intention as of the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors unanimously recommend the shareholders vote in favour of the Resolution. The Chairman intends to vote undirected proxies in favour of this Resolution.

4. Resolution 4 – Approval of issue of shares and Listed Options under a Share Purchase Plan

The Board has resolved to offer a 'Share Purchase Plan' to existing shareholders to enable them to participate in a placement of shares and J Class Listed Options.

The ASIC Class Order that allows a company to proceed with a Share Purchase Plan by way of a short disclosure letter does not apply in this circumstance because it does not allow the issue of options (only shares). As a result, the offer of shares and J Class Listed Options will take place under a prospectus that will be sent to shareholders in the coming weeks.

Further, the ASX Listing Rule exception that applies to Share Purchase Plans does not allow the issue of options. In light of this, the Company is required to seek shareholder approval to issue shares and J Class Listed Options under the proposed Share Purchase Plan.

ASX Listing Rule 7.1 provides that the Company must obtain approval of the shareholders to issue shares which would exceed the 15% cap provided in ASX Listing Rule 7.1.

The Company is seeking shareholder approval for the issue under the Share Purchase Plan of a total of up to 71,428,572 fully paid ordinary shares in the Company at \$0.035 per share together with up to 35,714,286 J Class Listed Options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue).

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) the shares and J Class Listed Options are proposed to be issued to existing shareholders in the Company under a Share Purchase Plan. Each shareholder will be offered a right to subscribe for a parcel of shares worth up to \$15,000 (428,571 shares) and will also be offered one J Class Listed Option for every share issued. No related parties will be entitled to participate in the Share Purchase Plan;
- (b) all of the shares and J Class Listed Options will be issued within 3 months of the date of the general meeting, or such longer period permitted by ASX;
- (c) the shares will be issued on the same terms as the Company's existing fully paid ordinary shares;

Explanatory Statement continued

- (d) the J Class Listed Options which have a calculated theoretical value of \$389,286 (based on the Black & Scholes valuation set out at the end of this Explanatory Statement), will be issued on the terms and conditions set out in Schedule 2;
- (e) in the event that Resolution 4 is approved by shareholders and all of the shares and J Class Listed Options are issued, the Share Purchase Plan will raise approximately \$2,503,571 and;
and
- (f) the funds raised from the capital raising are intended to be used to:
 - (i) fund the obligations of Aus-Tex under the Joint Venture (as outlined above);
 - (ii) fund exploration activities of the Company in relation to the Birch Prospect (as announced to ASX on 19 April 2011);
 - (iii) should the proposed transaction in relation to the Niobrara Shale Project proceed (as announced to ASX on 10 May 2011), satisfy the Company's obligations in relation to the Niobrara Project; and
 - (iv) meet general working capital and additional project generation commitments.

The application of the funds raised that is set out above is a statement of current intention as of the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors unanimously recommend the shareholders vote in favour of the Resolution. The Chairman intends to vote undirected proxies in favour of this Resolution.

5. Resolution 5 – Approval of issue of I Class Listed Options

Over the past 12 months, Directors and staff have expended considerable extra unaccounted time to ensure the Company's survival through most difficult times and to ensure the Company's ability to prosper into the future through raising additional capital.

No claim has yet been made on the Company for this extra time. It is now proposed that directors and other employees will, prior to 30 June 2011, be issued with I Class Listed Options with an exercise price of \$0.055 and a two year expiry date from date of issue. The directors are now seeking approval pursuant to Listing Rules 7.1, 10.11 and Section 208 of the Corporations Act from shareholders for the issue of I Class Listed Options to the following persons or their nominees as follows:

	I Class Listed Options	Value
Domenic Pellicano	15,000,000	\$259,500
Dr Mark Hart	15,000,000	\$259,500
Dr James Michael Edwards	5,000,000	\$86,500
Guy Edward Goudy	15,000,000	\$259,000
Employees	10,000,000	\$173,000

No amounts will be paid by the directors, employees or their nominees upon approval of this Resolution.

Approval pursuant to Listing Rule 7.1 is not required in order to issue I Class Listed Options to the Directors as approval is being obtained under Listing Rule 10.11. However, approval under Listing Rule 7.1 is required to issue the I Class Listed Options to employees (who are not related parties of the Company).

The Listing Rules and the Corporations Act require certain information to be contained in the notice of meeting and explanatory memorandum where shareholders will consider a resolution pursuant to Listing Rules 7.1 and 10.11 and Section 208 of the Corporations Act. This Information is set out below.

Explanatory Statement continued

- (a) *The maximum number of securities to be issued:* the number of I Class Listed Options to be issued is 60,000,000.
- (b) *The nature of financial benefit to be received:* The nature of the financial benefit to be received by the Directors is the issue of the I Class Listed Options outlined above.
- (c) *Interests of the Directors in securities in the Company:* The Directors currently have an interest in the following securities in the Company:

Director	Shares	Options
Domenic Pellicano	5,737,198	5,000,000
Dr Mark Hart	1,000,000	1,000,000
Dr James Michael Edwards	1,000,000	1,350,000
Guy Edward Goudy	1,000,000	1,000,000

- (d) *Remuneration being paid to the Directors:* The annual remuneration paid to each of the Directors is set out in the table below:

Director	Last Financial Year	Current Financial Year
Domenic Pellicano	\$70,000	\$70,000
Dr Mark Hart	\$3,667	\$194,000
Dr James Michael Edwards	\$40,030	\$40,000
Guy Edward Goudy	\$38,333	\$160,000

- (e) *The date by which the securities will be issued:* The I Class Listed Options will be issued no later than one month after the meeting to the Directors and no later than three months after the meeting in relation to the employees.
- (f) *The issue price of the securities:* These securities will be issued for nil cash consideration.
- (g) *The names of the allottees:* As set out above.
- (h) *The terms of the securities:* The I Class Listed Options will be issued on the terms and conditions set out in Schedule 1.
- (i) *The intended use of the funds received:* There will be no funds raised from the issue of the I Class Listed Options, however, the funds raised from the exercise of the options will be used to fund the Company's exploration projects and for general working capital requirements.
- (j) *Value of I Class Listed Options:* The value of the I Class Listed and the pricing methodology is set out below. The total value of I Class Listed Options to be issued to the Directors is \$1.038 million.
- (k) *Share price in last 12 months:* In the 12 months before the date of this Notice the highest, lowest and latest trading price of Shares on ASX are as set out below:

Highest	\$0.045
Lowest	\$0.025
Last	\$0.038

- (l) *Dilution:* If Shareholders approve the issue of I Class Listed Options to the Directors, the effect will be to dilute the shareholding of existing Shareholders by approximately 15.15% (4.46% for each of Mr Pellicano, Dr Hart and Mr Goudy, 1.48% for Dr Edwards and 2.98% for the employees), based on the number of Shares on issue at the date of this Notice and

8.62% (2.36% for each of Mr Pellicano, Dr Hart and Mr Goudy, 0.78% for Dr Edwards and 1.57% for the employees) assuming the issue to sophisticated investors in resolution three is approved. The market price for Shares during the term of the I Class Listed Options would normally determine whether or not the I Class Listed Options are exercised. If, at any time during the life of the I Class Listed Options, the Shares are trading on ASX at a price that is higher than the exercise price of the I Class Listed Options, there may well be a perceived benefit forgone by the Company.

- (m) *Purpose of the issue of the I Class Listed Options:* The primary purpose of the issue of the I Class Listed Options is to allow the Company to provide cost effective consideration to the Directors for historical work done and proposed to be done by the Directors for the Company. The options do not significantly dilute shareholders after the placement in Resolution 3 and are "out of the money" at the time of issue. While the options have a perceived value using the Black and Scholes methodology, they actually contemplate shares being issued at a price significantly above the current market price. Given this, and bearing in mind the exercise terms of the I Class Listed Options, the Directors do not consider that there are significant opportunity costs to the Company or benefits forgone by the Company in issuing the I Class Listed Options upon the terms proposed. The Company acknowledges that the issue of I Class Listed Options to Domenic Pellicano, James Michael Edwards and Guy Goudy is contrary to recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However the Board considers the issue of the I Class Listed Options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.
- (n) *Director Recommendations:*
- i. Domenic Pellicano declines to make a recommendation to shareholders in relation to Resolution 5.1 due to his material personal interest in the outcome of the Resolution. The Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5.1, recommend that shareholders grant approval to Resolution 5.1.
 - ii. Mark Hart declines to make a recommendation to shareholders in relation to Resolution 5.2 due to his material personal interest in the outcome of the Resolution. The Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5.2 recommend that shareholders grant approval to Resolution 5.2.
 - iii. James Michael Edwards declines to make a recommendation to shareholders in relation to Resolution 5.3 due to his material personal interest in the outcome of the Resolution. The Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5.3 recommend that shareholders grant approval to Resolution 5.3.
 - iv. Guy Edward Goudy declines to make a recommendation to shareholders in relation to Resolution 5.4 due to his material personal interest in the outcome of the Resolution. The Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5.4 recommend that shareholders grant approval to Resolution 5.4.

Valuation of I Class Listed Options

The I Class Listed Options have been valued by internally by management using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the I Class Listed Options have a 2 year life from their date of issue and are exercisable at \$0.055 each;
- (b) a price per Share of \$0.038 (being the last trading price of the Shares on ASX on [21 April 2011;
- (c) a common volatility factor of 100%(based on experience with similar sized companies);
- (d) an interest rate of 4.96% (being the risk free interest rate on government bonds with a similar maturity as the I Class Listed Options);
- (e) the valuations ascribed to the I Class Listed Options may not necessarily represent the market price of the A Class Listed Options at the date of the valuation; and
- (f) the valuation date for the I Class Listed Options is 21 April 2011.

Based on the above, the I Class Listed Options have been valued at \$0.0173 each.

Valuation of J Class Listed Options

The J Class Listed Options have been valued by internally by management using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the J Class Listed Options have a 1 year life from their date of issue and are exercisable at \$0.055 each;
- (b) a price per Share of \$0.038 (being the last trading price of the Shares on ASX on 21 April 2011;
- (c) a common volatility factor of 100%(based on experience with similar sized companies);
- (d) an interest rate of 4.88% (being the risk free interest rate on government bonds with a similar maturity as the J Class Listed Options);
- (e) the valuations ascribed to the J Class Listed Options may not necessarily represent the market price of the J Class Listed Options at the date of the valuation; and
- (f) the valuation date for the J Class Listed Options is 21 April 2011.

Based on the above, the J Class Listed Options have been valued at \$0.0109 each.

SCHEDULE 1 – Terms and conditions of I Class Listed Options

The I Class Listed Options entitle the holder to subscribe for shares on the following terms and conditions:

- (a) Each I Class Listed Option gives the Optionholder the right to subscribe for one share.
- (b) The I Class Listed Options will expire at 5.00pm (WST) on that date which is 2 years from their date of issue ("Expiry Date"). Any I Class Listed Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each I Class Listed Option will be \$0.055 ("Exercise Price").
- (d) The I Class Listed Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their I Class Listed Options by lodging with the Company, before the Expiry Date:
 - i. a written notice of exercise of I Class Listed Options specifying the number of I Class Listed Options being exercised; and
 - ii. a cheque or electronic funds transfer for the Exercise Price for the number of I Class Listed Options being exercised;("Exercise Notice").
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of shares required under these terms and conditions in respect of the number of I Class Listed Options specified in the Exercise Notice.
- (h) The I Class Listed Options are freely transferable.
- (i) All shares allotted upon the exercise of I Class Listed Options will upon allotment rank pari passu in all respects with other shares.
- (j) Subject to meeting the listing requirements, the Company will apply for quotation of the I Class Listed Options on ASX. The Company will also apply for quotation of all shares allotted pursuant to the exercise of I Class Listed Options on ASX within 10 Business Days after the date of allotment of those shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the I Class Listed Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the I Class Listed Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their I Class Listed Options prior to the date for determining entitlements to participate in any such issue.
- (m) An I Class Listed Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the I Class Listed Option can be exercised.

SCHEDULE 2 – Terms and conditions of J Class Listed Options

The J Class Listed Options entitle the holder to subscribe for shares on the following terms and conditions:

- (a) Each J Class Listed Option gives the Optionholder the right to subscribe for one share.
- (b) The J Class Listed Options will expire at 5.00pm (WST) on that date which is 1 year from their date of issue ("Expiry Date"). Any J Class Listed Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each J Class Listed Option will be \$0.055 ("Exercise Price").
- (d) The J Class Listed Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their J Class Listed Options by lodging with the Company, before the Expiry Date:
 - i. a written notice of exercise of J Class Listed Options specifying the number of J Class Listed Options being exercised; and
 - ii. a cheque or electronic funds transfer for the Exercise Price for the number of J Class Listed Options being exercised;("Exercise Notice").
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of shares required under these terms and conditions in respect of the number of J Class Listed Options specified in the Exercise Notice.
- (h) The J Class Listed Options are freely transferable.
- (i) All shares allotted upon the exercise of J Class Listed Options will upon allotment rank *pari passu* in all respects with other shares.
- (j) Subject to meeting the listing requirements, the Company will apply for quotation of the J Class Listed Options on ASX. The Company will also apply for quotation of all shares allotted pursuant to the exercise of J Class Listed Options on ASX within 10 Business Days after the date of allotment of those shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the J Class Listed Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the J Class Listed Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their J Class Listed Options prior to the date for determining entitlements to participate in any such issue.
- (a) A J Class Listed Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the J Class Listed Option can be exercised.

