

**AUSTIN EXPLORATION LIMITED ACN 114 198 471**

Friday 18 December 2009

The Manager
ASX Markets Supervision Pty Ltd
91 King William Street
Adelaide SA 5000

Dear Sir/Madam

RESPONSE TO ASX LETTER DATED 10 DECEMBER 2009

We refer to your letter dated 10 December 2009 addressed to Austin Exploration Limited and respond in the table as attached to this letter.

For further information, please contact: -

Graham Seppelt 0419 035 297

Company Secretary

On behalf of the Board

3355 Bee Caves Road, Building 6, Suite 607 • Austin, Texas 78701
25 Peel Street • Adelaide, SA 5000
PO Box 15 • Aldgate, SA 5154

Q #	Question	Response
1	Note 16 on page 53 of the 08/09 Annual Report states that the company executed the Participation Agreement (PA) on 24 March 2008. The Company announced formal completion of the Letter of Intent, which became the PA, on 4 April 2008. On what date did the Company formally complete the PA?	The substance of the PA was agreed on 24 March 2008, however amendments were agreed between the parties subsequent to this. Notwithstanding that the PA bears the date of 24 March 2008, it was not effectively finalized until 4 April 2008. Payment of the first tranche of funding was made on 4 April 2008. The date of 24 March 2008 has simply been used in subsequent correspondence and announcements to the market.
2	Does the Company consider the completion of the PA was material to the company?	Yes
3	If the answer to question 2 is "no" please advise the basis on which the Company does not consider the PA to be material.	N/A
4	If the answer to question 2 is "yes", when did the Company first become aware that the PA had been completed	4 April 2008
5	In relation to question 4, if this was before the release of the PA Completion Announcement to the market, please identify any earlier announcement from the Company which disclosed the PA had been completed.	N/A
6	If there was no earlier announcement and the Company became aware that the PA had been completed prior to the release of the PA Completion Announcement, please advise why the Company did not announce the completion of the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A	The Letter of Intent (disclosed to market on 11 March 2008) incorporated the substantive terms of the PA. The Company abstained from announcing the completion of the PA until the amendments referred to above had been finalized and payment of the first tranche of funds had been received. This was because there had not yet been any definitive change to the terms of the Letter of Intent announced earlier. Under ASX LR 3.1A, a reasonable person would not expect an announcement concerning the PA to be made until the amendments had been finalized as the information was still confidential and the proposal was incomplete. Additionally, the Company notes that paragraph 13 of Guidance Note 8 states that "it is important to strike an appropriate balance between encouraging timely disclosure of material information and preventing premature disclosure of incomplete or indefinite matters".

		ASX LR 3.1 did not require disclosure of completion of the PA until 4 April 2008.
7	Page 5 of the Second Quarter Activities and Cash Flow Report 08/09 lodged by the Company with ASX on 30 January 2009 states that the company ordered a halt to drilling at Park City in May 2008. On what date did the Company order a halt to drilling at Park City.	The Company requested a temporary suspension of drilling in May 2008. The Company is unable to provide a more precise date at this point in time.
8	Does the Company consider that the halt in drilling at Park City was material to the Company	No.
9	If the answer to question 8 is "no" please advise the basis on which the Company does not consider the halt in drilling at Park City to be material	The temporary suspension of drilling was a commercial decision to allow the Company to concentrate on completing the remaining wells. At the time, only four wells had been connected to the gas processing plant, with the remainder of the drilled wells uncompleted. In the Directors' view, the size of the acreage meant that a temporary suspension until the remaining wells were completed was considered part of the normal operations of the Company.
10	If the answer to question 8 is "yes", when did the Company first become aware that drilling had been halted at Park City?	Drilling was not actually suspended until the work-in-progress at that time had been completed (in June 2008). The Company is unable to provide a more precise date at this point in time.
11	In relation to question 10, if this was before the release of the Suspension of Drilling Announcement to the market, please identify any earlier announcement from the Company which disclosed the halt in drilling at Park City	There was no earlier announcement.
12	If there was no earlier announcement, and the Company became aware that drilling was halted at Park City prior to the release of the Suspension of Drilling Announcement, please advise why the Company did not announce the halt in drilling at Park City to the market at an earlier time, or request a trading halt at that time pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.	The Directors did not, at this time, perceive the suspension to be material.
13	The RET Hearing Announcement lodged by the Company with ASX on 11 November 2008 notified the market that a hearing date had been set for the Company's "October 10 th , 2008 lawsuit against the	While the Notice of Litigation was delivered to RET on 10 October 2008, the formal Complaint for Declaratory Judgment was filed on 14 October 2008.

