30 April 2007

ASX Announcement

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Activities Report for the Financial Quarter Ending 31 March 2007

Development of a Sustainable Business Model

Austin Exploration Limited's ("Austin") (ASX code: AKK) third quarter of current financial year operations has provided mixed results that has seen it refine and develop its business strategy. While Austin's overriding goal is to identify opportunities that will provide early and sustainable cash flows, which is the major commercial driver in its prospect evaluation, Austin has given a great deal of consideration to the risk profile and capital commitments required to achieve this.

The Company is currently fully funded for all drilling commitments with significant available cash reserves. The establishment of this position, combined with some of the outcomes achieved during the third quarter, has enabled Austin to refine its business model.

Essentially, Austin is a portfolio manager of oil and gas prospects building a sustainable business with a spread of oil and gas assets initially biased towards the lower risk end of the spectrum. Austin is using its industry knowledge and technical expertise, both in Australia and the US, to identify attractive opportunities and then seek to farm out interests to other industry players to minimise its capital exposure while still maintaining a meaningful stake in the prospects it has identified. Austin's competitive advantage is its ability to identify prospects through its industry network and deliver high quality technical evaluation to support Austin's investments and that of its farm-in partners.

Having identified prospects, Austin expects to achieve a position where it can farm out interests on a promoted basis, which mean that the farm-in partners will pay a premium to acquire their interests in return for the identification and evaluation work done by Austin. This provides the Ausitn with a return for its "prospecting" work while allowing it to maintain an ongoing interest in the prospects developed.

The key developments in the third quarter include the following:

- Drilling of the AUS–TEX Bourque #1 (St Gabriel 1) in Louisiana, US. This well had a number of encouraging shows during the drilling, but ultimately proved uneconomic when abnormally high pressure kept Austin from reaching the primary target. After discussion with our partners the well has been temporarily plugged and Austin is considering a potential farm out opportunity subject to a technical review by some industry players.
- The DMS Exploration Pty Ltd, Gravestock #1 (PEL 73 prospect) was drilled in the Stansbury Basin, Australia, and based on wireline log analysis, a significant hydrocarbon body was identified represented by some 28 feet of gas pay. While geologically positive, the current Australian market does not make this economically viable. Austin has earned its one-sixth interest in this licence. In partnership with DMS

Exploration Pty Ltd, the operator of the licence, Austin is developing a plan to go forward on this prospect.

- Austin is now well positioned to move forward on three of its lower-risk prospects all of which are fully funded. These are:
    - AUS-TEX Gueymard #1
    - South West Edwards
    - Jeter Branch

Subject to weather conditions in south-eastern United States, work on all three of these prospects is expected to commence in the fourth quarter, 2007. Site works on AUS-TEX Gueymard #1 have already begun.

As we have advised in previous reports a significant amount of work has been done on the PEL 105 licence and we are encouraged by the results of this work. Austin is currently looking at an opportunity to increase its interest in this prospect while at the same time in discussion with a farm-in partner who may mitigate Austin's capital exposure.

All of these activities are in line with Austin's business strategy, although ideally, it would have undertaken at least one of its lower risk projects prior to drilling both PEL73 and St Gabriel 1. However, the practical reality of rig availability did not allow Austin this option.

St Gabriel Prospect, Iberville Parish, South Louisiana, US

St Gabriel 1

Drilling of AUS–TEX Bourque #1 (St Gabriel 1) commenced on January 25, 2007, and was halted on March 1 at 10,292 feet after encountering abnormally high pressure. The high pressure was not expected and is considered unusual in the St Gabriel field. As a result, the target depth of 10,800 feet, which was designed to test the "W" sands, was not achieved.

Although it was mechanically possible to continue drilling the St Gabriel 1 well to target depth, an additional string of casing would have been required. Austin's drilling engineers estimated the cost of drilling the additional 500 feet to target depth at between $A1.0 million to $A1.3 million. Drilling risk due to the high pressure would still exist if it had proceeded and there would have been no guarantee that target depth would have been reached.

In consideration of this, Austin and its partners thought it technically and economically prudent to release the drilling rig and begin a thorough review of all of the data acquired during the drilling and ascertain the geological reasons leading to this high-pressure formation.