Explanatory Statement continued

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DMR CORPORATE

DMR

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9 May 2011

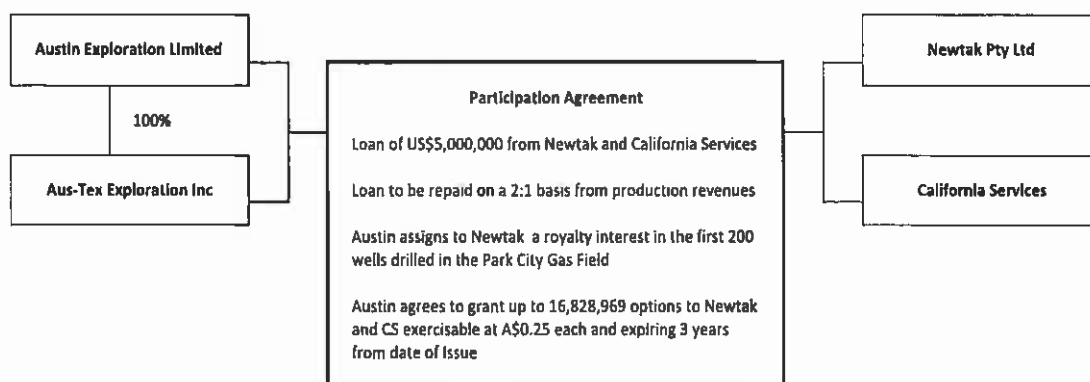
The Directors
Austin Exploration Limited
C/- HLB Mann Judd
Level 1, 160 Queen Street
Melbourne VIC 3001

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

- 1.1 You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report pursuant to Rule 10.1 of the Listing Rules ("Listing Rule 10.1") of the Australian Securities Exchange ("ASX") and Chapter 2E of the Corporations Act 2001 ("the Act") in respect of the proposed transactions described in Section 2 relating to the proposed restructure of Austin Exploration Limited's ("Austin" or the "Company") Participation Agreement with Newtak Pty Ltd as trustee for the Newtak Unit Trust ("Newtak") and California Services Pty Ltd ("CS").
- 1.2 Austin is a small petroleum exploration company listed on the ASX and in March 2008 its wholly owned subsidiary Aus-Tex Exploration Inc ("Aus-Tex") entered into a Participation Agreement with Newtak and CS. The purpose of the Participation Agreement was to obtain funding of up to US\$5,000,000 to enable Austin to drill a number of wells in the Park City Gas Field in Kentucky, USA and other fields that may be identified for oil and gas drilling.



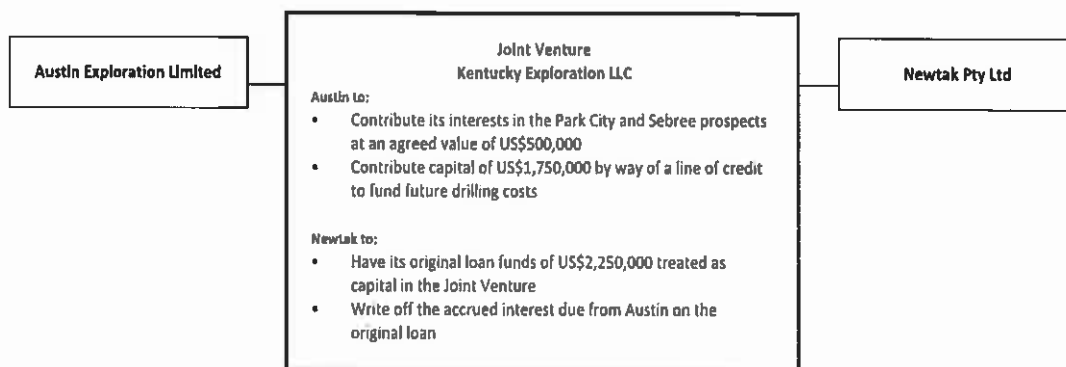
Throughout the remainder of this report we refer to all entities within the Austin Exploration Limited consolidated group as Austin rather than refer to each entity by its name.

1.3 Since March 2008 Newtak has advanced US\$2,250,000 to Austin and with accrued interest this liability totaled A\$4,342,344 as at 31 December 2010. CS has not advanced any funds under the Participation Agreement.

1.4 Due to a dispute between Austin and RET (the Operator of the Park City Gas Field), only 17 wells were drilled in the Park City Gas Field before all drilling had to stop pending the resolution of the legal action. As part of the settlement agreement Austin had the acreage in which it had the right to drill reduced from 8,000 acres to 857 acres. Newtak then alleged that Austin was no longer capable of drilling the number of wells that were originally proposed because it no longer has sufficient acreage to do so. As a consequence, expected production from the Park City Field would be substantially reduced and this would reduce the amount of royalties payable under the Participation Agreement.

Newtak then claimed that Austin had failed to drill 50 wells by 1 January 2009 as orally agreed to prior to the execution of the Participation Agreement.

1.5 In order to resolve the various breaches of agreements and undertakings and to restructure the financial aspects of the original Participation Agreement together with the advances made pursuant to that agreement, it was agreed between the parties that a 50% / 50% Joint Venture would be formed between Newtak and Austin. This Joint Venture would be structured as follows:



2. The Proposed Transaction

The Austin shareholders are being asked to vote on the following resolutions at the forthcoming general meeting:

Resolution 1 – That the terms of the joint venture between Kentucky Exploration Inc (a wholly owned subsidiary of Austin) and Newtak outlined in and otherwise on the terms and conditions described in the Explanatory Statement accompanying the Notice of Meeting, are approved and authorised.

Resolution 2 – That the issue on 25 January 2011 of a total of 39,900,000 fully paid ordinary shares in the Company at \$0.03 per share to sophisticated investors is approved and authorized.

Resolution 3 – That the issue of a total of 300,000,000 fully paid ordinary shares in the Company at \$0.035 per share together with 150,000,000 listed options for \$0.0001 per option (exercisable at \$0.055 per option and an expiry date two years from date of issue)(“I Class Listed Options”) and 150,000,000 listed options at an issue price of \$0.0001 per option (exercisable at \$0.055 per option and an expiry date one year from date of issue)(“J Class Listed Options”) is approved and authorized.

Resolution 4 – That the issue of up to 71,428,572 fully paid ordinary shares in the Company at \$0.035 per share together with up to 35,714,286 listed options at an issue price of \$0.0001 per

option (exercisable at \$0.055 per option and an expiry date one year from date of issue)("J Class Listed Options") is approved and authorized.

Resolution 5 – That the issue of 60,000,000 I Class Listed Options to Directors, executives and other staff is approved and authorised."

We are only required to report on resolution 1 pursuant to ASX Listing Rule 10.1 and this resolution is hereinafter referred to as the "Proposed Transaction".

We have also quantified the financial benefit that may be received by Mr. D. Pellicano from the Proposed Transaction pursuant to Section 208 of the Act.

The Austin directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable. The independent expert's report is to be prepared in accordance with the Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 – Content of expert reports – issued on 30 March 2011.

3. Summary Opinions

3.1 Fairness

3.1.1 In our opinion, the Proposed Transaction set out in Section 2 above is **fair and reasonable**.

Our principal reasons for reaching the above opinion is:

- In Section 7.5 we concluded that Austin may gain A\$1,100,000 to A\$2,850,000 depending on the value being placed on the Park City and Sebree Fields as determined in the Mitchell Valuation report.
- In Section 7.6 we concluded that Austin's net assets may increase by approximately A\$1,514,000 after the implementation of the Proposed Transaction.
- In Section 8.2 we concluded that as the Non-Associated Shareholders interests after the Proposed Transaction will be greater than the value of their interests before the Proposed Transaction, **the Proposed Transaction is fair**.

3.1.2 We have also reviewed the other significant considerations referred to in Section 9 of this report and we consider that **the Proposed Transaction is reasonable**.

3.2 Financial Benefits

In accordance with Chapter 2E of the Act, Mr. Pellicano may receive a financial benefit through his holding of units in Newtak of up to A\$211,325 if the Proposed Transaction proceeds – refer to Section 10 below.

4. Structure of this Report

This report is divided into the following Sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	4
6	Austin - Key Information	6
7	Assessment of Austin's Gain/(Loss) of Net Assets From the Proposed Transaction	10
8	Assessment as to Fairness	13
9	Other Considerations	14
10	Related Parties – Financial Benefits	15
11	Financial Services Guide	16
<u>Appendix</u>		
A	Sources of Information and Glossary of Terms	18
B	Declarations, Qualifications and Consents	19
<u>Attachment</u>		
1	Resource Evaluation Report – Park City Field & Sebree Field	20

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **ASX - Listing Rule 10**

Listing Rule 10 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- Mr. Pellicano is a director of Austin and as he was entitled to more than 10% of the voting securities of Newtak during the past six months through his interests in Benford Pty Ltd and Essential Superannuation Inc; and
- the transferring of a 50% interest in the Park City and Sebree prospects to the Joint Venture with Newtak exceeds 5% of the shareholders' funds of

Austin as set out in the latest financial statements given to the ASX (5% of A\$2,498,689 = A\$124,734),

Listing Rule 10 will apply to the Proposed Transaction.

- **General**

The terms “fair” and “reasonable” are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness - the Proposed Transaction is “fair” if the value of the Non-Associated Shareholders interests after the Proposed Transaction is greater than the value of their interests before the Proposed Transaction.

Reasonableness - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

In determining whether the Proposed Transaction is fair, we have:

Assessed Austin’s gain/(loss) from the Proposed Transaction (Section 7.5) and as a cross check (Section 7.6) we have:

- valued Austin before the Proposed Transaction;
- valued Austin after the Proposed Transaction; and
- compared the value of Austin before and after the Proposed Transaction.

In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposed Transaction.

- **Corporations Act – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company’s members if it gives a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act as set out in Sections 210 to 216 of the Act.

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm’s length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 228 of the Act defines ‘related parties’ as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;

- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

The transfer of the Park City Field and the Sebree Field to the Joint Venture in which Newtak has a 50% interest and Mr. Pellicano has a 10.25% interest in Newtak's 50% interest is permitted by the Act, however Section 208 provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the company's interests to approve the giving of the financial benefit.

Section 229(1)(c) of the Act states:

"In determining whether a financial benefit is given you must disregard any consideration that is or may be given for the benefit, even if the consideration is adequate."

The ASIC media release issued on 10 August 2004 has expressed the view that the financial benefit must be adequately valued. ASIC has gone on to state:

"An adequate valuation requires the basis of the valuation and the principal assumptions behind the valuation to be disclosed, and in some circumstances it may be necessary to provide a valuation by an independent expert."

Mr. Pellicano is a director of Austin and he has an indirect 10.25% interest in the Newtak Unit Trust of which Newtak is the trustee company. Mr. Pellicano consequently will gain a 5.125% indirect interest in the value of the Park City and Sebree Field assets that are being transferred into the Joint Venture.

The Directors of Austin have requested DMR Corporate to independently assess the value of the financial benefit, if any, that may be given to Mr. Pellicano as a result of the Proposed Transaction.

6. Austin - Key Information

6.1 Background

Austin was formed to explore for and develop oil and gas projects in the USA, Australia and India. In July 2006 Austin was listed on the ASX and it currently has exploration interests in the following areas:

1. Cooper Basin, Australia – PEL 105 oil and gas project

- Austin holds a 50% working interest
- P10 reserves for the planned Pirie #1 well are 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
- Due to extensive flooding in the well area, access to the drill site for the previously announced Pirie-1 well has not been possible. Until the area dries out sufficiently to allow access, Austin is unable to finalise exploration programs in conjunction with its joint venture partner

2. North Carrizo, Yolanda Villarreal #1 oil well – Dimmitt County, Texas, USA

- Austin holds a 45% BC/WI, a 36% AC/WI and a 27.36% NRI
- Producing formation is the Austin Chalk
- The well was completed and put on production 31 July 2010 and has been producing oil under natural pressure since that time

- During the month of August the well produced 4,186.4 barrels of oil
 - The highest daily production rate was 256.7 BOPD
 - The well will be put on pump when natural flow FTP rates decline
 - Daily production rates on pump are anticipated to be near the high IP rate
 - Estimated recovery of 200,000 – 250,000 barrels of oil is anticipated
3. **The Armstrong oil project – Ellislie Plantation #1 Well – Natchez, Mississippi, USA**
- Austin holds a 50% WI and a 37.5% NRI
 - Producing formation is Wilcox Sand
 - As at 10 January 2011 the well has produced 10,239 barrels of oil
 - Estimated recovery of 80,000 barrels of oil per well
 - Three well drilling program envisioned
 - First well (Armstrong #1) is completed and was put on production in May 2010
 - Daily production is currently at 62 barrels of oil
4. **Sebree oil project – Northwest, Kentucky, USA**
- Austin holds a 50% WI and a 37.5% NRI
 - Target formation is Tar Springs Sand
 - Estimated recovery of 80,000 barrels of oil
 - Five well drilling program envisioned
 - Two wells currently drilled and shut-in pending completion of a salt water disposal well
 - Production is anticipated to recommence in March/April 2011
 - Daily production estimated at 20 – 30 barrels of oil
5. **The Park City oil and gas project – Southwest, Kentucky, USA**
- Austin holds a 100% WI and a 78.125% NRI
 - Target formations are the Limestone and New Albany
 - Proven reserves of 298,180 barrels of oil and 120,980 Mcf of gas
 - Probable reserves of 870,180 Mcf of gas
 - PIIP reserves of 9.79 BCF of gas
 - 17 wells have been drilled
 - Four of these have been completed. Three are currently producing oil and one is capable of producing gas but has been shut-in
 - Daily production is currently averaging two to five barrels of oil
 - New completion and drilling methods to begin 1st quarter 2011
6. **The Commencement project – Adams County, Mississippi, USA**
- Austin holds a 50% WI and a 37.5% NRI
 - Drilling operations are expected to commence in early 2011
 - The operator on the project is the same Mississippi-based operator that Austin joint ventured with on the successful Armstrong oil project
 - Estimated recoverable reserves from this well are calculated to be between a minimum of 55,000 to 78,000 barrels of oil
 - In April 2011 Austin announced that crude oil has been discovered in both the Baker and Ratcliff formations
7. **The Bombing Range oil prospect – Vernon Parish, Louisiana, USA**
- Austin acquired a 34% WI and a 25.5% NRI in this project in November 2010
 - Drilling operations are expected to commence in early 2011
 - The operator on the project is the same Mississippi-based operator that Austin joint ventured with on the successful Armstrong oil project
 - Producing formation is the (1st) Wilcox Sands and the Sparta Formation
 - Estimated recovery of 505,000 barrels of oil
8. **The Seychelles oil project – East Africa Region**
- In October 2010 Austin finalised a Memorandum of Understanding (“MOU”) with WHL

Energy Limited to have the right to farm in up to 4% on the first well drilled in a multi-billion barrel off shore exploration project

6.2 Austin's Directors

The table below details Austin's Board of Directors.