	operator of its Park City Project". On what date did the Company file its lawsuit against RET?	
14	Does the Company consider that the filing of the lawsuit by the Company against RET was material to the Company?	Yes
15	If the answer to question 14 is "no", please advise the basis on which the Company does not consider filing of the lawsuit by the Company against RET to be material	N/A
16	If the answer to question 14 is "yes", when did the Company first become aware it had filed a lawsuit against RET?	Aus-Tex received confirmation of service of the Complaint for Declaratory Judgment on Friday, 17 October 2008 (United States time).
17	In relation to question 16, if this was before the release of the RET Injunction Announcement to the market, please identify any earlier announcement from the Company which disclosed the filing of a lawsuit by the Company against RET	There was no earlier announcement.
18	If there was no earlier announcement, and the Company became aware that it had filed a lawsuit against RET prior to the release of the RET Injunction Announcement, please advise why the Company did not announce that it had filed a lawsuit against RET to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A	The Company received confirmation of service on Saturday, 18 October 2008 in Australia (being 17 October 2008 in the United States). Preparation of an announcement could not commence until Monday, 20 October 2008. After preparing the announcement, the Company then required a legal review of the announcement prior to release to market. A reasonable person would not expect the information to be disclosed until the announcement had been thoroughly reviewed to ensure that: a) it would not compromise any litigation against RET; and b) it would not expose the Company to liability. The announcement was released as soon as the Company was sufficiently confident of these two aspects (i.e. 23 October 2008). As the Company was unable to determine whether it would have been a breach of law to disclose this information, the exception under ASX LR 3.1A.3 was available. Accordingly, ASX LR 3.1 did not yet require the release of the announcement.
19	Note 16 on page 53 of the 08/09 Annual Report states that the investment groups under the PA, namely Newtak, advised the	17 July 2009

	Company that they would not be funding further investment in the Park City Project. On what date did Newtown advise the Company that it would not provide further funding under the PA?	
20	Does the Company consider that the withdrawal of further funding by Newtown under the PA was material to the company?	Yes.
21	If the answer to question 20 is "no", please advise the basis on which the Company does not consider the withdrawal of further funding by Newtown under the PA to be material	N/A
22	If the answer to question 20 is "yes", when did the Company first become aware that Newtown had withdrawn further funding under the PA?	Funding was suspended by Newtown on 17 July 2009 pending the resolution of the dispute or renegotiation of the PA
23	In relation to question 22, if this was before the release of the 08/09 Annual Report to the market, please identify any earlier announcement from the Company which disclosed Newtown's withdrawal of further funding under the PA	No earlier announcement.
24	If there was no earlier announcement, and the Company became aware that Newtown had withdrawn further funding under the PA prior to the release of the 08/09 Annual Report, please advise why the Company did not announce that Newtown had withdrawn further funding under the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A	Newtak's suspension of funding was communicated in the context of requiring the Company to first meet its obligations under the PA before further funding would be provided, or alternatively, for Newtown and the Company to revise the terms of the PA. At this point in time, a temporary cessation of funding for the Company's Park City operations was not deemed to be material. Accordingly, the Company considered the suspension of funding to be a temporary and confidential matter for internal Company management only. No reasonable person would expect disclosure until a resolution had been reached. Consequently, no disclosure was required under ASX LR 3.1.
25	Note 16 on page 53 of the 08/09 Annual Report also states that the PA provides the investors, namely Newtown, will be repaid on a two-for-one basis beginning January 1, 2009. Initial monthly payments of \$104,112 for three months and \$130,140 per month for each of the second three months are due and have not been paid. Does the Company consider that the failure of the Company to meet its repayment obligations to Newtown under the PA was material to the Company?	No.
26	If the answer to question 25 is "no" please advise the basis on which	Funding under the Participation Agreement took the form of a non-recourse

