

Notice of Extraordinary General Meeting

Austin Exploration Limited
ACN 114 198 471

Notice is given that an extraordinary general meeting (**EGM**) of Austin Exploration Limited (the **Company**) will be held on Level 34 of 530 Collins Street, Melbourne, Victoria, 3000, on 26 June 2007 commencing at 11.00am (Melbourne time).

INTENTIONALLY BLANK

1. Election of Directors

- (a) To consider and, if thought fit, pass the following resolution as an ordinary resolution:
- 'To elect as a Director of the Company Mr Paul Desmond Teisseire who, having been reappointed as an addition to the Board since the last Annual General Meeting of the Company, resigns and, being eligible, offers himself for election.'*
- (b) To consider and, if thought fit, pass the following resolution as an ordinary resolution:
- 'To elect as a Director of the Company Mr Paul Joseph Davies who, having been appointed as an addition to the Board since the last Annual General Meeting of the Company, resigns and, being eligible, offers himself for election.'*

2. Grant of options to Directors

- (a) **Grant for Outstanding Achievement**
- (i) To consider and, if thought fit, pass the following resolution as an ordinary resolution:
- 'That approval be given to the grant of 2,500,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr David Max Schuette on the basis described in the Explanatory Memorandum to this Notice of EGM.'*

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(a)(i) by:

- ***Mr David Max Schuette; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

- (ii) To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That approval be given to the grant of 2,000,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr Paul Joseph Davies on the basis described in the Explanatory Memorandum to this Notice of EGM.'

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(a)(ii) by:

- ***Mr Paul Joseph Davies; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

- (iii) To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That approval be given to the grant of 1,000,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr Donald Frederick Reck Jr on the basis described in the Explanatory Memorandum to this Notice of EGM.'

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(a)(iii) by:

- ***Mr Donald Frederick Reck Jr; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

(b) Grant for Compensation

- (i) To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That approval be given to the grant of 400,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr Paul Desmond Teisseire on the basis described in the Explanatory Memorandum to this Notice of EGM.'

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(b)(i) by:

- ***Mr Paul Desmond Teisseire; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

- (ii) To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That approval be given to the grant of 500,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr Paul Joseph Davies on the basis described in the Explanatory Memorandum to this Notice of EGM.'

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(b)(ii) by:

- ***Mr Paul Joseph Davies; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

- (iii) To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That approval be given to the grant of 350,000 options to subscribe for fully paid ordinary shares in the Company with an exercise price of AUD 0.55 to Mr Neville Wayne Martin on the basis described in the Explanatory Memorandum to this Notice of EGM.'

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on resolution 2(b)(iii) by:

- ***Mr Neville Wayne Martin; and***
- ***any of his associates,***

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote is cast by a person chairing 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.

By Order of the Board



Paul Joseph Davies
Company Secretary
Dated: 25 May 2007

Notes on voting

Voting at the Meeting

The Company has determined that for the purpose of voting at the EGM, shares will be taken to be held by those persons recorded in the Company's Register of Members as at 11.00am (Melbourne time) on 24 June 2007.

On a poll, ordinary shareholders have one vote for every fully paid ordinary share held.

Proxies

1. A shareholder entitled to attend and vote is entitled to appoint not more than two proxies, who may be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:
 - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth); and
 - provides to the Company satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. An additional form of proxy will be supplied by the Company's Share Registry on request.
2. In the case of joint shareholders, the form of proxy must be signed by either one or both of the joint shareholders personally or by attorney. If you are signing as an attorney then the power of attorney must have been noted by the Share Registry, or the original or a certified copy must accompany the proxy form.
3. If the shareholder is a corporation, the form of proxy may be executed under its common seal, or under the hand of two directors of the company or a director and a company secretary of the company. If there is a sole director who is also the sole secretary, the form of proxy may be signed by that person.
4. A proxy need not be a shareholder of the Company.
5. If the chairman of the meeting is appointed as your proxy without a direction as to how to vote on any resolution, the chairman of the meeting intends to vote your proxy in favour of that resolution.
6. To be effective, a form of proxy must be received by the Company at the postal address shown below or at the Company's registered office by 11.00am (Melbourne time) on 24 June 2007.