Directors	Position
D Pellicano	Non-Executive Chairman
Dr. J M Edwards	Non-Executive Director
G T Goudy	Executive Director
Dr. M Hart	Executive Director

6.3 Share Capital

6.3.1 As at 7 April 2011 Austin had on issue 335,951,718 fully paid ordinary shares. The 10 largest shareholders of Austin's ordinary shares as at that date were as follows:

Name	Number	Percentage
National Nominees Limited	25,089,700	7.47%
Mr. Robert Anthony Healy	9,916,000	2.95%
Comsec Nominees Pty Limited	8,536,389	2.54%
Etrade Australia Nominees Pty Limited	6,322,701	1.88%
W Kelso Pty Ltd <W Kelso Pension Fund A/C>	6,181,189	1.84%
Sacco Developments Australia Pty Limited <The Sacco Family A/C>	5,520,945	1.64%
Minsk Pty Ltd	5,335,856	1.59%
Mr. Dominic Pellicano	5,000,000	1.49%
Paticoa Nominees Pty Ltd <Settlement A/C>	4,558,811	1.36%
Australian Global Capital P/L	4,237,600	1.26%
	<u>80,699,191</u>	<u>24.02%</u>

Source: Austin share register as at 7 April 2011

6.3.2 In addition to the listed shares, Austin also has the following classes of options on issue:

Class	Expiry Date	Number	Exercise Price
Ordinary	19/11/2011	146,512,930	AS0.10
'A' Class	30/6/2011	5,400,000	AS0.30
'B' Class	30/6/2011	12,600,000	AS0.50
'C' Class	30/6/2011	12,600,000	AS0.75
'D' Class	28/2/2012	541,667	AS0.24
'E' Class	1/3/2013	333,333	AS0.24
'F' Class	15/10/2011	500,000	AS0.20
'G' Class	30/11/2011	10,000,000	AS0.10
'H' Class	23/12/2012	1,200,000	AS0.10
		<u>189,687,930</u>	

Source: Austin ASX Appendix 3B - 3 March 2011

6.4 Financial Position

Austin's net assets as at 30 June 2009, 30 June 2010 as well as at 31 December 2010 were as follows:

	30 June 2009 Audited A\$	30 June 2010 Audited A\$	31 December 2010 Reviewed A\$
Current Assets			
Cash and cash equivalents	296,580	3,599,437	1,590,947
Trade and other receivables	4,737	93,849	92,117
Other current assets	20,956	25,121	41,987
Total Current Assets	<u>322,273</u>	<u>3,718,407</u>	<u>1,725,051</u>
Non-Current Assets			
Other non-current assets	8,582	32,377	-
Property, plant & equipment	75,282	27,479	12,512
Development and producing assets	-	1,809,925	1,311,788
Exploration and evaluation expenditure	4,574,682	3,651,722	3,865,451
Total Non-Current Assets	<u>4,658,546</u>	<u>5,521,503</u>	<u>5,189,751</u>
Total Assets	<u>4,980,819</u>	<u>9,239,910</u>	<u>6,914,802</u>
Current Liabilities			
Trade and other payables	311,845	469,470	73,769
Financial liabilities	2,796,750	3,971,484	4,342,344
Total Current Liabilities	<u>3,108,595</u>	<u>4,440,954</u>	<u>4,416,113</u>
Non Current Liabilities			
Financial liabilities	1,325,312	993,934	-
Total Non Current Liabilities	<u>1,325,312</u>	<u>993,934</u>	<u>-</u>
Total Liabilities	<u>4,433,907</u>	<u>5,434,888</u>	<u>4,416,113</u>
NET ASSETS	<u>546,912</u>	<u>3,805,022</u>	<u>2,498,689</u>

Source: Austin's 2010 Annual Report and 31 December 2010 half year accounts.

6.5 Financial Performance

Austin's Statements of Comprehensive Income for the years ended 30 June 2009 and 2010 and for the half year ended 31 December 2010 were as follows:

	Year Ended		Six Months Ended
	30 June 2009	30 June 2010	31 December 2010
	Audited A\$	Audited A\$	Reviewed A\$
Revenues			
Sale of oil and gas	18,682	100,838	487,750
Interest received	35,048	105,790	37,877
Other income	-	254,757	-
Total Revenues	<u>53,730</u>	<u>461,385</u>	<u>525,627</u>
Expenses			
Cost of sales	-	-	(156,746)
Directors fees	(156,080)	(188,697)	-
Share based payments	-	(474,286)	-
Employee benefits expense	(886,180)	(409,873)	(359,696)
Depreciation and amortisation expenses	(59,042)	(78,368)	(180,248)
Other expenses from ordinary activities	(1,401,283)	(1,667,590)	(784,023)
Impairment expense – exploration assets	(520,053)	(1,187,796)	-
Finance costs	(1,275,172)	(1,026,247)	(178,200)
Travel and accommodation expense	-	-	(68,991)
Total Expenses	<u>(4,297,810)</u>	<u>(5,032,857)</u>	<u>(1,727,904)</u>

Joint venture contribution	-	-	-
Loss before tax	(4,244,080)	(4,571,472)	(1,202,277)
Income tax benefit/(expense)	-	(185,135)	-
Loss after tax	(4,244,080)	(4,756,607)	(1,202,277)
Other comprehensive income:			
Exchange differences on translating foreign operations	279,635	(63,880)	(138,156)
Total comprehensive income for the period	(3,964,445)	(4,820,487)	(1,340,433)

Source: Austin's 2010 Annual Report and 31 December 2010 half year accounts.

7. Assessment of Austin's Gain/(Loss) of Net Assets From the Proposed Transaction

7.1.1 Value Definition

DMR Corporate's valuation of the Austin assets being transferred to the Joint Venture has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

7.1.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- asset based methods;
- capitalisation of future maintainable earnings;
- net present value of future cash flows; and
- comparable market transactions.

As the nature of the Proposed Transaction involves the transfer of the Park City and Sebree Fields to a Joint Venture that will be 50% owned by Austin, we considered that the value of these assets could be best obtained from either the 'asset based methods' or the 'net present value of future cash flows', namely:

- the cost values of these assets as determined in the accounting records; and
- a valuation of these assets prepared by a specialist. Messrs. William M. Mitchell and Richard F. Braun had prepared an Evaluation Report in March 2011 ("Mitchell Valuation") using the net present value of future cash flows and for the purposes of our report we have used this specialist report. We did not independently commission this valuation, however we have discussed the valuation with William M. Mitchell and we consider that the authors are independent of both Austin and Newtak and that they have the required expertise to prepare a report of this nature.

7.2 The Park City Field and Sebree Field

7.2.1 Evaluation Report

We have been provided with an Evaluation Report (Attachment 1) prepared by William M. Mitchell and Richard F. Braun dated 21 March 2011 (“Mitchell Valuation”) in which they stated that the report:

“provided an independent estimate of the value of the Austin lease interests in Edmonson County and Webster County, Kentucky. This evaluation is based on information and conditions existing on December 31, 2010. Austin as operator of the leases is currently engaged in evaluation of existing wells and the application of the latest oil field practices on the Park City and Sebree leases. A total of twenty wells will be drilled or reworked during 2011/2012. The status of the Austin 2011/2012 program is in the evaluation stage and is too preliminary to provide a basis for production levels.”

“Austin plans to invest US\$1,200,000 to complete/recomplete 20 wells in the Sebree and Park City fields. Experience from wells in Western Kentucky indicates the probability of achieving initial production levels of 1 BBL/Day to 4 BBL/Day follows:

BBL/DAY	1	2	4
Probability	90%	50%	10%

Based on assumptions detailed in Section 4, the Net Present Value of 100% of the expected revenue streams from 20 completed/ recompleted wells over 20 years at a constant oil price of US\$80/BBL is listed below.

BBL/DAY	1	2	4
Net Present Value @ 4%	US\$76,937	US\$929,338	US\$4,464,206

Production from wells producing from the same formation can vary significantly from well to well. Exact volumes for a given well cannot be predicted because of geologic variation and inconsistencies. Volumes typically vary from very low to quite significant. For this type of report a typical average volume is used. Actual results of the 20 well recompletion program may vary significantly. In actual practice, not all wells will be producers.”

The above net present value table has been converted to Australian dollars (A\$1.00:US\$1.02) as follows:

BBL/DAY	1	2	4
Net Present Value @ 4%	A\$75,429	A\$911,116	A\$4,376,673

The cash flow summaries for each of the above scenarios (1BBL/Day, 2BBL/Day and 4BBL/Day) specified the number of barrels that may be obtained in the first year of production and then the daily production was progressively reduced as the yield per well decreases over time.

7.2.2 The Park City oil and gas project – Southwest, Kentucky, USA

The Park City Field consists of 17 drilled wells, the costs for which was provided via the US\$2,250,000 which was borrowed on a 2:1 basis from Newtak. The loan is a non-recourse loan and is repayable from the Park City gross production less severances (i.e. production tax to the State of Kentucky). This field was presented as a ‘gas’ play to Newtak, no money was ever paid to Newtak because the Atmos Energy plant which extracts the nitrogen before the gas can be sold has been shut down and there is no

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guarantee that it will reopen in the near future or ever due to outstanding legal disputes not involving Austin. There is no other plant within easy access, which is commercially viable.

As at 31 December 2010 Austin had expended A\$3,087,810 on this project.

7.2.3 Sebree oil project – Northwest, Kentucky, USA

Austin acquired a 50% WI for a 37.5% NRI in December 2009 for US\$244,435 and after a brief period the operator (KOS Energy) suspended operations due to the high volume of water encountered in the first drilled well. The high cost of carting away and disposing of the water rendered the operation not commercially viable. The 50% partner has offered to transfer its interests to Austin for the sum of US\$300,000. This offer may indicate that Austin's 50% interest in the Sebree Field is at best valued at US\$300,000.

As at 31 December 2010 Austin had expended A\$230,672 on this project.

7.2.4 Cost Base Valuation

Based on the above summaries of the costs of acquisition and development to date we consider that the Park City and Sebree oil and gas fields have a value of approximately A\$3,318,482.

7.3 Liability to Newtak

As at 31 December 2010 Austin owed Newtak the sum of A\$4,342,344 and as an integral part of the Proposed Transaction this debt would be forgiven.

7.4 Investment in the Joint Venture

A further part of the Proposed Transaction is that Austin has agreed to fund a further A\$1,715,686 of capital in the Joint Venture and these funds will be used for exploration in relation to the Park City and Sebree Fields.

7.5 Austin's Gain/(Loss) from the Proposed Transaction

Austin's gain/(loss) from the Proposed Transaction may be summarized as follows:

	Mitchell Valuation Low		Mitchell Valuation High	
	100% US\$	A\$	100% US\$	A\$
Gain from forgiveness of debt payable to Newtak as at 31 December 2010		4,342,344		4,342,344
Less: 50% interest in Park City and Sebree Fields transferred into the Joint Venture	76,937	(37,714)	3,656,000	(1,792,157)
Less: further capital contribution to the Joint Venture	1,750,000	(1,715,686)		(1,715,686)
Drilling costs committed and accounted for in the Mitchell Valuation	(1,200,000)			
	<u>550,000</u>	<u>269,608</u>		<u>269,608</u>
Austin's gain from Proposed Transaction		<u>2,858,551</u>		<u>1,104,109</u>

Based on the Proposed Transaction Austin may gain A\$1,104,109 to A\$2,858,551 (say A\$1,100,000 to A\$2,850,000), depending on the value placed on the assets being transferred into the Joint Venture.

7.6 Austin's balance sheet will change as a result of the Proposed Transaction as follows:

Account	Balance Per 31/12/2010 Accounts A\$	Adjustments		Adjusted Balance A\$
		DR A\$	CR A\$	
CURRENT ASSETS				
Cash and cash equivalents	1,590,947			1,590,947
Trade and other receivables	92,117			92,117
Other current assets	41,987			41,987
TOTAL CURRENT ASSETS	1,725,051	-	-	1,725,051
NON-CURRENT ASSETS				
Investment in JV	-	490,196		2,205,882
		1,715,686		
Property, plant and equipment	12,512			12,512
Development and producing assets	1,311,788			1,311,788
Exploration and evaluation expenditure	3,865,451		3,318,482	546,969
TOTAL CURRENT ASSETS	5,189,751	2,205,882	3,318,482	4,077,151
TOTAL ASSETS	6,914,802	2,205,882	3,318,482	5,802,202
CURRENT LIABILITIES				
Trade and other payables	73,769		1,715,686	1,789,455
Financial liabilities	4,342,344	4,342,344		-
TOTAL CURRENT LIABILITIES	4,416,113	4,342,344	1,715,686	1,789,455
NON-CURRENT LIABILITIES				
Long-term financial liabilities	-			-
TOTAL NON-CURRENT LIABILITIES	-	-	-	-
TOTAL LIABILITIES	4,416,113	4,342,344	1,715,686	1,789,455
NET ASSETS	2,498,689	6,548,226	5,034,168	4,012,747
EQUITY				
Issued Capital	21,927,359			21,927,359
Reserves	28,253			28,253
Retained Earnings	(19,456,923)	2,828,286	4,342,344	(17,942,865)
TOTAL EQUITY	2,498,689	2,828,286	4,342,344	4,012,747

Notes to the above Pro Forma balance sheet:

1. The Park City Field and the Sebree Field (cost base A\$3,318,482) are both being transferred to the Joint Venture and the Proposed Transaction places a value of US\$500,000 on these assets. This results in an impairment of A\$2,828,286 in the Austin balance sheet.
2. The existing debt as at 31 December 2010 (plus accrued interest) of A\$4,342,344 will be forgiven by Newtak.
3. Austin has agreed to contribute A\$1,715,686 to the capital of the Joint Venture for it to become an equal 50%:50% partner with Newtak. The 2 joint venture partners will share in all future revenues and costs on an equal basis and no royalties will be payable to either party.
4. On the above basis Austin will gain A\$1,514,058 of net assets and it will become an equal partner with Newtak once the Proposed Transaction has been approved and implemented.
5. The above Pro Forma balance sheet was prepared based on an exchange rate of A\$1.00 to US\$1.02.