	the Company does not consider the failure of the Company to meet its repayment obligations to Newtak under the PA to be material	loan. Repayment was only required to be made from Park City production revenue. Since there was no production revenue, no repayments were required. Accordingly, there was no failure by the Company to meet its repayment obligations.
27	If the answer to question 25 is "yes" when did the Company first become aware that the Company had failed to meet its repayment obligations to Newtak under the PA?	Refer to item 26 - the Company has not failed to meet its repayment obligations.
28	In relation to question 27, if this was before the release of the 08/09 Annual Report to the market, please identify any earlier announcement from the Company which disclosed the Company's failure to meet its repayment obligations to Newtak under the PA	Refer to item 26 - the Company has not failed to meet its repayment obligations.
29	If there was no earlier announcement, and the Company became aware that the Company had failed to meet its repayment obligations to Newtak under the PA prior to the release of the 08/09 Annual Report, please advise why the Company did not announce that the Company had failed to meet its repayment obligations to Newtak under the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A	Refer to item 26 - the Company has not failed to meet its repayment obligations.
30	Page 10 of the Company's Notice lodged with ASX on 30 October 2009 discloses details of the PA Dispute between Newtak and the Company. The Company agreed to pay an additional USD\$500,000 to Newtak as compensation for the effective reduction in its royalty interest under the PA. On what date did the PA Dispute arise?	25 August 2009
31	Does the Company consider the PA Dispute was material to the Company?	Yes
32	If the answer to question 31 is "no", please advise the basis on which the Company does not consider the PA Dispute to be material	N/A
33	If the answer to question 31 is "yes", when did the Company first become aware that the PA Dispute had arisen?	The initial letter alleging liability on the part of Aus-Tex was received on 25 August 2009. Negotiations between the Company and Newtak continued until formalization and execution of the Settlement Agreement disclosed on 30 October 2009.

		There was no earlier announcement.
34	In relation to question 33, if this was before the release of the PA Settlement Announcement to the market, please identify any earlier announcement from the Company which discloses the PA Dispute	Until execution of the Settlement Agreement, the allegations, proposals and negotiations from Newtak were: a) confidential; b) incomplete; and c) a reasonable person would not expect them to be disclosed. It is submitted that a reasonable person would not expect the negotiations to be disclosed until completed. Accordingly, under ASX LR 3.1A, this did not require disclosure until 30 October 2009.
35	If there was no earlier announcement, and the Company became aware that the PA Dispute had arisen prior to the release of the PA Settlement Announcement, please advise why the Company did not announce that the PA Dispute had arisen to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A	The Company confirms compliance with the ASX Listing Rules and in particular ASX LR 3.1.
36	Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1	



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10 December 2009

Graham Seppelt
 Company Secretary
 Austin Exploration Limited
 25 Peel Street
 Adelaide SA 5000

By email: seppelt@bold.net.au

Dear Mr Seppelt

Austin Exploration Limited (the "Company")

ASX Limited ("ASX") refers to the following:

1. The announcement by the Company lodged with ASX on 11 March 2008 entitled "AUD\$5M Private Investment Acquired to Develop Park City, Kentucky Gas Project". The announcement advised the following,

"Austin Exploration Limited (ASX: "AKK") is pleased to advise that the company has executed a AUD\$5M investment letter of intent with a private Australian based investor group" ("Letter of Intent").