A form of proxy accompanies this Notice of EGM.

For Lodgement of Proxy Form

Proxy forms may be lodged at the Company's registered office or at the Company's Share Registry as listed below:

Mail	In person	Fax
Austin Exploration Limited C/- Computershare Investor Services Pty Limited GPO Box 1903 Adelaide SA 5001 Australia	Austin Exploration Limited C/- Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide SA 5000 Australia	Austin Exploration Limited C/- Computershare Investor Services Pty Limited Fax: + 61 8 8236 2305

Extraordinary General Meeting —

Explanatory Notes

1. Election of directors

(a) Election of Mr Paul Desmond Teisseire

Mr Paul Desmond Teisseire is non-executive Chairman of a number of public listed companies including Auspine Ltd and Legend Corporation, and several non-listed companies including Challenge Recruitment Ltd and Playford Management Ltd, as well as a non-executive director of public listed company BSA Ltd (formerly Broadcast Services Australia Ltd). He is a former legal practitioner with extensive experience in corporate law and tax. He is a citizen of Australia and is aged 51 years.

Mr Teisseire was appointed by the Board as a non-executive Director of the Company with effect from 12 May 2006 and as the non-executive Chairman of the Company with effect from 19 October 2006. Immediately following the last Annual General Meeting of the Company on 10 November 2006, he was reappointed by the Board as a non-executive Director and the Chairman of the Company with effect from that date.

Under the Constitution of the Company and the ASX Listing Rules, a Director who is appointed by the Board may hold office until the next Annual General Meeting of the Company. However, the Board and Mr Teisseire have determined to take this opportunity to seek shareholders' confirmation of Mr Teisseire's appointment as a Director of the Company.

Accordingly, Mr Teisseire resigns and, being eligible, offers himself for election as a Director of the Company. If he is elected, the Board intends to reappoint Mr Teisseire as the non-executive Chairman of the Company.

(b) Election of Mr Paul Joseph Davies

Mr Paul Joseph Davies has extensive financial and operations experience across a broad range of industries, most notably the finance sector. He was formerly a Director of Deutsche Bank Australia and an Associate Director of Bankers Trust Australia. Most recently, he has consulted to a variety of companies both domestically and internationally. Mr Davies has an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an Alumnus of the Stanford University Business School.

Mr Davies was appointed by the Board as the Company Secretary with effect from 19 October 2006. In addition, immediately following the last Annual General Meeting of the Company on 10 November 2006, he was appointed by the Board as an executive Director of the Company and Chief Financial Officer with effect from that date.

Under the Constitution of the Company and the ASX Listing Rules, a Director who is appointed by the Board may hold office until the next Annual General Meeting of the Company. However, the Board and Mr Davies have determined to take this opportunity to seek shareholders' confirmation of Mr Davies's appointment as a Director of the Company.

Accordingly, Mr Davies resigns and, being eligible, offers himself for election as a Director of the Company.

The chairman of the EGM intends to vote undirected proxies in favour of the election of Mr Paul Desmond Teisseire and Mr Paul Joseph Davies.

2. Grant of options to Directors

(a) Grant for outstanding achievement

On 13 January 2007, the Board resolved, subject to shareholder approval, to grant options to subscribe, on a 1 for 1 basis, for fully paid ordinary shares in the Company to Mr David Max Schuette (as the Managing Director of the Company), Mr Paul Joseph Davies (as an executive Director, and Chief Financial Officer and Company Secretary, of the Company) and Mr Donald Frederick Reck Jr (as an executive Director of the Company). The form of the terms and conditions which were to govern any options the grant of which was approved by shareholders is annexed to this Notice of EGM (**Annexure 1**), with the details as set out in **Table 1** below. Among other things, the terms were to provide that the options could not be exercised until 4.00pm (Adelaide time) on the 'Escrow date', being the date which was 1 year after the date on which the Company's shareholders approved the grant of the options. To 13 January 2007, the highest market price achieved by the Company's shares was AUD 1.09 per share.