Based on the above analysis, Austin's net assets will increase by approximately A\$1,514,000 as a result of the Proposed Transaction.

8. Assessment as to Fairness

8.1 Definition

In Section 5 we defined fairness as follows:

The Proposed Transaction is "fair" if the value of the Non-Associated Shareholders interests after the Proposed Transaction is greater than the value of their interests before the Proposed Transaction.

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- 8.2 In Section 7.5 we concluded that Austin may gain A\$1,100,000 to A\$2,850,000 depending on the value placed on the Park City and Sebree Fields as determined in the Mitchell Valuation report.

In Section 7.6 we concluded that Austin's net assets will increase by approximately A\$1,514,000 as a result of the Proposed Transaction.

As the Non-Associated Shareholders interests after the Proposed Transaction will be greater than the value of their interests before the Proposed Transaction, we have concluded that **the Proposed Transaction is fair.**

9. Other Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the Non-Associated Shareholders should also consider the following factors:

- In Section 8 above we concluded that the Proposed Transaction is fair.
- As the Proposed Transaction is fair it is also considered to be reasonable, however we consider that the Austin shareholders should also take into consideration the following matters if the Proposed Transaction proceeds:
 - The terms specified in the March 2008 Participation Agreement will be cancelled and this will result in Austin receiving 50% of all net future revenues from the Park City and Sebree Fields and:
 - (a) no royalties will be payable to Newtak (previously 9.5% of production);
 - (b) no options (previously 7,573,056 options) will be granted to Newtak and CS;
 - (c) the Newtak advances to Austin of US\$2.25 million, together with accrued interest will be forgiven.
 - The present high gearing of Austin's consolidated balance sheet will be removed through the forgiveness of the Newtak loan and accrued interest;
 - Austin will be able to proceed with its exploration and drilling programs;
 - All litigation involving Austin will cease.
- If the Proposed Transaction is not approved then the Non-Associated Shareholders should recognise that:
 - The terms of the original Participation Agreement will remain and this means that:
 - (a) Austin will have to repay Newtak its outstanding loan monies from the future sales proceeds of oil, gas and other production. This will leave only minor amounts of net revenues from current operations for the benefit of the existing shareholders and the funding of future operations;

- (b) Royalties equal to a 5% net revenue interest will be paid to Newak from the Park City Field;
- (c) Austin will have to grant Newtak 7,573,036 options to acquire Austin shares with an exercise price of \$0.25 and an expiry date of 3 years from the date of issue;
- (d) Newtak may pursue a claim for compensation against Austin as a result of reduced royalties and the rate of repayments caused as a result of the RET settlement.

After reviewing the results of our assessment of the fairness of the Proposed Transaction set out in Section 8 and after considering the significant factors set out above, we consider that the **Proposed Transaction is fair and reasonable.**

10. Related Parties – Financial Benefits

- 10.1 Mr. D Pellicano holds a 10.25% interest in the Newtak Unit Trust and for the purposes of Chapter 2E, he is deemed to be a related party to the Proposed Transaction.
- 10.2 In Section 7.2.1 above we noted that the Park City and Sebree Fields were valued in the Mitchell Valuation in a range of US\$75,428 to US\$3,584,205.

The Park City and Sebree Fields are the assets that are being transferred into the Joint Venture and Newtak will have a 50% interest in the Joint Venture and Austin the other 50%.

Austin will also be contributing capital amounting to US\$1,750,000, however part of this sum (US\$1,200,000) has already been accounted for in the Mitchell valuation as they have allowed for this expenditure to be spent in order to obtain the future oil production from 20 wells that has been used in their valuation.

Following completion of the above transactions the Joint Venture Pro Forma balance sheet may be as follows:

Joint Venture Pro Forma Accounts	US\$ Low	A\$ Low	US\$ High	A\$ High
Park City and Sebree Fields - Mitchell Valuation	76,937	75,428	3,655,889	3,584,205
Capital contribution from Austin	1,750,000	1,715,686	1,750,000	1,715,686
Monies to be spent on drilling already taken into account in the Mitchell Valuation	(1,200,000)	(1,176,471)	(1,200,000)	(1,176,471)
Sub Total	626,937	614,644	4,205,889	4,123,421
50% interest	313,469	307,322	2,102,945	2,061,710

Newtak will have a 50% interest in the Joint Venture and Mr. Pellicano will have a 10.25% interest in Newtak's interest (A\$307,322*10.25%=A\$31,501 to A\$2,061,710 *10.25%= A\$211,325).

- 10.3 In our opinion Mr. Pellicano may receive a financial benefit of up to \$211,325 if the Proposed Transaction proceeds.

11. Financial Services Guide

11.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

11.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of investors in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale investors.

11.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

11.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

11.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with Austin, Newtak, CS or their associates.

Drafts of this report were provided to and discussed with a Director and the Company Secretary of Austin. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR

DMR Corporate and its related entities do not have any shareholding in or other relationship with Austin that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed acquisition.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

11.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$27,500 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

11.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

Derek Ryan
Director

Paul Lom
Director

Sources of Information and Glossary of Terms

Sources of Information

- The Notice of General Meeting which this report accompanies;
- Austin's annual financial statements for the year ended 30 June 2010;
- Austin's interim financial report for the half year ended 31 December 2010;
- Pro Forma financial statement prepared on the 31 December 2010 financial statements adjusted for the implementation of the Proposed Transaction;
- Park City Gas Field Participation Agreement dated 24 March 2008;
- Park City and Sebree Field Evaluation Report prepared by William M. Mitchell and Richard F. Braun on 21 March 2011;
- Austin's share register as at 7 April 2011;
- ASIC search – Newtak Pty Ltd
- Newtak – Register of Unit Holders as at 31 December 2010;
- Newtak Unit Trust financial statements for the year ended 30 June 2010
- ASX announcements by Austin since 1 January 2010;
- Joint Venture Agreement dated 12 January 2011; and
- Discussions with the Non-Executive Chairman and the Company Secretary of Austin.

Glossary of Terms:

AC	After Casing Point
BBL	Barrels of oil
BC	Before Casing Point
BOPD	Barrels of oil per day
Mcf	Million cubic feet
NRI	Net revenue interest
WI	Working interest

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Austin pursuant to Chapter 10 of ASX listing rules and Chapter 2E of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Austin Explanatory Memorandum.

Resource Evaluation Report – Park City Field and Sebree Field

AusTex Exploration, Inc.
Resource Evaluation Report

**Prepared According To
National Instrument 51-101**

**PARK CITY – SEBREE FIELD
EDMONSON – WEBSTER COUNTY
KENTUCKY**

EVALUATION REPORT

WILLIAM M. MITCHELL

Registered Professional Geologist, State of Kentucky, #1426

RICHARD F. BRAUN

Registered Member of Society of Petroleum Engineers, #3517494

MARCH 21, 2011

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1.0 INTRODUCTION

1.1 AUTHORIZATION

This report was authorized by AusTex Exploration, Inc., to provide an independent estimate of the value of the AusTex Exploration lease interests located in Edmonson County and Webster County, Kentucky. This evaluation is based on information and conditions existing on December 31, 2010. AusTex as operator of the leases is currently engaged in evaluation of existing wells and the application of the latest oil field practices on the Park City and Sebree leases. A total of twenty wells will be drilled or reworked during 2011/2012. The status of the AusTex 2011/2012 program is in the evaluation stage and is too preliminary to provide a basis for projection of production levels.

1.2 INTENDED PURPOSE AND USERS OF THIS REPORT

This Report is to assess the value of the Kentucky properties and potential for the 2011 / 2012 well rework program based on application of current geologic, engineering and operational technology and practices.

1.3 OWNER CONTACT AND PROPERTY INSPECTION

The consultants have had frequent contact with the Client including contact up to the date of this Report. Mr. Mitchell has personally inspected the subject properties and Mr. Braun has personally inspected the AusTex accounting records.

1.4 SCOPE OF WORK

This Report is intended to describe and quantify the potential value and oil resources contained within the Park City and Sebree properties located in Edmonson and Webster counties, Kentucky, USA.

1.5 APPLICABLE STANDARDS

This Report has been prepared in accordance with Canadian National Instrument 51-101. The National Instrument requires disclosure of specific aspects of the prospects.

1.6 ASSUMPTIONS AND LIMITING CONDITIONS

AusTex has negotiated attractive terms for increasing their interest in the Sebree prospect. AusTex will increase their working interest in the field from 50% to 100%. This will provide AusTex an increased net revenue interest.

This Report is limited to a report on the value and potential of oil resources of the property.

The accuracy of any estimate is a function of time, data, geological information, engineering and commercial interpretation and judgment.

1.7 INDEPENDENCE / DISCLAIMER OF INTEREST

The consultants have acted independently in the preparation of this Report. The consultants have no direct or indirect ownership in the property appraised or the area of study described. Mr. William M. Mitchell and Mr. Richard F. Braun are signing off on this report which they have prepared as qualified persons.

The consultants' fee for this report and the other services that may be provided are not dependent on the amount of resources estimated.

EXECUTIVE SUMMARY

In 2009 AusTex Exploration Inc. acquired working interest in the Park City and Sebree oil and gas fields located in Edmonson and Webster counties in South Central and Western Kentucky. Under the acquisition agreement AusTex became operator of the Park City properties. AusTex authorized this investigation to establish an independent evaluation of the Park City and Sebree holdings of AusTex Exploration Inc. and to derive a creditable estimate of resources. The primary focus is on the value of the tangible property and reasonable estimate of the production to be realized from a planned 20-well completion/ recompletion program.

In spite of the fact that there appears to be geologic strata capable of oil and gas production in both fields, as of 12/31/2010 there had been no significant revenue from either field. The Park City field is capable of producing natural gas and the formations are predominantly gas bearing although there is presence of oil hydrocarbons. However, the gas gathering and processing provider for the Park City field, Atmos, Inc., has shut in the gathering and processing facilities due to ongoing litigation. As a result there is no market for gas produced from the Park City field for the foreseeable future. AusTex is not involved in the Atmos litigation.

The Park City and Sebree fields consist of a total of 14 oil and gas leases covering 992.71 acres in the Park City field and 157 acres in the Sebree field. The Sebree field, located in Webster County, Kentucky, is approximately 80 miles northwest of Austin Exploration's Bowling Green, Kentucky office. The Park City field is located in Edmonson County, Kentucky, and is 15 to 20 miles northeast of Bowling Green. The locations of both areas are depicted on figure 1 and figure 2. Figure 1 shows the counties of Kentucky and Figure 2 is a geologic map of the state of Kentucky. Both maps are published by Kentucky Geological Survey.

During 2009 and 2010 AusTex invested a total of \$537,000 in the Sebree and Park city fields. This investment is broken down as follows:

Sebree Acquisition -----	\$225,000
Pump jacks, Tanks, Down Hole Casing -----	\$92,000
Roads, Pads, Salt Water Injection Well, Other -----	\$90,000
Acquire Park City Leases -----	\$20,000
Recompletions and data acquisition -----	\$ 110,000
 Total -----	 \$537,000

Mr. Braun has inspected the accounting records and verified these figures. AusTex plans to invest \$1,200,000 to complete / recomplete 20 wells in the Sebree and Park City fields. Experience from wells in Western Kentucky indicates the probability of achieving initial production levels of 1BBL/Day to 4BBL/Day follows:

BBL/Day	1	2	4
Probability	90%	50%	10%

Based on the assumptions detailed in Section 4, the Net Present Value of 100% of the expected revenue streams from 20 completed / recompleted wells over 20 years at a constant oil price of \$80/ BBL is listed below. In addition, the cumulative cash flow streams to be realized over 20 years for each of the partners from the 20 well completion / recompletion program are also listed below.

BBL/day	1	2	4
Net Present Value @4%	\$76,937	\$929,338	\$4,464,206

Production from wells producing from the same formation can vary significantly from well to well. Exact volumes for a given well cannot be predicted because of geologic variation and inconsistencies. Volumes typically vary from very low to quite significant. For this type of report a typical average volume is used. Actual results of the 20 well recompletion program may vary significantly. In actual practice, not all wells will be producers.

2 REQUIRED DISCLOSURES REGARDING PROSPECTS

2.1 OVERVIEW OF AUSTEX EXPLORATION LEASE HOLDINGS, LOCATION BASIN NAMES

The oil and gas leases owned by AusTex Exploration Inc., in the Park City area of Edmonson County, Kentucky are located in the southeastern part of the county and just to the north of Interstate 65 and US Highway 31W (both roads trend east west at the location of interest). This location is approximately 15 to 20 miles northeast of Bowling Green, Kentucky, and approximately 80 miles southwest of Louisville, Kentucky. The study area is located on the USGS 7.5 minute Rhoda and Smith’s Grove Quadrangle maps.

I visited the sites and observed the subject area is located within an environmentally sensitive area in which karst features (sink holes) dominate the surface morphology and the area is located within a few miles of the southern boundary of Mammoth Cave National Park.

The AusTex Exploration leases and drilled wells studied are centered in Carter Coordinates H40 and H-41. These nearly two township equivalent land grid have had a total of 85 wells drilled to various depths with the majority being drilled to the sub-Devonian shale "corniferous". The study area encompasses 40 to 50 square miles and all well data and information that is available to the public has been reviewed to complete this evaluation. Additionally in-house Austin Exploration information has been reviewed and incorporated into the interpretation. The base map used for the subsurface mapping of the study area was modified from a 7.5 minute topographic quadrangle with all oil and gas wells drilled posted. The base map was obtained from the Kentucky Geological Survey.

2.2 EXPIRY DATE OF INTEREST

Park City and Sebree properties are all held by production.