2. The announcement by the Company lodged with ASX on 14 March 2008 entitled "Further Information on AUD\$5M Private Investment to Develop Park City Kentucky USA Gas Project". The announcement advised that the Letter of Intent proposed the following,

- *"Non recourse funding will be provided against the security of anticipated cash flow from the Park City Gas Field on terms which entitles the Investor to receive up to AUS\$10M over 3 years;*
- *The investor will receive 16,828,969 options to acquire shares in Austin Exploration at an exercise price of \$0.25 and with an exercise period of 3 years (which if fully exercised would raise additional capital for the Company of \$4,207,242.25);*
- *The members of the investment group will respectively receive an overriding royalty interest of 5% and 4.375%."*

3. The announcement by the Company lodged with ASX on 4 April 2008 entitled "Beneficial New Terms from Finalised Private Investment" ("PA Completion Announcement"). The announcement advised that the Letter of Intent had been completed. The announcement stated that the final agreement was completed on more favourable terms, as follows,

Australian Securities Exchange

Australian Stock Exchange
 Sydney Futures Exchange

Australian Clearing House
 SFE Clearing Corporation

ASX Settlement and Transfer Corporation
 Austraclear

- *"The investor desires to give Austin all of the 2008 cash flow benefit of this project"*
 - *"Therefore payments toward the US\$10M and distributions from the overriding royalty interest of 5% and 4.375% will not begin until January 1, 2009."*
4. The announcement by the Company lodged with ASX on 27 June 2008 entitled "Austin immediate focus on bringing 17 U.S. gas wells into production". The announcement advised that the Company had decided to concentrate on bringing 17 of the 19 wells drilled at Park City into production in order to receive maiden gas sales revenue and that as a result the Company will temporarily suspend drilling at Park City ("Suspension of Drilling Announcement").
 5. The Appendix 3X – Initial Director's Interest Notice lodged by the Company on 28 July 2008 in relation to Mr Pellicano's appointment as a director of the Company ("Pellicano Initial Director's Interest Notice"). Part 3 of the Pellicano Initial Director's Interest Notice disclosed Mr Pellicano's interest in contracts with the Company. It stated that Mr Pellicano is a director of Newtak Pty Ltd ("Newtak") and provided the following details of the contract in which Mr Pellicano has an interest,

"Participation Agreement between Newtak Pty Ltd and Aus-tex Exploration Pty Ltd (a wholly owned subsidiary of Austin Exploration Limited) for a non recourse loan against the revenues from the Park City and other oil and gas projects." ("PA")
 6. The announcement by the Company lodged with ASX on 23 October 2008 notifying the market that the Company has filed a Request for Preliminary Injunction in the United States District Court against the operator at the Company's Park City Gas Project, Resource Energy Technologies, LLC ("RET") in relation to an alleged breach of duty by RET in the completion of key milestones in a contracted five phase 200 well drilling program at Park City ("RET Injunction Announcement").
 7. The announcement by the Company lodged with ASX on 11 November 2008 notifying the market that a hearing date has been set for the Company's "October 10th, 2008 lawsuit" against the operator of its Park City Project ("RET Hearing Announcement").
 8. The Second Quarter Activities and Cash Flow Report 08/09 lodged by the Company with ASX on 30 January 2009. Page 5 of the report states,

"As previously announced, the Park City project has encountered a series of delays associated with the operator's inability to complete and connect all of the Austin Exploration wells. In May 2008 Austin ordered a halt in drilling."

The 08/09 Annual Report lodged with ASX on 30 September 2009. Note 16 on page 53 of the 08/09 Annual Report states as follows,

"On March 24, 2008, the Company executed a Participation Agreement ("PA") for US\$5.0M investment with two private Australian based investment groups. The investment provides the Company with capital resources to develop the initial drilling phases of the Park City, Kentucky project. In connection with the investment, the private Australian investment groups will be granted 16,828,969 options to acquire AKK shares at \$0.25 per share. The options will be issued 45 days after the total investment has been received by the Company. If the final amount invested is less than US \$5 million, the number of options issued will be adjusted downward on a prorated basis. At June 30, 2008, the Company has received funds of US \$2,250,000 from the investment groups."

The investment groups have since advised that they will not be funding further investment in the Park City project. Accordingly the number of options has been pro-rated downwards to 7,573,036. The options have not yet been issued under agreement with the investment groups."

The PA provides the investors will be repaid on a two-for-one basis beginning January 1, 2009. Initial monthly payments of \$104,112 for three months and \$130,140 per month for each of the second three months are due and have not been paid. After the initial six months, the remaining balance of the advances will be repaid in 30 equal monthly payments. Repayment of these advances is non-recourse to the Company and will be made only from production from the Park City project or as otherwise agreed by the board.