There are a number of options open to Austin and its joint-venture partners in respect to the AUS–TEX Bourque #1 well, these are as follows:

1. Re-enter the existing AUS – TEX Bourque #1 well at a later date and drill to target depth;

2. Re drill the AUS – TEX Bourque #1 well from surface utilising a larger drill diameter and setting another casing string from surface. This option will mean that the well will be more expensive to drill but would most probably have a higher degree of success in reaching the "W" formations, but not necessarily guarantee an economic success; or
3. Seek farm-in partners to conduct either option 1 or 2 above. This option would dilute Ausin's and its joint-venture partner's equity interest in the AUS–TEX Bourque #1 well on a pro-rata basis and not require any additional funding from Austin.

Austin does not envisage undertaking either option 1 or 2 until it has established more significant production from other wells and prospects currently in Austin's investment portfolio and completed a thorough study of the data provided from AUS–TEX Bourque #1.

In light of the data received from drilling AUS – TEX Bourque #1 to 10,292 feet, Austin will also be reviewing its geological interpretation to ensure that the "W" sand remains a valid target. In addition, we have recently had an approach from a potential farm-in partner who is evaluating the technical data. Austin will advise of developments should this proceed.

The St. Gabriel Field is also producing other opportunities that offer immediate re-entry into previously producing wells with data that indicates the location of the unproduced reserves.

Participants in the AUS – TEX Bourque #1 well are:	**Working Interest**
AUS-Tex (a wholly owned subsidiary of Austin Exploration)	65.0%
Rio Bravo Energy Partners, LLC	15.0%
Verus Investments Limited	10.0%
Private Australian interests	10.0%

AUS-TEX Gueymard #1 (formerly referred to as St Gabriel II)

This prospect is a re-entry of a well previously drilled by Shell Oil at a time when the US gas market was not fully formed .

Site works have commenced on the AUS-TEX Gueymard #1, which is located approximately 3000 ft. north of the AUS-TEX Bourque #1. This well has an estimated resource potential of 8 billion cubic feet of gas and 250,000 barrels of oil from one well.

This resource was determined based on electric log analysis, drill stem and production tests conducted by Shell Oil Company of the existing well. The resource should be recovered from three zones that were tested and are present behind pipe in this well.

Austin has acquired an 80% interest in this well and plans to re-enter it and establish production from:

- The W Sand which tested 5.8 million cubic feet of gas a day;

- The T Sand which production tested at a rate of 1 million cubic feet of gas per day; and
- The P Sand which produced on drill stem test at a rate of 47 barrels of oil per day.

Austin initially acquired an 80% working interest on the basis that it will pay 100% of the costs to develop production and will receive 100% of the revenue until its investment is recouped. Austin was not funded for this project through its IPO raising and as a result has funded the development of this project through its new financing described above.

A 40% working interest has been sold on a 2 for 1 basis such that Austin has no financial obligation on the first well and retains a 40% working interest and 30% net revenue interest

Participants in the St Gabriel 1 well are:	**Working Interest**
AUS-TEX (a wholly owned subsidiary of Austin Exploration)	40.0%
Rio Bravo Energy Partners, LLC	20.0%
Verus Investments Limited	20.0%
Private Australian interests	20.0%

Drilling is anticipated to commence in late May 2007 subject to weather conditions.

Jeter Branch

Jeter Branch is a prospect introduced to Austin by a group with significant experience in the oil and gas industry and well known to Austin's management. Austin was offered the opportunity to acquire a 30% working interest in this prospect as a result of its relationship. This prospect is located in Caddo County, Louisiana, US, and is designed to test middle and upper cretaceous reservoirs down to 5450 feet. The well is substantiated by good subsurface control and two 2-D seismic lines. The prospect is surrounded by production less than two miles away and the drill site is a high, dry, land location. Gas pipelines are located approximately 7000 feet from the well location. The estimated cost of the well is $A1,742,000 and the estimated potential reserve is 2.1 billion cubic feet of gas and 136,000 barrels of oil.

Austin was not funded for this prospect in the IPO and as a result, the Australian private investment group has committed to take a 15% working interest so that Austin will acquire a no cost "carried interest" in drilling this prospect, retaining a 15% working interest and an 11.1% net revenue interest.