Table 1

Director	Escrow date	Expiry date	Number of options	Exercise price (A\$)
Mr Schuette	26 June 2008	30 June 2011	2,500,000	1.20
Mr Davies	26 June 2008	30 June 2011	2,000,000	1.20
Mr Reck Jr	26 June 2008	30 June 2011	1,000,000	1.20

The grants were to be made, subject to shareholder approval, in respect of the performance of Messrs Schuette, Davies and Reck Jr in finalising a major fundraising, as detailed in the announcement made by the Company to the Australian Securities Exchange on 3 January 2007, which has provided enormous benefit to the Company.

- The Company has been able to pursue three new, lower-risk projects that were not funded through its initial public offering.
- The Company has reduced the St Gabriel 1 cost burden by 50%.
- The Company has been able to establish a meaningful portfolio of prospects with a spread of risk and has a capacity to add to this portfolio.
- The Company has significantly mitigated its foreign exchange exposure by obtaining the commitments in US dollars.
- There has been no shareholder dilution in achieving this outcome.

As a result of a decline in the Company's share price after 13 January 2007, the value of the options proposed to be granted to Messrs Schuette, Davies and Reck Jr has decreased significantly.

Accordingly, the Board resolved to amend the terms of the grants of options to Messrs Schuette, Davies and Reck Jr, subject to shareholder approval, by reducing the exercise prices as set out in **Table 2** below. In all other respects, the terms of the options remain unchanged and the form of the terms and conditions which will govern any options the grant of which is approved by shareholders is as in **Annexure 1**.

Table 2

Director	Escrow date	Expiry date	Number of options	Exercise price (A\$)
Mr Schuette	26 June 2008	30 June 2011	2,500,000	0.55
Mr Davies	26 June 2008	30 June 2011	2,000,000	0.55
Mr Reck Jr	26 June 2008	30 June 2011	1,000,000	0.55

The chairman of the EGM intends to vote undirected proxies in favour of the approval of the grants of options to Messrs Schuette, Davies and Reck Jr as per resolutions 2(a)(i), (ii) and (iii)

(b) Grant for Compensation

On 10 November 2006, the Board resolved, subject to shareholder approval, to grant options to subscribe, on a 1 for 1 basis, for fully paid ordinary shares in the Company to Mr Paul Desmond Teisseire (as the non-executive Chairman of the Company), Mr Paul Joseph Davies (as an executive Director, and Chief Financial Officer and Company Secretary, of the Company) and Mr Neville Wayne Martin (as a non-executive Director of the Company). The form of the terms and conditions which will govern any options the grant of which is approved by shareholders is annexed to this Notice of EGM (**Annexure 1**), with the details as set out in **Table 3** below. Among other things, the terms provide that the options cannot be exercised until 4.00pm (Adelaide time) on the 'Escrow date', being the date which is 1 year after the date on which the Company's shareholders approve the grant of the options. To 10 November 2006, the highest market price achieved by the Company's shares was AUD 0.47 per share.

Table 3

Director	Escrow date	Expiry date	Number of options	Exercise price (A\$)
Mr Teisseire	26 June 2008	30 June 2011	400,000	0.55
Mr Davies	26 June 2008	30 June 2011	500,000	0.55
Mr Martin	26 June 2008	30 June 2011	350,000	0.55

The grants were made, subject to shareholder approval, in acknowledgement of work done and additional responsibilities undertaken by each of Messrs Teisseire, Davies and Martin, in particular:

- to Mr Teisseire, for accepting and performing the role of non-executive Chairman of the Company;
- to Mr Davies, for accepting and performing the role of Chief Financial Officer of the Company; and
- to Mr Martin, for accepting and performing the role of Chairman of the Board's Audit and Compliance Committee and the Board's Remuneration Committee.

The chairman of the EGM intends to vote undirected proxies in favour of the approval of the grants of options to Messrs Teisseire, Davies and Martin as per resolutions 2(b)(i), (ii) and (iii).

(c) Further information about the proposed grants of options

The various grants form part of the remuneration of the Directors for their services to the Company (as detailed further below) pursuant to the Company's Director Remuneration Policy.