2.3 DESCRIPTION OF TARGET ZONE - GEOLOGIC SETTING

2.3.1 PARK CITY

The study area is located on the southeast rim of the Illinois Basin, which is centered in southern Illinois, and western and south central Kentucky. This Basin has been and continues to be a significant producer of hydrocarbons. Multiple horizons are hydrocarbon bearing from depths ranging from a few hundred feet below the surface to nearly 3000 feet below sea level. Productive reservoirs include virtually every sedimentary rock type present, including sandstones, carbonates and shales. Reservoir trapping mechanisms include both structural traps (anticlines, faults & fractures) and stratigraphic traps. Reservoirs of Pennsylvanian, Mississippian, Devonian and Silurian Age have been established. The study area is bounded on the east and southeast by an area known as the Cumberland Saddle area, which is a slightly structurally low area on the axis of the Cincinnati Arch between the Jessamine Dome area of central Kentucky and the Nashville Dome area of central Tennessee. The Cincinnati Arch separates the Illinois Basin to the west and the Appalachian Basin to the east. The saddle area has hydrocarbon production established from Mississippian, Devonian, Silurian, Ordovician and Cambro-Ordovician age rocks. Much of the oil and gas production in the Cumberland saddle area is fractured controlled.

The subsurface structural map (Fig. 3) generated for the purpose of this study is constructed on the base of the New Albany Shale at a scale of one inch equals two thousand feet (same scale as the USGS 7.5 minute topographic and geologic quadrangles). A copy of this map is contained within the report as figure 3.

The hydrocarbon production established to date from all zones appears to be primarily influenced by fracturing. The shallow Ft. Payne and Devonian shale gas production is often present from both zones in individual wells while one zone or the other may be present in nearby wells. Structural position in the shallow zones and the "Corniferous" zones appears to influence the presence of production but is not thought to be the controlling factor. Immediate offsets that are structurally high are often absent of production in the "Corniferous". One has to conclude that either porosity has developed on the flanks of structures or fractures are present in the productive wells and absent in the dry holes.

Hydrocarbon production has been established in the study area from the Warsaw, Ft. Payne, New Albany Shale and the "Corniferous. Natural gas predominates in the former three zones and oil is predominant in the "Corniferous" zones. A total of three different zones in the "Corniferous" have been established as hydrocarbon productive.

The hydrocarbon production established to date from all zones appears to be primarily influenced by fracturing. The shallow Ft. Payne and Devonian shale gas production is often present from both zones in individual wells while one zone or the other may be present in nearby wells. Structural position in the shallow zones and the "Corniferous" zones appears to influence the presence of production but is not thought to be the controlling factor. Immediate offsets that are structurally high are often absent of production in the "Corniferous". One has to conclude that either porosity has developed on the flanks of structures or fractures are present in the productive wells and absent in the dry holes.

2.3.2 SEBREE

The area in which the AusTex Exploration Inc., leasehold interests are located in Western Kentucky is bounded on the south by a regional fault (Sebree fault), which is a part of the Rough Creek fault system that traverses the western part of the state in an east west direction. The two leases in which Austin Exploration owns a 50% working interest are located on the 7.5 minute United States Geologic Survey Sebree Quadrangle. The area has been hydrocarbon productive since the late 1920's from multiple formations of Pennsylvanian and Mississippian age. Approximately ten million barrels of oil had been produced from reservoirs in the Sebree Quadrangle by the early 1970s. Since then an additional several million barrels has been produced from the area. The subject leases are located within Sebree field which was discovered in 1928 and has been primarily oil productive from the Mississippian age Tar Springs sands, the Jackson sand and the McClosky Lime.

The area that has been the subject of this investigation is located immediately north of the Sebree fault and is situated on a low relief anticlinal structure that has produced from the Tar Springs sands and shallow Pennsylvanian sand (approx. 800').

2.4 DISTANCE TO THE NEAREST COMMERCIAL PRODUCTION

2.4.1 PARK CITY

There have been 85 wells drilled for hydrocarbons within the 40 to 50 square mile in Park City study area in the last seventy years. The Mississippian Age Warsaw and Ft. Payne Limestone and the Devonian age New Albany/Chattanooga Shale are gas productive within the study area. Several zones below the base of the Devonian shale within what is termed "Corniferous" have been oil productive and to a lesser extent gas productive.

The subsurface map constructed for this study consists of a subsurface structural map drawn on the base of the Devonian shale (or the top of the "Corniferous"). Since in the past many wells were drilled with no wire line geophysical logs being run in the boreholes, great dependence is required on the use of drillers lithologic descriptions to construct maps. The top and base of the black Devonian shale are usually the most reliable driller's tops that one can rely on for accuracy. A map on the base of the shale or top of the "corniferous" is generally reasonably reliable in depicting the structural configuration below the shale.

The term "Corniferous" is an old driller's term applied to the first rock unit below the Devonian Shale. The first subshale unit, due to truncations on to the Cincinnati Arch to the east may be, depending on location, carbonates of Devonian, Silurian or Ordovician Age. The "Corniferous" within the study area is the Devonian Jeffersonville Limestone. The reservoir qualities of the "Corniferous" can be highly variable with good porosity and permeability due to enhancement of the permeability/porosity by being subjected to subaerial exposure and erosion. Many areas of "Corniferous" production have low porosity and permeability, but have production that ranges from marginal to very good due to fracturing.

2.4.2 SEBREE

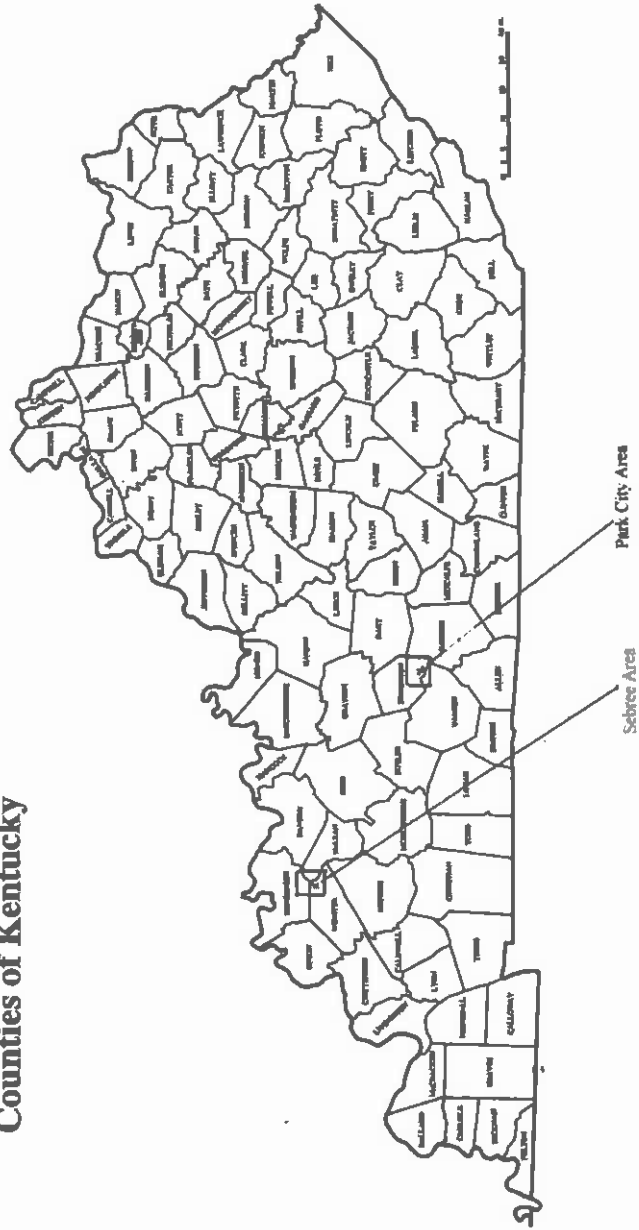
The Sebree area of interest is located in Webster County in western Kentucky. AusTex Exploration Inc., owns three leases located west of the Pennyrite Parkway and adjacent to Kentucky Highway 56. The subject oil and gas leases, the Majors leases (58 acres and 37 acres) and the Russell lease (62 acres), are located in Carter Coordinates 20-N-24. The property is operated by KOS Energy and contains one injection well and one marginal oil producer. The leases have had up to 15 wells drilled on them from the late 1950's to as recently as 2009, when the KOS 1A Russell was drilled. To date 6 of the 15 wells have been located. A single well has recently been put on production, the # 2 Russell, which is currently producing over 4 BBLs of oil per day as a result of recompletion with current completion techniques. The well co produces approximately 120 BBLs of salt water per day.

2.5 PRODUCT TYPES REASONABLY EXPECTED

Oil and Natural Gas are expected from Park City and oil is expected from Sebree. The oil grade is a API 30 to 40. The Park City gas has approximately 15% Nitrogen content that must be removed.