The company has recognised borrowing costs at a rate of 34% per annum on the anticipated repayment of these drilling advances. Borrowing costs of \$1,275,172 has been included in the accompanying income statement."

9. The announcement by the Company lodged with ASX on 30 October 2009 entitled "Settlement of Participation Agreement" ("PA Settlement Announcement"). The PA Settlement Announcement disclosed that the Company had settled a dispute with Newtak regarding the PA ("PA Dispute").
10. The Company's Notice of Annual General Meeting ("Notice") lodged with ASX on 30 October 2009. Page 10 of the Notice discloses the following in relation to resolution 10 of the Notice (later withdrawn by the Company),

"Newtak have alleged that the Company is liable to compensate it due to the Company's:

- a) Misrepresentations that the Company was entitled to drill 200 wells;*
- b) Failure to drill and connect 50 wells by 1 January 2009;*
- c) Misrepresentations over the flowrates from the existing 17 drilled wells.*

In order to settle the dispute with Newtak, the Company has agreed to repay the USD\$4,500,000 referred to above, and an additional USD\$500,000 as compensation for the effective reduction in its royalty interest.

The Company has therefore agreed to pay to Newtak a total of USD\$5,000,000. The conversion to equity and the cash payment detailed below will discharge the entirety of the Company's liability to Newtak under the Participation Agreement and any claims Newtak had against the Company in respect of this loan and the reduced royalty interest.

The Company and Newtak have agreed to the conversion of USD\$3,000,000 of this debt to 67,415,740 fully paid ordinary shares in the capital of the Company (Settlement Shares) and to 33,707,870 options over the unissued share capital of the Company (Settlement Options) (together, the Settlement Securities).

The issue of the Settlement Securities is subject to the Company raising a minimum of A\$7 million pursuant to the Prospectus (see Resolution 8 and section 8 above) lodged with the Australian Securities and Investments Commission on 22 October 2009.

The Company and Newtak have agreed that the balance of the debt owed to Newtak (following the issue of the Settlement Securities) will be extinguished by a cash payment of USD\$2,000,000."

As you are aware, listing rule 3.1 requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to

have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Furthermore, paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
 - *The information concerns an incomplete proposal or negotiation.*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - *The information is generated for the internal management purposes of the entity.*
 - *The information is a trade secret."*

Finally, I would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'..." and "Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Note 16 on page 53 of the 08/09 Annual Report states that the Company executed the PA on 24 March 2008. The Company announced formal completion of the Letter of Intent, which became the PA, on 4 April 2008. On what date did the Company formally complete the PA?
2. Does the Company consider that the completion of the PA was material to the Company?
3. If the answer to question 2 is "no", please advise the basis on which the Company does not consider the completion of the PA to be material.
4. If the answer to question 2 is "yes", when did the Company first become aware that the PA had been completed?
5. In relation to question 4, if this was before the release of the PA Completion Announcement to the market, please identify any earlier announcement from the Company which disclosed the PA had been completed.

6. If there was no earlier announcement, and the Company became aware that the PA had been completed prior to the release of the PA Completion Announcement, please advise why the Company did not announce the completion of the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A
7. Page 5 of the Second Quarter Activities and Cash Flow Report 08/09 lodged by the Company with ASX on 30 January 2009 states that the Company ordered a halt to drilling at Park City in May 2008. On what date did the Company order a halt to drilling at Park City?
8. Does the Company consider that the halt in drilling at Park City was material to the Company?
9. If the answer to question 8 is "no", please advise the basis on which the Company does not consider the halt in drilling at Park City to be material.
10. If the answer to question 8 is "yes", when did the Company first become aware that drilling had been halted at Park City?
11. In relation to question 10, if this was before the release of the Suspension of Drilling Announcement to the market, please identify any earlier announcement from the Company which disclosed the halt in drilling at Park City.
12. If there was no earlier announcement, and the Company became aware that drilling was halted at Park City prior to the release of the Suspension of Drilling Announcement, please advise why the Company did not announce the halt in drilling at Park City to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
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14. Does the Company consider that the filing of the lawsuit by the Company against RET was material to the Company?
15. If the answer to question 14 is "no", please advise the basis on which the Company does not consider the filing of the lawsuit by the Company against RET to be material.
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17. In relation to question 16, if this was before the release of the RET Injunction Announcement to the market, please identify any earlier announcement from the Company which disclosed the filing of a lawsuit by the Company against RET.
18. If there was no earlier announcement, and the Company became aware that it had filed a lawsuit against RET prior to the release of the RET Injunction Announcement, please advise why the Company did not announce that it had filed a lawsuit against RET to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
19. Note 16 on page 53 of the 08/09 Annual Report states that the investment groups under the PA, namely Newtak, advised the Company that they would not be funding further investment in the Park City project. On what date did Newtak advise the Company that it would not provide further funding under the PA?