Under ASX Listing Rule 10.11, the granting of these options to the relevant Directors is required to be approved by shareholders. If so approved, the options granted will not be subject to or count towards the 15% limit imposed by ASX Listing Rule 7.1. ASX Listing Rule 10.13 requires certain information to be included in this Notice of EGM. In addition, the Board has included a valuation of the options proposed to be granted by an independent expert (**Annexure 2**) to assist shareholders in determining whether to vote in favour of approving the various grants.

The number of options that may be acquired by each Director if shareholders approve the various grants is fixed and set out in **Table 2** and **Table 3** above (as applicable).

If approved by shareholders, the grants of the various options will be made as soon as possible and, in any event, not more than 1 month after the date of the EGM. From the time options are granted, they may not be exercised until 4.00pm (Adelaide time) on the Escrow Date set out in **Table 2** and **Table 3** above (as applicable), being the date which is 1 year after the date on which the grant was approved by shareholders. From that time, underlying shares may be issued as a result of the exercise of the options until 4.00pm (Adelaide time) on the Expiry Date set out in **Table 2** and **Table 3** above (as applicable).

There is no cost to the Directors on the grant of the options and, conversely, no funds will be raised by the Company through the grant of the options. The exercise prices of the options are as set out in **Table 2** and **Table 3** above (as applicable).

Austin Exploration Limited

Terms and Conditions of Issue of Options

1. Options

Each option (an **Option**) entitles the holder (the **Optionholder**) to subscribe for one fully paid ordinary share (a **Share**) in the capital of Austin Exploration Limited (the **Company**) (subject to adjustment in accordance with these terms and conditions (the **Terms**)).

2. Issue

- 2.1 Subject to receiving the approval of the Company's shareholders in accordance with ASX Listing Rule 10.11, the Company will issue [***Number**] Options to [***Recipient**].
- 2.2 No amount is payable by the Optionholder on issue of the Options.
- 2.3 Within 30 days of the issue of the Options to the Optionholder, the Company must give the Optionholder a certificate or holding statement stating:
 - (a) the number of Options issued to the Optionholder;
 - (b) the exercise price of the Options; and
 - (c) the date of issue of the Options.

3. Exercise

- 3.1 The exercise price of each Option is [***Exercise Price**] (subject to adjustment in accordance with these Terms).
- 3.2 Subject to clause 3.3:
 - (a) no Option can be exercised prior to 4.00pm on [***Escrow Date**] (the **Escrow Date**), being 1 year after the date on which the shareholders of the Company approved the issue of the Options; and
 - (b) each Option may be exercised at and from 4.00pm on the Escrow Date up to and including 4.00pm on [***Expiry Date**] (the **Expiry Date**).
- 3.3 Where, prior to 4.00pm on the Escrow Date:
 - (a) a takeover bid is made for the Company and the board of directors of the Company (the **Board**) recommends acceptance by the Company's shareholders;
 - (b) a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
 - (c) the Board determines that some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,each Option may be exercised at and from the time determined by the Board up to and including 4.00pm on the Expiry Date.

- 3.4 To exercise Options, the Optionholder must give to the Company Secretary:
- (a) a written exercise notice (in the form approved by the Board from time to time) specifying the number of Options being exercised;
 - (b) payment of the exercise price for the Options the subject of the exercise notice by way of bank cheque, cash, cleared funds or other means of payment approved by the Company; and
 - (c) the certificate or holding statement for the Options.
- 3.5 Options will be deemed to have been exercised when the last of the items specified in clause 3.4 is received by the Company Secretary.
- 3.6 An Optionholder may only exercise Options in multiples of 1,000 unless the Optionholder exercises all Options held by the Optionholder.
- 3.7 Within 10 days after receiving the last of the items specified in clause 3.4, the Company must:
- (a) issue to the Optionholder the number of Shares the subject of the Options being exercised;
 - (b) deliver to the Optionholder a share certificate or holding statement in respect of the Shares issued; and
 - (c) cancel the certificate or holding statement for the Options delivered by the Optionholder and, where necessary, issue a replacement certificate or holding statement for any Options which were not exercised.
- 3.8 Subject to the constitution of the Company (the **Constitution**), all Shares issued on exercise of Options rank in all respects (including rights relating to dividends) *pari passu* with the fully paid ordinary shares in the capital of the Company on issue at the date of exercise of those Options.
- 3.9 The Company will apply to the ASX for official quotation of the Shares issued on exercise of the Options.
- 3.10 Where the Optionholder has died, their legal personal representative will be entitled to exercise the Options in accordance with these Terms.