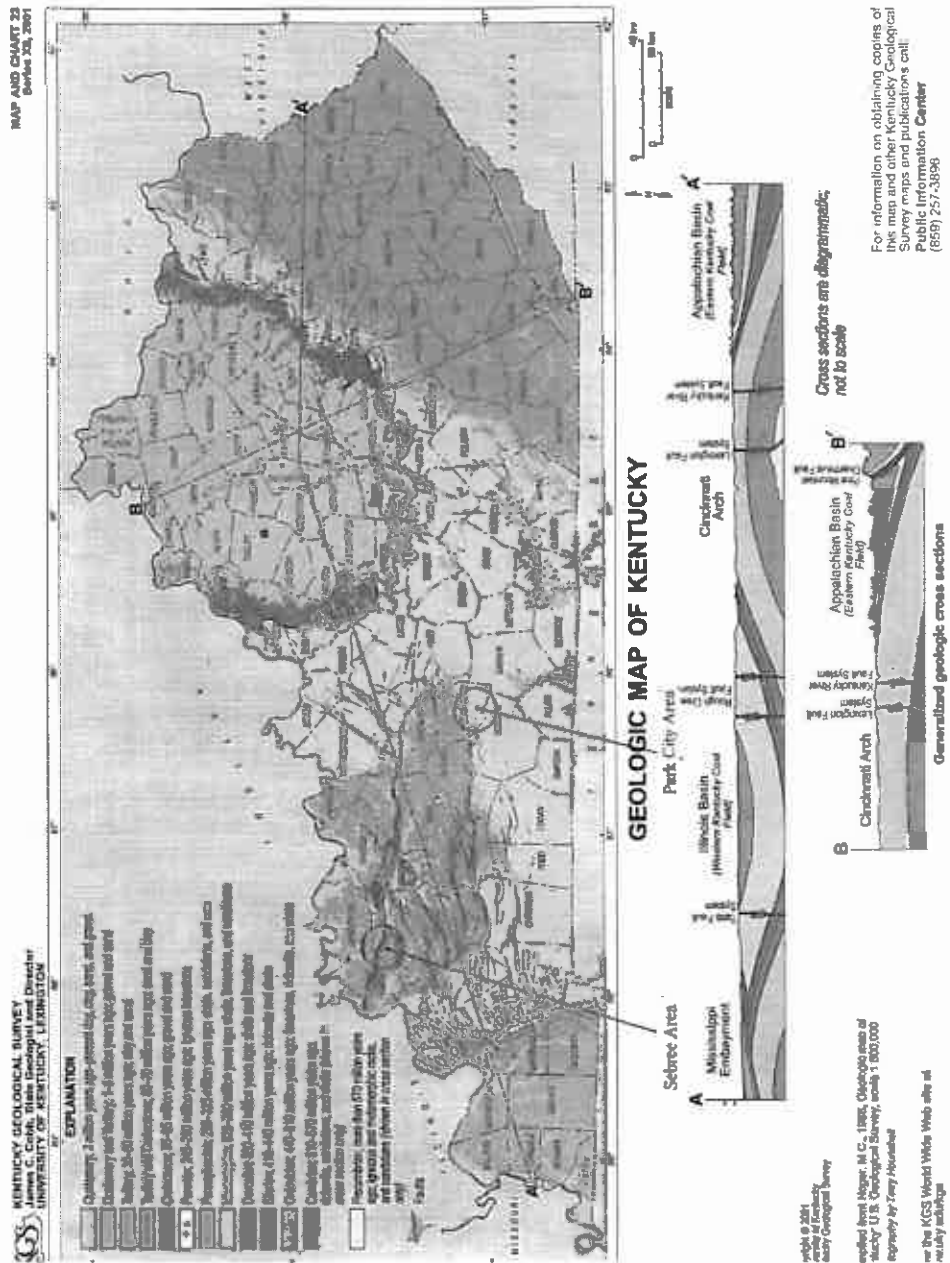
FIGURE 1

Counties of Kentucky

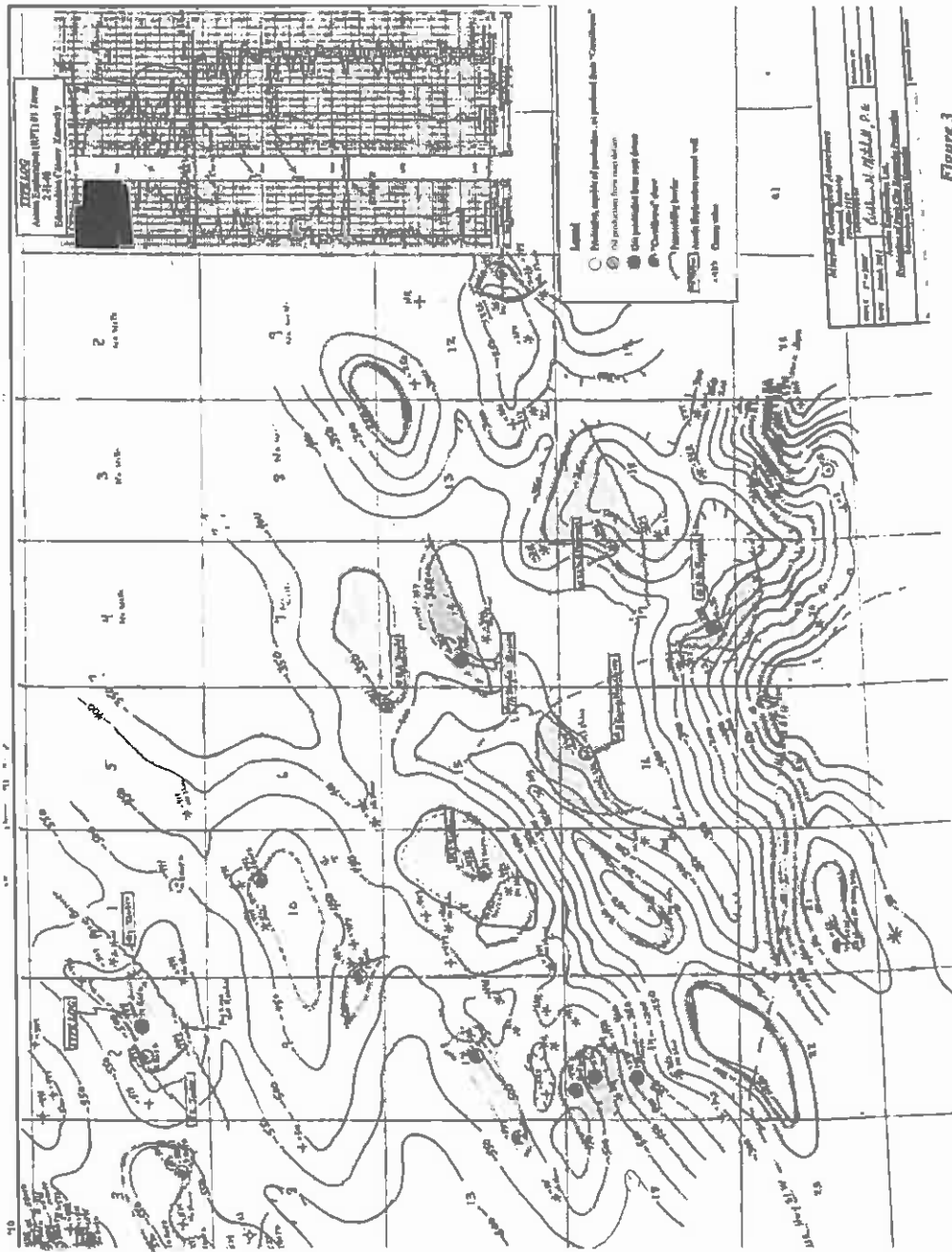


KENTUCKY GEOLOGICAL SURVEY
Donald C. Henry, State Geologist and Director
UNIVERSITY OF KENTUCKY, LEXINGTON

FIGURE 1



The subject map depicts the “Corniferous” surface dipping to the northwest across the study area at elevations ranging from 324 feet above sea level to nearly 600 feet below sea level. The north-west dipping (into the Illinois Basin) datum is interrupted by multiple small structural closures, which have axial alignments in a northeast- southeast orientation that is possibly suggestive of deeper structural presence.



2.6 RANGE OF POOL OR FIELD SIZES

2.6.1 PARK CITY

AusTex Exploration controls approximately 992.71 acres within the Park City study area. The leases are from thirteen different landowners and are considered to be held by production (HBP), either from the “Corniferous” oil production or by shut in royalty production payments for the Ft. Payne and New Albany wells. The ten leases are depicted in Table A below.

Table A- AusTex Exploration Park City leases

Lease Name	Total acres
Harlan & Reneva Tarter	134.00
Ricky & Carmen Hennion	76.00
Rollie & Rubie Reynolds	64.20
James Aubrey & Carol Spillman	120.00
George Houchins	67.00
David & Gloria Hennion	101.71
Oda & Rosa Lee Sanders	46.50
Bobby Sanders	73.70
Melvin and Louise Doyle	28.00
Arthur & Ruby Wilkerson	231.00
Doyle, Malcom	<u>50.6</u>
Total:	<u>992.71</u>

AusTex Exploration Inc., has a total of 17 completed and equipped and partially equipped wells located on the above tabulated leases. Eight of these wells are either oil productive or believed to be capable of oil production from the “corniferous”. Nine wells are shut in gas wells in either the Ft. Payne or New Albany or both zones. The focus of this study is restricted to the oil wells. The oil wells (or presumed oil wells) are tabulated in Table B.

Table B- AusTex Exploration Oil wells

Well Name	Location	Total Depth	Probable pay thickness	Comments
#1 Spillman	11-H-40	1199'	7'	No test reported
#1 Tarter	2-H-40	1140'	15'	No test reported
#2 Tarter	2-H-40	1359'	8'	No test reported
#3 Tarter	2-H-40	1235'	Not reached	Log suggests gas
#1 Hennion	14-H-41	1307'	6'	No test reported
#2 Houchin	16-H-41	1053'	4'	No test reported
#2A Doyle	15-H-41	1202'	4'	Log suggests gas
#1 Sanders	14-H-41	1059'	2'	Log suggests gas
#2B Reynolds	17-H-41	1083'	6'	Log suggests gas

#3A Wilkerson	17-H-41	1258'	2'	No test reported

The key oil wells owned by Austin Exploration are highlighted in yellow on the structure map that is made part of this report.

Oil Production

The wells tabulated above depict six geographic areas that have established oil production on the AusTex Exploration leases. A seventh area appears to be gas productive from the "Corniferous". The majority of the wells with "corniferous" production have offsetting wells at structurally higher or same elevations that penetrated the "corniferous" with no hydrocarbons present. There is no hard data such as core derived permeability and porosity data available. The neutron Density logs run through the productive intervals reveal porosity values ranging from 2% to 9%, with an average of 5-6%. The wells that Austin Exploration owns, reveal that the "corniferous" oil is found in three individual zones within the "corniferous" that are found at different depths from the top of the "corniferous". These zones are depicted on the type log which is found on the structure map in figure 3.

Gas Production

Essentially all the wells (17) owned by Austin Exploration have gas present in one or more zones. This gas may have a future value, but at the present time is considered to have no value due to current market conditions and the lack of an active buyer of the gas. A gas gathering system is in place, owned by Atmos Energy but is involved in litigation between Atmos and the landowners. The lack of an active gas gathering and processing system is forcing shut in of Park City gas production.

Reserve Analysis

The paucity of critical reservoir data such as core derived data and the relatively low porosity values exhibited on the geophysical logs render it impossible to calculate oil reserves in place. There is sufficient circumstantial evidence to conclude the oil production is primarily fracture controlled. What is known about "corniferous" oil production in the study area and nearby areas is:

- Low production volumes are typical- 1-10 BOPD
- Relatively long production life is common- 10 to 20 years

Although reliable cumulative production data is not often available for producing areas in Kentucky, our research has identified seven wells located in the northwest corner of the mapped area in 3-H-40. The production for the seven wells is depicted in Table C.

Table C- Oil Production for Wells in Study Area located in 3-H-40

Well Name	Time period	Total BBLs Oil	# years
RET # 2 Dennison	2004-2008	2233 bbls	4 years
<i>RET # 1 Dennison</i>	20004-2008	2142 bbls	4 years
Mid South # 7 Lorenzo	1997-2005	480 bbls	8 years
Mid South # Lorenzo	1997-2005	592 bbls	8 years
Ky Oil #1 Moody	1994-2007	3749 bbls	13 years
Logsdon #2 Wells	1997-2008	1548 bbls	11 years
Robo #4 Lorenzo	1997-2006	<u>3600 bbls</u>	9 years
	<i>Total</i>	14,344 bbls	
	<i>Average production per well</i>	2049 bbls oil	

Over a 4 to 17 year life the five highest producing wells in the above table produced an average of 1.2 BBL of oil per day. The ultimate yield may be improved on by utilizing better drilling technology such as horizontal drilling which would improve daily production rates and ultimate cumulative production. It should be noted that the average wells based on the performance of the wells in Table C is derived from production histories of 4 to 13 years, and a typical "corniferous" well may produce up to 20 years. Based on the above data it is assumed for this evaluation the 20 wells to be recompleted will have an average Initial Production of 2 BBL of oil per day and will have a 20 year productive life.

2.6.2 SEBREE

The majority of the production has been oil and from the Tar Springs. Based on available data, fifteen wells have been drilled on the two leases during the period 1956 to 2009. AusTex Exploration has a 50% working interest with KOS Energy, the operator. The leases have a 75% net revenue interest to the operating partners.

In the Sebree field a total of 157 acres is divided between three leases.

	Acres	Volume/ Book	County	State
Russell	62.00	143/64-69	Webster	Kentucky
Majors	58.00	146/272-279	Webster	Kentucky
Majors	37.00	146/722-723	Webster	Kentucky

Oil Production

The Tar Springs Sand(s) have been the primary oil reservoir on the Russell and Majors leases. These leases are highlighted in yellow on the enclosed structure map constructed on the Tar Springs and included in figure 4 in this report. The Tar Springs sand develops three members with the uppermost sand lens having a tendency to shale out laterally. The three members reach a maximum thickness of nearly 100 feet and exhibits porosity in the 18 to 20% range with good permeability. A total of 11 Tar Springs producers have been drilled and completed at various times in the life of the reservoir and the reservoir has gone through one waterflood prior

to the completion of the KOS #1A Russell. Currently one well, the #2 Russell has been recently recompleted with current technology and is on production yielding over 4 barrels of oil and 120 barrels of water per day.

Gas Production

There is no gas production from the subject lease.

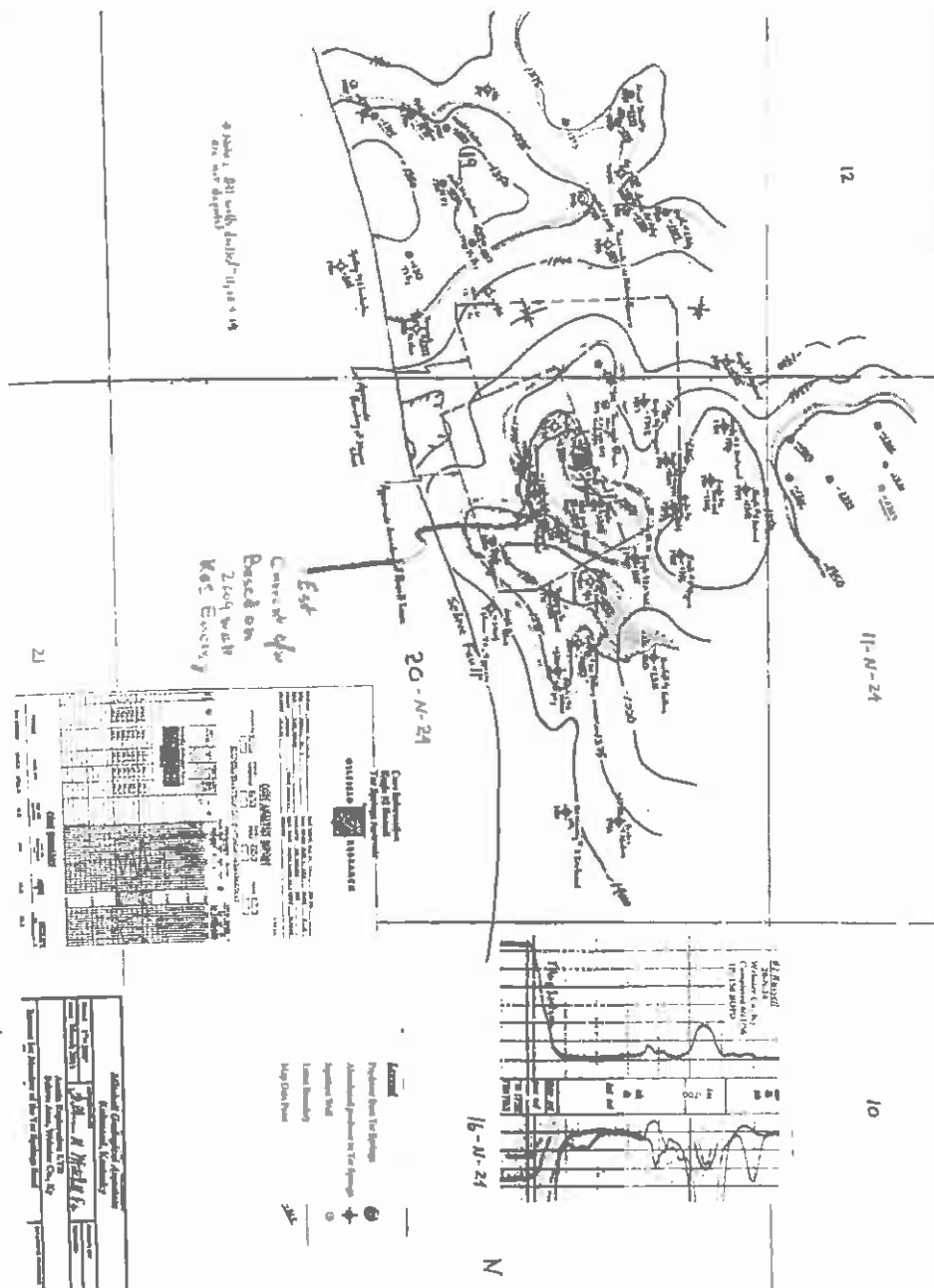
2.7 DEPTH OF THE TARGET ZONE

In Park City the depth of the Corniferous target zone is 1,000 to 1,400 feet. In Sebree the depth of the target zone is 1,700 to 2,200 feet in the Tar Springs formation.

Deeper Potential

Deeper potential (below 2700') may exist for Devonian, Silurian, Ordovician and Cambrian Units, but a detailed geologic evaluation of that potential should be undertaken prior to abandonment of the leases.

The deeper section either has not yet penetrated or as in the case of the Knox penetrated by only one well in the mapped area, that well had shows. The lack of shows in one well cannot eliminate the possibility of deeper productive horizons. Additional geologic and/or seismic evaluation should be undertaken to determine if Ordovician or Cambrian traps can be defined in the subject area.



2.8 ESTIMATED COMPLETION AND TESTING COSTS

The completion costs are estimated at \$60,000 / well.

2. 9 ESTIMATED TIMING OF COMPLETION

The estimated timing is through 2011 and 2012.