While drilling was anticipated to commence in March, rains in south-east United States have delayed this until June, 2007

South West Edwards

South West Edwards is another quality prospect in which Austin was offered the opportunity to acquire a 50% working interest.

The South West Edwards prospect is located in Hinds County, Mississippi, US, and is on trend with excellent production from several Upper Cretaceous reservoirs. The prospect is substantiated by subsurface control, 2-D seismic lines ,a 3-D seismic survey and will involve re-entering a previously drilled well and sidetracking 600-800 feet northwest. The well is designed to test apparent logged pay in two Rodessa Sands at a total depth of 13,250 feet. The estimated total cost of the well is $A3,338,000 and the estimated potential reserve from the project is 2.86 billion cubic feet of gas and 1,096,000 barrels of oil.

Austin has been able to sell down its interest in this prospect with the Australian private investment group committing to a 12.5% interest and Verus Investments Limited committing to a 12.5% interest. As a result of this, Austin will be entitled to a 25% working interest and a 19% net revenue interest with a no drilling cost "carried interest".

While drilling was anticipated to commence in April rains in south-east United States have delayed this until late June 2007

Polecat Creek Prospect, Falls and Limestone Counties, Texas, US

Austin has earned a 35% working interest in the prospect by funding 46.7% of the drilling and completion costs of the first well (a 4000 foot vertical well, together with a 3000 foot lateral) plus a prospect fee and lease cost. It has received revenue from the sale of both gas and liquids but is still evaluating the production profile of this well.

Summary

While the disappointment of St Gabriel 1 had an effect on Austin and it's investors, Austin has established a platform to move forward so that it is not dependent on one outcome or result but is positioned to sensibly develop a sustainable business through the development of low to moderate risk projects and from time to time participate in higher risk higher reward projects as its resources prudently allow. Austin is excited by the opportunities it is seeing and the fact that it is now in the process of executing a number of our lower risk prospects.

Yours faithfully

AUSTIN EXPLORATION LIMITED

David M Schuette

Managing Director

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSTIN EXPLORATION LIMITED

ABN	Quarter ended ("current quarter")
98 114 198 471	**31 March 2007**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (....six...months) $A'000
1.1	Receipts from product sales and related debtors	35	124
1.2	Payments for (a) exploration and evaluation		
	(b) development	(1699)	(4231)
	(c) production		
	(d) administration	(540)	(1581)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	93	273
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Realisation of prepayments and increase in debtors	(43)	262
	Net Operating Cash Flows	(2154)	(5153)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects	(628)	(766)
	(b)equity investments		
	(c) other fixed assets	(27)	(27)
1.9	Proceeds from sale of: (a)right to interest in prospects plus cost recovery and prospect fees	345	1295
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		()
1.11	Director and Other Loans repaid	278	(44)
1.12	Funds received to finance drilling	3419	6500
	Net investing cash flows	3387	6958
1.13	Total operating and investing cash flows (carried forward)	1233	1805

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)		
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		10485
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other –IPO Costs	(39)	(1214)
	Net financing cash flows	(39)	9271
	Net increase (decrease) in cash held	1194	11076
1.20	Cash at beginning of quarter/year to date	9924	42
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	11,118	11,118

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

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Committed facilities associated with Farmins providing no cost carry	11,500	2,300

+ See chapter 19 for defined terms.

3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	
4.2	Development	5000
	Total	**5000**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	11086	9892
5.2	Deposits at call	32	32
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	9924	9924

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	PEL 73	Earned one sixth interest in licence on completion of well	Right to Acquire One sixth interest	Own One sixth interest
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	112193125	56910628		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	7,400,000 "2011 A Class" Options 12,600,00 "2011 B Class Options" 12,600,000 "2011 C Class Options		*Exercise price* *$0.30* *$0.50* *$0.75*	*Expiry date* *30 June 2011* *30 June 2011* *30 June 2011*
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	**Debentures** *(totals only)*				

+ See chapter 19 for defined terms.

7.12	**Unsecured notes** *(totals only)*		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date: 30-4-07
(Director/Company secretary)

Print name: PAUL DAVIES

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.