4. Lapse

An Option not exercised by 4.00pm on the Expiry Date automatically lapses immediately after that time.

5. Transfer

- 5.1 Prior to 4.00pm on the Escrow Date, the Options are not transferable.
- 5.2 At and from 4.00pm on the Escrow Date, the Options will be fully transferable in accordance with the Constitution and, for such time as the Company is listed, the ASX Listing Rules and the operating rules of the ASX and the Settlement Rules of ASTC will apply.

6. Share issues

- 6.1 The Options carry no right to participate in rights issues or bonus issues.
- 6.2 If Shares are issued pursuant to the exercise of an Option prior to determination of entitlements to a new issue, the Shares so issued will be entitled to participate in the new issue.
- 6.3 In the event of a proposed rights issue or bonus issue, as soon as practicable after the announcement of such issue, the Company must give the Optionholder notice of the proposed terms of the issue and the fact that any Shares issued on exercise of an Option will be entitled to participate in the proposed issue.
- 6.4 The Board will:
- (a) in the event of a new issue, reduce the exercise price of the Options; and
 - (b) in the event of a bonus issue, change the number of underlying Shares to which the Options relate,
- in accordance with the ASX Listing Rules.
- 6.5 The Board will, in the event of a reorganisation of capital, change the rights of the Optionholder (including the number of underlying Shares to which the Options relate and the exercise price of the Options) to the extent necessary to comply with the ASX Listing Rules.
- 6.6 The Company must give notice to the Optionholder of any change to the rights of the Optionholder pursuant to clause 6.4 or 6.5 within a reasonable period after any such change.
- 6.7 Any calculations or adjustments which are required to be made by the Board under clause 6.4 or 6.5 will, in the absence of manifest error, be final and conclusive, and binding, on the Company and the Optionholder.

7. Dividends

The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Option.

8. Governing law and jurisdiction

These Terms are governed by the laws of South Australia. Each participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction there in all matters connected with these Terms.

9. References to time

All references to time in these Terms are references to time in Adelaide.

DMR CORPORATE

DMR

DMR Corporate Pty Ltd
470 Collins Street
Melbourne
Victoria 3000
Australia

A.C.N. 063 564 045
Facsimile (03) 9629 4598
Telephone (03) 9629 4277

10 May 2007

Mr. P D Teisseire
Chairman
Austin Exploration Limited
Level 50, 120 Collins Street
Melbourne
Vic 3000

Dear Sir,

Re: Option Valuation

1. Introduction

We have been requested to value the following options to be granted to executives of Austin Exploration Limited ("Austin"):

Executive	Number of Options	Exercise Price	Grant Date	Expiry Date
Paul Desmond Teisseire	400,000	\$0.55	15-Jun-2007	30-Jun-2011
Paul Joseph Davies	500,000	\$0.55	15-Jun-2007	30-Jun-2011
Neville Wayne Martin	350,000	\$0.55	15-Jun-2007	30-Jun-2011
David Max Schuette	2,500,000	\$0.55	15-Jun-2007	30-Jun-2011
Paul Joseph Davies	2,000,000	\$0.55	15-Jun-2007	30-Jun-2011
Donald Frederick Reck	1,000,000	\$0.55	15-Jun-2007	30-Jun-2011

The purpose of the valuation is to enable Austin to present the fair value of the options to shareholders at an Extraordinary General Meeting to be held in June 2007 to obtain shareholder approval for the granting of the options. We have therefore assumed a grant date of 15 June 2007.

The options are subject to the following terms:

- the options are exercisable at any time up to 30 June 2011.
- the options do not vest for 12 months from the grant date.
- the options are fully transferable after the vesting period.

DMP

2. Valuation Methodology

2.1 Options are generally valued using one of a number of option pricing models and accounting standard AASB 2 does not mandate the use of a particular model in valuing employee options.