2.10 EXPECTED PRICES

Oil prices are estimated at \$80/barrel and held constant.

2.11 EXPECTED MARKETING AND TRANSPORTATION ARRANGEMENTS

Oil will be sold on the local market and average haulage costs are estimated at \$7.25/bbl

2.12 RISKS AND PROBABILITY OF SUCCESS

The present value of production from completion / recompletion of 20 wells is based on an expected range of initial production from 1BBL per Day to 4BBL per day. There has been virtually no oil production from the two fields to date. An average of 5 wells in the general area indicates a 1.2 BBL per day average over 4 to 14 years.

Analysis of the logs from wells in the two fields shows strong indication of producible oil bearing zones. The wells have been completed with outdated technology. The use of outdated technology has contributed to the total lack of production. AusTex engineers have carefully reviewed the logs from wells in the two fields. In addition the engineers have worked with expert consultants concerning log interpretation and completion techniques. Based on the work done by the AusTex engineers AusTex is planning a recompletion program that will incorporate the latest completion and fracturing technology. Based on log analysis and information from other wells in the immediate area of the Park City and Sebree prospects the recompletions are expected to yield the following range of initial production:

Probability of Achieving	90%	50%	10%
Average Initial Production BBL/ Day	1	2	4

These are considered reasonable production rates based on log analysis, experience in the area and expectations using state of the art completion procedures. As noted above a 2BBL per day Initial production rate is considered to have a 50% probability of being achieved. A rate of 1 BBL per day is considered to have a 90% probability of achievement. The high rate of 4BBL per day has a very low, 10% probability of being realized.

3 PROBABILISTIC RESOURCE ESTIMATES

3.1 GENERAL

Given the above and the assumptions and issues below, the value for the Sebree and Park City fields projected future production are as follows:

Oil Production from 20 Wells

	1BBL/Day	2BBL/Day	4BBL/Day
Future Revenue -20 Years* (50%)	\$812,912	\$1,287,944	\$3,655,889
NPV @4% - 20 Years** (100%)	\$76,937	\$929,338	\$4,464,206

The NPV represents the present value of a \$1.2 million investment.

* The future revenue values listed above represent two entities 50% share of the 20 year revenue stream. This cash flow is the result of investment of a minimum of \$1,200,000 in state of the art completions in 20 wells.

**AusTex is contributing 100% of the lease interests, equipment and road value of over \$500,000. This report is to provide an independent value of the Park City and Sebree fields. Normal valuation practice establishes probable present value for future production. The net present values presented above represent the cash value of the 100% interest being contributed to a joint venture. The 2BBL per day, 50% probability case is considered the most appropriate for establishing a single value for the fields.

During 2010 AusTex invested a total of \$537,000 in the Sebree and Park city fields. This investment is broken down as follows:

Sebree Acquisition -----	\$225,000
Pump jacks, Tanks, Down Hole Casing -----	\$92,000
Roads, Pads, Salt Water Injection Well, Other -----	\$90,000
Acquire Park City Leases -----	\$20,000
Recompletions and data acquisition -----	\$ 110,000
 Total -----	 \$537,000

3.2 INPUT PARAMETERS

All oil and gas wells typically decline in production rates as they produce. As noted above wells in the Park City and Sebree area typically have a 20 year life. They tend to decline rapidly in the early years of production and level out for the balance of their productive life. The decline rates used for this evaluation follow the decline pattern that is typical for the area wells.

The value of the surface equipment (\$92,000) used for this evaluation is based on estimated used equipment value of the inventory as of December 31, 2010. A breakdown of the values is detailed in the list of assumptions below. In addition to the surface equipment AusTex is contributing to the joint venture there are existing access roads and well pads. It is estimated the cost to duplicate the existing access roads and well pads is \$90,000. This value is used for this valuation report.

As noted in the Geology section above there is a good potential for natural gas production from the Park City area. The gas gatherer in the Park City area is Atmos Corp. Atmos is engaged in significant litigation with landowners through which Atmos has installed its gathering and treating facilities. Due to the litigation Atmos has ceased to operate its gathering and treating facilities. Atmos actions have precluded any gas production from Park City. There is no indication of resolution of the Atmos litigation in the foreseeable future. All of the other potential gatherers in the area have been contacted and will not install alternate gathering / treating facilities. Given the situation at Park City there has been no value assigned to the natural gas production potential. See attached letter from attorney R.A. Lees in Appendix 1.

AusTex management advised they plan to complete / recomplete 20 wells in the Park City and Sebree fields during the 2011 / 2012 calendar years. These completions / recompletions will consist of installing production casing where appropriate, acidizing or foam fracturing and carefully initiating flow back. The down hole sections to be acidized or fraced will be determined from recent log evaluations. It is reasonable to expect that the 2 BBL per day initial production rate is achievable using the latest technology. The location of the wells to be recompleted has yet to be established. Therefore it has been assumed the wells will be equally divided between the Park City and Sebree prospects.

Pricing for the evaluation is based on the assumption that the price of oil will retreat from the current high price to a conservative and more sustainable level of \$80 / Barrel. Natural gas pricing has not been addressed since there is no value assigned to the potential natural gas production.

3.3 ASSUMPTIONS

Oil Price Constant @ \$80 / BBL
Number of wells to be operated --- 20 (10 Sebree / 10 Park City)
Monthly Operating Cost / Well (No escalation over life of forecast)
 \$500 / Month Based on current costs
 Annual Operating Costs = \$500*12*20 wells = \$120,000
 When daily production drops below 0.5 BBL/day assume annual Operating cost drops to \$100,000
Gas Price (No gas sales so no price assumed)
Average oil production – 2.0 BBL / Day
Decline rate – see decline table
Estimated life of wells 20 Years

Net revenue Interest :

Park City 87.5%

Sebree 81.25%

State and Local Severance Tax 2%

Surface Equipment Salvage Value – gas wells Park City \$25,000

Haulage

Sebree Cost = \$9.00 /BBL

Park City Cost = \$5.50BBL

Assuming 10 well each

Average Haulage = $(\$9+\$5.50/2) = \$7.25 / BBL$

Investment

Fracturing Cost plus Surface Equipment = \$60,000 Per Well

Total for

20wells=20*\$60,000

\$1,200,000 unless

completion with a new well

bore is required

Operating Cost

Assume \$500/ Month per Well - No escalation

Annual Operating Cost = \$500*20 Wells*12 Months = \$120,000 / Year

Annual operating cost for production below 0.5 BBL per day assumed to be \$100,000/year.

Gas Price (No gas sales so no price assumed)

Number of Producing Oil Wells 20

Average oil production – 2 BBL/ Day 50% Probability

Decline Rate See Table Appendix

Surface Equipment Salvage Value

Park City:

2 oil Tanks 210 bbl (Spillman farm and Tarter farm)

Flow lines for gas and oil

Pump jack in Tarter 1 and 2, and Spillman 1 and 2

Plus the below information in regards to 4.5 casing expenses for some of the wells.

Total is estimated to be \$25,000

Sebree:

2-210 stock tanks with stairway and catwalk

1-210 fiberglass water holding tank

1-6x20 separator

1-8x24 insulated pump house with 3-phase electric, Bethlehem T-3 pump system

Russell 1-A down hole= 1720 ft. tubing and packer

Russell #2= National 25,000 pump jack, app. 1,700 ft. rods & tubing and pump

Injection system (surface pump and downhole tubing on Russell # 1A): \$20,000

Flow lines and electricity: \$15,000

Russell # 2: \$12,000

Tank Battery: \$20,000

Total: \$67,000

4 TYPE WELL ECONOMICS

See tables below:

NET CASH FLOW 1BBL / DAY

Assume 100% Working Interest - Average 15.63% Royalty
20 Wells

Year	Production BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel \$	Annual Hauling Cost \$	Annual Operating Cost \$	Royalty At 15.63% Avg \$	Severance Tax at 2% Gross Rev \$	Net Cash Flow \$	Cumulative Net Cash Flow \$
0	0	0	0	0	0	0	0	-1,200,000	-1,200,000
1	1	7200	576000	52200	120000	90028.8	11520	302,251	-897,749
2	0.75	5400	432000	39150	120000	67521.6	8640	196,688	-701,060
3	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-609,935
4	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-518,809
5	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-427,684
6	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-336,558
7	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-245,432
8	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-154,307
9	0.5	3600	288000	26100	120000	45014.4	5760	91,126	-63,181
10	0.5	3600	288000	26100	120000	45014.4	5760	91,126	27,944
11	0.5	3600	288000	26100	120000	45014.4	5760	91,126	119,070
12	0.5	3600	288000	26100	120000	45014.4	5760	91,126	210,196
13	0.5	3600	288000	26100	120000	45014.4	5760	91,126	301,321
14	0.5	3600	288000	26100	120000	45014.4	5760	91,126	392,447
15	0.25	1800	144000	13050	100000	22507.2	2880	5,563	398,010
16	0.25	1800	144000	13050	100000	22507.2	2880	5,563	403,572
17	0.25	1800	144000	13050	100000	22507.2	2880	5,563	409,135
18	0.25	1800	144000	13050	100000	22507.2	2880	5,563	414,698
19	0.25	1800	144000	13050	100000	22507.2	2880	5,563	420,261
20	0.25	1800	144000	13050	100000	22507.2	2880	5,563	425,824

CASH FLOW 1BBL / DAY

Assume 100% Working Interest - Average 15.63% Royalty
20 Wells

Production BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel	Annual Hauling Cost	Annual Operating Cost	Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Total Cash Flow	New Tax Cumulative Cash Flow	Aus-Tax Cumulative Cash Flow
		\$	\$	\$	\$	\$	\$	\$	\$
0	0	0	0	0	0	0	0	0	0
1	7200	576000	52200	120000	90028.8	11520	302,251	151,126	\$151,126
0.75	5400	432000	39150	120000	67521.6	8640	196,688	249,470	249,470
0.5	3600	288000	26100	120000	45014.4	5760	91,126	295,033	295,033
0.5	3600	288000	26100	120000	45014.4	5760	91,126	340,595	340,595
0.5	3600	288000	26100	120000	45014.4	5760	91,126	386,158	386,158
0.5	3600	288000	26100	120000	45014.4	5760	91,126	431,721	431,721
0.5	3600	288000	26100	120000	45014.4	5760	91,126	477,284	477,284
0.5	3600	288000	26100	120000	45014.4	5760	91,126	522,847	522,847
0.5	3600	288000	26100	120000	45014.4	5760	91,126	568,409	568,409
0.5	3600	288000	26100	120000	45014.4	5760	91,126	613,972	613,972
0.5	3600	288000	26100	120000	45014.4	5760	91,126	659,535	659,535
0.5	3600	288000	26100	120000	45014.4	5760	91,126	705,098	705,098
0.5	3600	288000	26100	120000	45014.4	5760	91,126	750,661	750,661
0.5	3600	288000	26100	120000	45014.4	5760	91,126	796,223	796,223
0.25	1800	144000	13050	100000	22507.2	2880	5,563	799,005	799,005
0.25	1800	144000	13050	100000	22507.2	2880	5,563	801,786	801,786
0.25	1800	144000	13050	100000	22507.2	2880	5,563	804,568	804,568
0.25	1800	144000	13050	100000	22507.2	2880	5,563	807,349	807,349
0.25	1800	144000	13050	100000	22507.2	2880	5,563	810,130	810,130
0.25	1800	144000	13050	100000	22507.2	2880	5,563	812,912	812,912

NET CASH FLOW 2BBL/DAY

Assume 100% Working Interest - Average 15.65% Royalty
20 Wells

Year	Production		Annual Revenue at \$80 Barrel	Annual Hauling		Annual Operating		Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Total Cash Flow	New Tac Cumulative		Aus-Tex Cumulative	
	BBL Oil/Day Per Well	BBL Oil / Year 20 Wells		Cost	Cost	Cost	Cash Flow				Cash Flow			
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1	2	14400	1152000	104400	120000	180057.6	23040	724,502	362,251	5362,251	362,251	362,251	5362,251	
2	1.5	10800	864000	78300	120000	135043.2	17280	513,377	618,940	618,940	618,940	618,940	618,940	
3	1	7200	576000	52200	120000	90028.8	11520	302,251	770,065	770,065	770,065	770,065	770,065	
4	0.5	3600	288000	26100	120000	45014.4	5760	91,126	815,628	815,628	815,628	815,628	815,628	
5	0.5	3600	288000	26100	120000	45014.4	5760	91,126	861,191	861,191	861,191	861,191	861,191	
6	0.5	3600	288000	26100	120000	45014.4	5760	91,126	906,754	906,754	906,754	906,754	906,754	
7	0.5	3600	288000	26100	120000	45014.4	5760	91,126	952,316	952,316	952,316	952,316	952,316	
8	0.5	3600	288000	26100	120000	45014.4	5760	91,126	997,879	997,879	997,879	997,879	997,879	
9	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,043,442	1,043,442	1,043,442	1,043,442	1,043,442	
10	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,089,005	1,089,005	1,089,005	1,089,005	1,089,005	
11	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,134,568	1,134,568	1,134,568	1,134,568	1,134,568	
12	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,180,130	1,180,130	1,180,130	1,180,130	1,180,130	
13	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,225,693	1,225,693	1,225,693	1,225,693	1,225,693	
14	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,271,256	1,271,256	1,271,256	1,271,256	1,271,256	
15	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,274,037	1,274,037	1,274,037	1,274,037	1,274,037	
16	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,276,819	1,276,819	1,276,819	1,276,819	1,276,819	
17	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,279,600	1,279,600	1,279,600	1,279,600	1,279,600	
18	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,282,382	1,282,382	1,282,382	1,282,382	1,282,382	
19	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,285,163	1,285,163	1,285,163	1,285,163	1,285,163	
20	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,287,944	1,287,944	1,287,944	1,287,944	1,287,944	