20. Does the Company consider that the withdrawal of further funding by Newtak under the PA was material to the Company?
21. If the answer to question 20 is "no", please advise the basis on which the Company does not consider the withdrawal of further funding by Newtak under the PA to be material.
22. If the answer to question 20 is "yes", when did the Company first become aware that Newtak had withdrawn further funding under the PA?
23. In relation to question 22, if this was before the release of the 08/09 Annual Report to the market, please identify any earlier announcement from the Company which disclosed Newtak's withdrawal of further funding under the PA.
24. If there was no earlier announcement, and the Company became aware that Newtak had withdrawn further funding under the PA prior to the release of the 08/09 Annual Report, please advise why the Company did not announce that Newtak had withdrawn further funding under the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
25. Note 16 on page 53 of the 08/09 Annual Report also states that the PA provides the investors, namely Newtak, will be repaid on a two-for-one basis beginning January 1, 2009. Initial monthly payments of \$104,112 for three months and \$130,140 per month for each of the second three months are due and have not been paid. Does the Company consider that the failure of the Company to meet its repayment obligations to Newtak under the PA was material to the Company?
26. If the answer to question 25 is "no", please advise the basis on which the Company does not consider the failure of the Company to meet its repayment obligations to Newtak under the PA to be material.
27. If the answer to question 25 is "yes", when did the Company first become aware that the Company had failed to meet its repayment obligations to Newtak under the PA?
28. In relation to question 27, if this was before the release of the 08/09 Annual Report to the market, please identify any earlier announcement from the Company which disclosed the Company's failure to meet its repayment obligations to Newtak under the PA.
29. If there was no earlier announcement, and the Company became aware that the Company had failed to meet its repayment obligations to Newtak under the PA prior to the release of the 08/09 Annual Report, please advise why the Company did not announce that the Company had failed to meet its repayment obligations to Newtak under the PA to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
30. Page 10 of Company's Notice lodged with ASX on 30 October 2009 discloses details of the PA Dispute between Newtak and the Company. The Company agreed to pay an additional USD\$500,000 to Newtak as compensation for the effective reduction in its royalty interest under the PA. On what date did the PA Dispute arise?
31. Does the Company consider the PA Dispute was material to the Company?
32. If the answer to question 31 is "no", please advise the basis on which the Company does not consider the PA Dispute to be material.
33. If the answer to question 31 is "yes", when did the Company first become aware that the PA Dispute had arisen?

34. In relation to question 33, if this was before the release of the PA Settlement Announcement to the market, please identify any earlier announcement from the Company which disclosed the PA Dispute.
35. If there was no earlier announcement, and the Company became aware that the PA Dispute had arisen prior to the release of the PA Settlement Announcement, please advise why the Company did not announce that the PA Dispute had arisen to the market at an earlier time, or request a trading halt at that time, pending the release of an announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
36. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the Information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt, suspension will be imposed. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Your response should be sent to me by e-mail at Dion.Silvy@asx.com.au or by facsimile on facsimile number (08) 8216 5099. It should not be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than 3.30 p.m. E.D.S.T, Wednesday, 16 December 2009.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely,



Dion Silvy
Senior Adviser, Issuers (Adelaide)