2.2 We have reviewed the terms of the options and based on this review we have concluded that there is a reasonable probability that the options will be exercised before their expiry date. Our view is supported by empirical evidence that employee and executive options are often exercised well before their expiry date. For this reason we have valued the options issued to Austin executives using the binomial model, which has been tailored specifically for use in valuing employee options. The model used determines the value of an employee option as a function of the following variables:

- 1) the current share price of the underlying shares
- 2) exercise price of the option
- 3) volatility of the share price
- 4) vesting conditions
- 5) time to maturity
- 6) risk free rate of interest
- 7) expected dividend yield
- 8) an exercise price multiple

3. Assumptions used

3.1 Set out below is a discussion of each of the variables and the assumptions that we have selected in applying the binomial model.

3.2 The share price of the underlying shares

Austin is a limited liability company incorporated in Australia and its securities are listed on the Australian Securities Exchange ("ASX").

The volume weighted average share price (based on closing daily prices) for the 90-day period ended 9 May 2007 was \$0.4894 on a volume of 63,388,659 shares.

The volume weighted average share price (based on closing daily prices) for the 30-day period ended 9 May 2007 was \$0.3053 on a volume of 18,933,058 shares.

Based on the above share prices, we consider that \$0.31 represents the current market value of Austin shares as at 9 May 2007.

3.3 The exercise price of the options

The exercise price of all the options is \$0.55.

DMP

3.4 The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualised standard deviation of daily share price returns on the underlying security over a specified period.

The historic volatility information for Australian listed companies can be sourced from the Australian Graduate School of Management – Centre for Research in Finance Risk (“CRIF”) Measurement Service statistics. As Austin is a newly listed company it does not have a historical record to enable a volatility factor to be determined by CRIF. For this reason we have considered the historic volatility of share price returns for companies comparable to Austin as set out below:

Company	Market Capitalisation \$ m	Volatility %
Sunshine Gas Limited	95	77.25
Mosaic Oil NL	75	40.53
Cooper Energy Limited	66	49.19
Golden Gate Petroleum Limited	61	56.12
First Australian Resources	58	56.81
Planet Gas Limited	51	52.31
	Average	55.37
	Say:	55.0

3.5 Vesting conditions

The options vest 12 months after the grant date

3.6 Time to maturity

All of the options expire on 30 June 2011. We have assumed this date to be the maturity date of the options, however this assumption is impacted by Section 3.9 below.

3.7 Risk free rate of interest

In valuing the options, we have used a risk free rate of 6.050%. This rate is based on the current Treasury Bond with maturities approximating the expiry date of the options.

3.8 Expected dividend yield

Austin does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

DMP**3.9 An exercise price multiple**

As stated in Section 2.2, director and employee options are often exercised prior to their expiry date. Austin does not have a history that we could use to predict the likely exercise date.

In the absence of any Austin specific history we have assumed that options will be exercised if, after the vesting date but prior to the expiry date, the market price of Austin shares reaches a multiple of 1.5 times the exercise price.

4. Valuation

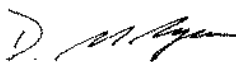
4.1 Based on the assumptions set out in Section 3 above we have assessed the value of the options (using the Binomial Model) to be the following:

Executive	Value of One Option \$	Number of Options	Total Value \$
Paul Desmond Teisseire	0.0715	400,000	28,600
Paul Joseph Davies	0.0715	500,000	35,750
Neville Wayne Martin	0.0715	350,000	25,025
David Max Schuette	0.0715	2,500,000	178,750
Paul Joseph Davies	0.0715	2,000,000	143,000
Donald Frederick Reck	0.0715	1,000,000	71,500
		TOTAL	<u>482,625</u>

4.2 It should be noted that the effect of the assumption set out in Section 3.9 above results in an expected option life of 3.52 years.

4.3 By way of a cross check we have calculated the value of the options by excluding the assumption set out in Section 3.9 above and assuming that they would be exercised at expiry on 30 June 2011. This calculation reveals the maximum value of the options using the Black-Scholes Option valuation method. The resulting value for each option is \$0.1012.

Yours faithfully



Derek Ryan
Director