NET CASH FLOW 2BBL/DAY

Assume 100% Working Interest - Average 15.63%% Royalty
20 Wells

Year	Production BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel	Annual Hauling Cost	Annual Operating Cost	Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Net Cash Flow	Cumulative Net Cash Flow	Net Present Value at 4%
0	0	0	0	0	0	0	0	-1,200,000	-1,200,000	
1	2	14400	1152000	104400	120000	180057.6	23040	724,502	-475,498	
2	1.5	10800	864000	78300	120000	135043.2	17280	513,377	37,879	
3	1	7200	576000	52200	120000	90028.8	11520	302,251	340,130	
4	0.5	3600	288000	26100	120000	45014.4	5760	91,126	431,256	
5	0.5	3600	288000	26100	120000	45014.4	5760	91,126	522,382	
6	0.5	3600	288000	26100	120000	45014.4	5760	91,126	613,507	
7	0.5	3600	288000	26100	120000	45014.4	5760	91,126	704,633	
8	0.5	3600	288000	26100	120000	45014.4	5760	91,126	795,758	
9	0.5	3600	288000	26100	120000	45014.4	5760	91,126	886,884	
10	0.5	3600	288000	26100	120000	45014.4	5760	91,126	978,010	
11	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,069,135	
12	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,160,261	
13	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,251,386	
14	0.5	3600	288000	26100	120000	45014.4	5760	91,126	1,342,512	
15	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,348,075	
16	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,353,638	
17	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,359,200	
18	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,364,763	
19	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,370,326	
20	0.25	1800	144000	13050	100000	22507.2	2880	5,563	1,375,889	\$929,338

NET CASH FLOW 3BBL/DAY

Assume 100% Working Interest - Average 15.63% Royalty
20 Wells

Year	Production		Annual Revenue at \$80 Barrel	Annual Hauling Cost	Annual Operating Cost	Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Net Cash Flow	Cumulative Net Cash Flow
	BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells							
0	0	0	0	0	0	0	0	-1,200,000	-1,200,000
1	3	21600	1728000	156600	120000	270086.4	34560	1,146,754	-53,246
2	1.5	10800	864000	78300	120000	135043.2	17280	513,377	460,130
3	0.75	5400	432000	39150	120000	67521.6	8640	196,688	656,819
4	0.75	5400	432000	39150	120000	67521.6	8640	196,688	853,507
5	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,050,196
6	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,246,884
7	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,443,572
8	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,640,261
9	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,836,949
10	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,033,638
11	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,230,326
12	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,427,014
13	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,623,703
14	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,820,391
15	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,885,069
16	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,949,747
17	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	3,014,425
18	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	3,079,103
19	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	3,143,781
20	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	3,208,459

NET CASH FLOW 3BBL/DAY

Assume 100% Working Interest - Average 15.63%% Royalty
20 Wells

Year	Production		Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel	Annual Hauling Cost	Annual Operating Cost	Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Total Cash Flow	New Tac Cumulative Cash Flow	Aus-Tex Cumulative Cash Flow
	BBL Oil/Day Per Well	20 Wells									
0	0	0	0	0	0	0	0	0	0	0	0
1	3	21600	1728000	156600	120000	270086.4	34560	1,146,754	573,377	573,377	\$573,377
2	1.5	10800	864000	78300	120000	135043.2	17280	513,377	830,065	830,065	830,065
3	0.75	5400	432000	39150	120000	67521.6	8640	196,688	928,409	928,409	928,409
4	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,026,754	1,026,754	1,026,754
5	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,125,098	1,125,098	1,125,098
6	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,223,442	1,223,442	1,223,442
7	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,321,786	1,321,786	1,321,786
8	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,420,130	1,420,130	1,420,130
9	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,518,475	1,518,475	1,518,475
10	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,616,819	1,616,819	1,616,819
11	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,715,163	1,715,163	1,715,163
12	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,813,507	1,813,507	1,813,507
13	0.75	5400	432000	39150	120000	67521.6	8640	196,688	1,911,851	1,911,851	1,911,851
14	0.75	5400	432000	39150	120000	67521.6	8640	196,688	2,010,196	2,010,196	2,010,196
15	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,042,535	2,042,535	2,042,535
16	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,074,874	2,074,874	2,074,874
17	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,107,213	2,107,213	2,107,213
18	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,139,552	2,139,552	2,139,552
19	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,171,891	2,171,891	2,171,891
20	0.39	2808	224640	20358	100000	35111.232	4492.8	64,678	2,204,230	2,204,230	2,204,230

CASH FLOW 4BBL/DAY

Assume 100% Working Interest - Average 15.63% Royalty
20 Wells

Year	Production BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel	Annual Hauling Cost	Annual Operating Cost	Royalty At 15.63% Avg	Severance Tax at 2% Gross Rev	Total Cash Flow	New Tax Cumulative Cash Flow	Aus-Tex Cumulative Cash Flow
0	0	0	0	0	0	0	0	0	0	
1	4	28800	2304000	208800	120000	360135.2	46080	1,589,005	784,502	784,502
2	3	21600	1728000	156600	120000	270086.4	34560	1,146,754	1,357,879	1,357,879
3	2	14400	1152000	104400	120000	180057.6	23040	724,502	1,720,130	1,720,130
4	1	7200	576000	52200	120000	90028.8	11520	302,251	1,871,256	1,871,256
5	1	7200	576000	52200	120000	90028.8	11520	302,251	2,022,382	2,022,382
6	1	7200	576000	52200	120000	90028.8	11520	302,251	2,173,507	2,173,507
7	1	7200	576000	52200	120000	90028.8	11520	302,251	2,324,633	2,324,633
8	1	7200	576000	52200	120000	90028.8	11520	302,251	2,475,758	2,475,758
9	1	7200	576000	52200	120000	90028.8	11520	302,251	2,626,884	2,626,884
10	1	7200	576000	52200	120000	90028.8	11520	302,251	2,778,010	2,778,010
11	1	7200	576000	52200	120000	90028.8	11520	302,251	2,929,135	2,929,135
12	1	7200	576000	52200	120000	90028.8	11520	302,251	3,080,261	3,080,261
13	1	7200	576000	52200	120000	90028.8	11520	302,251	3,231,386	3,231,386
14	1	7200	576000	52200	120000	90028.8	11520	302,251	3,382,512	3,382,512
15	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,428,075	3,428,075
16	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,473,638	3,473,638
17	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,519,200	3,519,200
18	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,564,763	3,564,763
19	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,610,326	3,610,326
20	0.5	3600	288000	26100	120000	45014.4	5760	91,126	3,655,889	3,655,889

NET CASH FLOW 4 BBL/DAY

Assume 100% Working Interest - Average 15.63% Royalty
20 Wells

Year	Production BBL Oil/Day Per Well	Production BBL Oil / Year 20 Wells	Annual Revenue at \$80 Barrel \$	Annual Hauling Cost \$	Annual Operating Cost \$	Royalty At 15.63% Avg \$	Severance Tax at 2% Gross Rev \$	Net Cash Flow \$	Cumulative Net Cash Flow \$
0	0	0	0	0	0	0	0	-1,200,000	-1,200,000
1	4	28800	2304000	208800	120000	360115.2	46080	1,569,005	369,005
2	3	21600	1728000	156600	120000	270086.4	34560	1,146,754	1,515,758
3	2	14400	1152000	104400	120000	180057.6	23040	774,502	2,240,261
4	1	7200	576000	52200	120000	90028.8	11520	302,251	2,542,512
5	1	7200	576000	52200	120000	90028.8	11520	302,251	2,844,763
6	1	7200	576000	52200	120000	90028.8	11520	302,251	3,147,014
7	1	7200	576000	52200	120000	90028.8	11520	302,251	3,449,266
8	1	7200	576000	52200	120000	90028.8	11520	302,251	3,751,517
9	1	7200	576000	52200	120000	90028.8	11520	302,251	4,053,768
10	1	7200	576000	52200	120000	90028.8	11520	302,251	4,356,019
11	1	7200	576000	52200	120000	90028.8	11520	302,251	4,658,270
12	1	7200	576000	52200	120000	90028.8	11520	302,251	4,960,522
13	1	7200	576000	52200	120000	90028.8	11520	302,251	5,262,773
14	1	7200	576000	52200	120000	90028.8	11520	302,251	5,565,024
15	0.5	3600	288000	26100	120000	45014.4	5760	91,126	5,656,150
16	0.5	3600	288000	26100	120000	45014.4	5760	91,126	5,747,275
17	0.5	3600	288000	26100	120000	45014.4	5760	91,126	5,838,401
18	0.5	3600	288000	26100	120000	45014.4	5760	91,126	5,929,526
19	0.5	3600	288000	26100	120000	45014.4	5760	91,126	6,020,652
20	0.5	3600	288000	26100	120000	45014.4	5760	91,126	6,111,778

Net Present
Value @ 4%
\$ 4,464,206

5. FORM 51-101f2

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of disclosure for Oil and Gas Activities* ("NI 51-101")

1. Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.
2. The report on *reserves data* referred to in item 2 of section 2.1 of NI 51-101 to be executed by one or more *qualified reserves evaluators* or *auditors independent of the reporting issuer*, shall in all respects be as follows:

5.1 Report on Reserves Data

To the Board of Directors of Aus Tex Exploration Inc.

1. We have evaluated the Company's resources data as of December 31, 2010. There is insufficient data to calculate reserves. The resources data consists of prospective oil resources and existing surface facilities.
2. The resources data is the responsibility of the Company's management. Our responsibility is to express an opinion on the resources data based on our evaluation.

We carried out our evaluation in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining Metallurgy & Petroleum (Petroleum Society)
3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the resources and data are free of material misstatement. An evaluation also includes preparing estimates of resources data in accordance with the principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated resources of the company evaluated by us as of December 31, 2010 and identifies the respective portions thereof we have evaluated and reported on to the Company's management.

Independent Qualifies Reserves Evaluator or Auditor	Description and Date of Report	Location of Reserves (Country or foreign Geographic Area)	Audited	Prospective Evaluated	Resources Reviewed	Total
William M. Mitchell Richard F. Braun	Evaluation Report December 31, 2010	Edmonson and Webster Counties Kentucky USA	0	Low \$76,937 Best \$748,867 High \$3,653,889 Spent \$537,000	0	Low \$76,937 Best \$748,867 High \$3,653,889 Spent \$537,000
Totals			0	Low \$76,937 Best \$748,867 High \$3,653,889 Spent \$537,000	0	Low \$76,937 Best \$748,867 High \$3,653,889 Spent \$537,000

5. In our opinion, the resources data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the resources data that we reviewed but did not audit or evaluate; however, to our knowledge, all data were evaluated.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

William M. Mitchell

William M. Mitchell, Richmond, Kentucky, USA, March 19, 2011

Richard F. Braun

Richard F. Braun, Golden, Colorado, USA, March 19, 2011

6. CONSENT LETTER

Mitchell and Braun here by consent to the use of all or any part of this Resource Evaluation Report for the Sebree and Park City prospects located in Webster and Edmonson Counties, Kentucky, USA, as of December 31, 2010.



William M Mitchell



Richard F Braun

Richard F Braun

7. CERTIFICATE OF QUALIFICATION

I, William M. Mitchell, Registered Geologist # 1426 (Kentucky), # 1529 (Indiana) of 3025 Woodfield Circle, Richmond, Kentucky 40475, USA hereby certify:

1. I am an independent consultant and have participated in the preparation of a detailed analysis of the Resources of Aus Tex Exploration Inc., Sebree and Park City, Kentucky Oil and Gas properties. The effective date of this evaluation is December 31, 2010.
2. I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Aus Tex Exploration Inc. or its affiliated companies, nor any interest in the subject properties.
3. I attended Hannover College and I graduated with a Bachelor of Science Degree in Geology. I am a registered Geologist in the States of Kentucky and Indiana and have more than 25 years experience in the conduct of evaluation and engineering studies relating to oil and gas fields.
4. I personally made a field inspection of the Sebree and Park City properties that are the subject of this evaluation.



William M Mitchell
Kentucky Registered Geologist # 1426
Indiana Registered Geologist # 1529

7. CERTIFICATE OF QUALIFICATION

I Richard F. Braun, SPE #3517494 of 1723 Sand Lily Dr., Golden, Colorado, USA hereby certify:

1. I am an independent consultant and have participated in the preparation of a detailed analysis of the Resources of Aus Tex Exploration Inc., Sebree and Park City, Kentucky, Oil and Gas properties. The effective date of this evaluation is December 31, 2010.
2. I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Aus Tex Exploration Inc. or its affiliated companies, nor any interest in the subject properties.
3. I attended Stanford University and I graduated with a Bachelor of Science Degree in Mechanical Engineering. I am a member of the society of Petroleum Engineers and have more than 30 years experience in the conduct of management, evaluation and engineering studies relating to oil and gas fields.
4. I did not personally make a field inspection of the Sebree and Park City properties that are the subject of this evaluation. Mr. Mitchell, Co Author of this evaluation did personally inspect the Sebree and Park City properties.



Richard F Braun
SPE #3517494



ACN 114 198 471

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000



000001 000 AKK
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 12:00pm (ACST) Friday 17 June 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

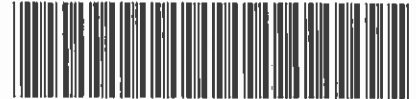
SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Austin Exploration Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Austin Exploration Limited to be held at Level 1, 160 Queen Street, Melbourne, Victoria at 12.00pm (ACST) on Friday 17 June 2011 and at any adjournment of that meeting.

Important for Items 1 and 5.1: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 1 and 5.1 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 and 5.1 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 1 and 5.1 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

SPECIAL BUSINESS

		For	Against	Abstain
1	Approval of Joint Venture between Kentucky Exploration Inc and Newtak Ply Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Approval of 25 January 2011 Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Approval of Issue of Shares and Listed Options under a placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Approval to issue of shares and listed options under a Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.1	Approval of the issue of 15,000,000 I Class Listed Options to Dominic Pelicano	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.2	Approval of issue of 15,000,000 I Class Listed Options to Dr Mark Hart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Approval of issue of 15,000,000 I Class Listed Options to Guy Thomas Goudy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.4	Approval of issue of 5,000,000 I Class Listed Options to Dr James Michael Edwards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.5	Approval of Issue of 10,000,000 I Class Listed Options to Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____

AKK

999999A

Computershare