



A U S T I N
E X P L O R A T I O N

Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471



C 18 #3 WELL PATHFINDER PROJECT. FREMONT COUNTY, COLORADO, USA.

Second Quarter Report FY2014

For the three months ended 31 December 2014

With additional information on subsequently completed activities

REVIEW OF OPERATIONS AND ACTIVITIES

Quarterly Highlights

- Record production and cash flow quarter
- Company reports cash flow positive position for second fiscal quarter of 2015 with all four Company assets now in production in Texas, Colorado, Kentucky & Mississippi
- Record quarterly oil & gas production achieved with 34,050.8 BOE net to Austin produced in the quarter
- Company secures long-term cornerstone investor with UK based Lanstead Investments showing a long term investment view and strong support for the Company's vision
- Stable cash position with \$1.5mil cash in the bank and further cash injections over the next 6 months via equity swap agreement with Lanstead
- Independent expert Gustavson Associates reports significant upgrades in Austin's resources and reserve base for its US oil and gas properties in Texas, Colorado, Kentucky and Mississippi.
- AKK financially stable, no major debt and only a small line of credit in place
- AKK has no production or reserve-based lending liabilities or debts
- AKK now readjusting cost base to accommodate sub US\$50/ barrel oil price
- Significant cost reduction measures have been undertaken:
 - Overhead expenses reduced by more than \$1.2 m p/a representing a circa 60% reduction in overhead costs
 - Directors Fee's reduced by more than 60%
 - US based Management salaries have been significantly reduced with already low salaries
- Many operators, AKK Management, and several of the Company's partners all agree that drilling operations will be halted until oil prices stabilise – except to retain acreage
- The Company continues to pare administration costs and is idling high cost producing leases in Kentucky & Colorado at current oil prices.

OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited ("Austin" or "the Company") (ASX:AKK) is an oil and gas explorer and producer with working interests and net revenue interests in four proven oil and gas provinces in the United States in Texas, Colorado, Kentucky & Mississippi. Austin is the operator of its Colorado and Kentucky operations.

Austin maintains and is proud of its outstanding safety and environmental record, with no lost time accidents or environmental incidents occurring during the past quarter.

The past quarter has been very encouraging for the Company with record production levels and revenue from oil sales achieved. All of Austin's North American assets are now in production. The Board is very pleased to inform its shareholders that it achieved positive cash flows throughout the second fiscal quarter of 2015. The collapse in the price of oil is disappointing for the Company as this occurred at a time that Austin achieved record production levels. Regardless, the Company is well positioned for this low oil price environment and in a strong position to capitalize when oil prices stabilise and return to higher levels.

In response to the fall in the price of oil, Austin has implemented Company-wide cost reduction program. Overhead expenses have been significantly reduced by more than USD\$1.2 million per annum, representing a 60% reduction in overhead costs. Directors' fees have been reduced by more than 60%, and all US based management salaries have been substantially reduced. The company's cost base is geared towards an oil price of circa US\$45-50per barrel with flexibility should the price of oil continue to decline.

The Company was very pleased to announce in December that it has secured a long term contractual cornerstone investor in Lanstead Investments, a private equity firm based out of the UK, with offices in the US and Australia. This is the first time the Company has been able to secure a strategic investor who has taken a longer term and supportive view of helping the Company grow and provide on-going financial support. The Company is working closely with Lanstead and is forming an excellent partnership.

All major drilling operations and expenditures have been halted for the near-term until the price of oil stabilises at higher levels. The Company is firmly committed to the preservation of its capital and is continually finding ways to reduce costs including internalizing all maintenance, operations, and pumping duties in order to minimise contractors.

Austin has been built on sound economic and fundamental principles and with every down-turn in a commodity cycle comes opportunities for growth via acquisitions and mergers. Austin is in a good position for a small-cap E & P Company of having solid cash flows, no bank debt apart from a small credit facility, world class assets, a highly dedicated Management team and the Board that is always looking at ways to add shareholder value.



Map Showing Austin's North American Oil and Gas assets

BUSINESS UNIT REPORTS

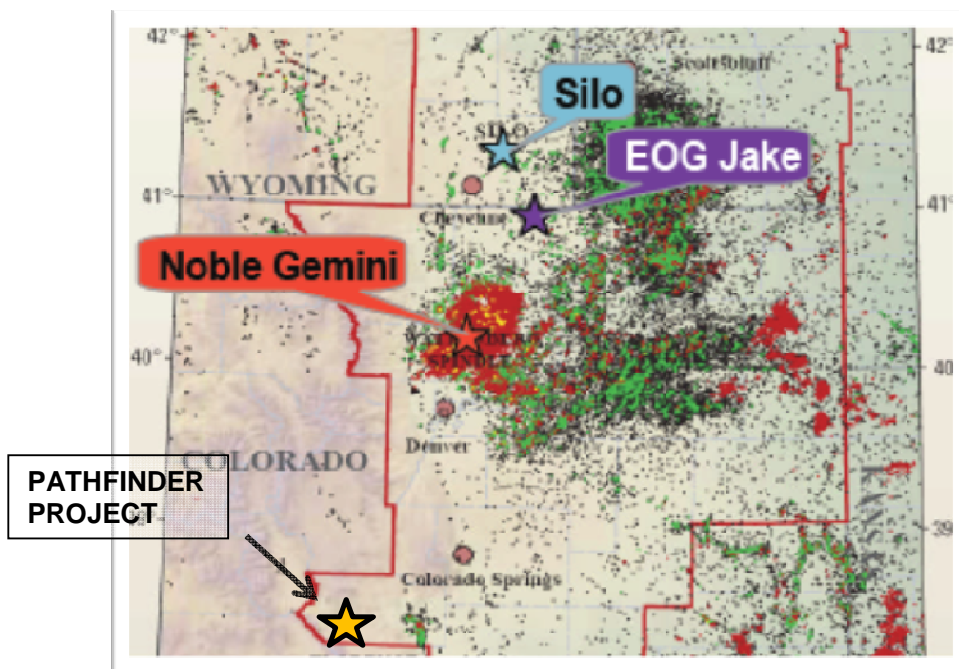
COLORADO BUSINESS UNIT

VP & General Manager:

Mrs. Ola Akrad

Austin is the Operator

- Pathfinder Project, Fremont County, Colorado
- 100% Working Interest in 11,560 acre property in the DJ Basin
- Spacing allows for more than 200 wells to be drilled
- Primary hydrocarbon targets: Niobrara Shale & Pierre Shale
- Secondary Targets: Codell, Greenhorn, Grenaros, and Dakota



Colorado Business Unit Quarterly Update:

- Two Pierre shale wells spudded in Colorado
- These wells satisfy lease commitments for acreage retention
- Austin's property neighbors Florence oil field which has produced more than 15 million barrels of oil from the Pierre formation
- Pierre wells remain economic in low oil price environment
- The Pierre formation is naturally fractured shale that is found at shallow depths of approximately 4000ft. These wells are drilled into the formation and do not require hydraulic fracturing, therefore the cost to drill and complete these wells is generally less than \$1 million per well.
- The Company successfully completed the first phase of drilling for these wells vertically and set conductor and surface casings on one well and the conductor casing on the second well.
- Operations have halted in December in observance of Colorado State wildlife regulations that prohibit drilling in this field until April 2015. Drilling will recommence in April and progress to completion, and if successful, move into production shortly thereafter.

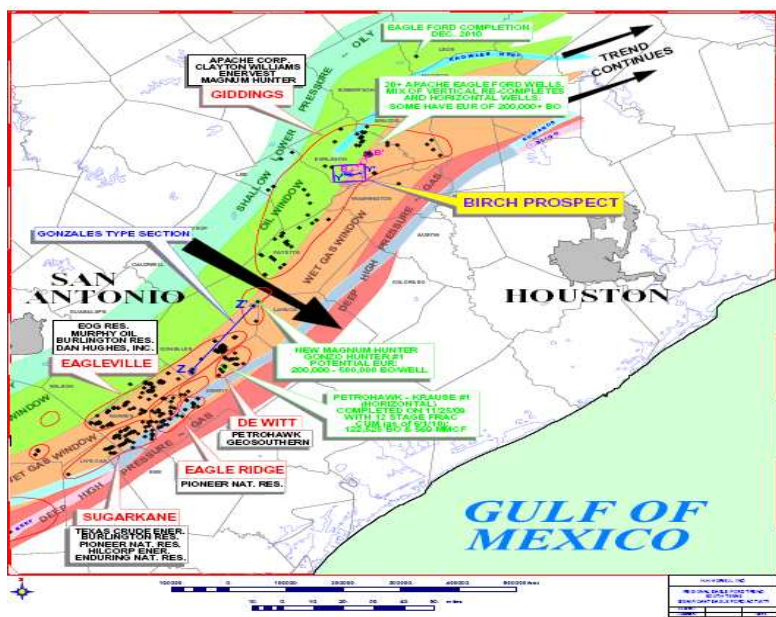
TEXAS BUSINESS UNIT

VP & General Manager:
Mr. Aaron J. Goss

- Birch Eagle Ford Project, Burleson County, Texas
- Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk
- ~30% Working Interest of approx. 5000 acres
- Austin's acreage is large enough to accommodate more than 50 horizontal wells at 80 acre spacing, or more than 100 wells at 40 acre spacing, in its partnership with Halcon Resources Corporation in Texas.

Well Name	Working Interest	Net Revenue Interest	Well Started Producing	Total BOE as of Dec 31, 2014
Stifflemire #1H	30.00%	22.5%	March-14	109,362.41
Kaiser #2H	30.00%	22.5%	July-14	86,762.86
Nemo #1H	30.00%	22.5%	July-14	68,463.70
Redbud #1H	20.15%	15.20%	July-14	61,502.17
Curington "A" #1H	6.19%	4.60%	October-14	41,322.61
Seaducer #2H	3.59%	2.69%	December-14	10,227.55

- Yolanda Dual Austin Chalk Well. Dimmitt County, Texas
- Working Interest 36%, NRI = 27.6%
- Well drilled and completed in 2010
- Total production to date 37,679 BO



Birch Eagle Ford Project

Texas Business Unit Quarterly Update:

- **Six Eagle Ford wells drilled in 2014 in Austin’s farm-out program with Halcon Resources Corporation.**
- **All six wells have been successful and are now producing substantial quantities of oil and gas**
- **2 Further wells brought into production following successful drilling and completions:**
 1. Curington 1A. 24hr IP = 996Boepd/ 30 day IP = 19,600 BOE (approx. 90% oil)
 2. Seaducer 1H. 24hr IP = 960 Boepd/ 30 day IP not yet established. (approx. 90% oil)

KENTUCKY & MISSISSIPPI BUSINESS UNIT

VP & General Manager

Mr. Timothy B. Hart

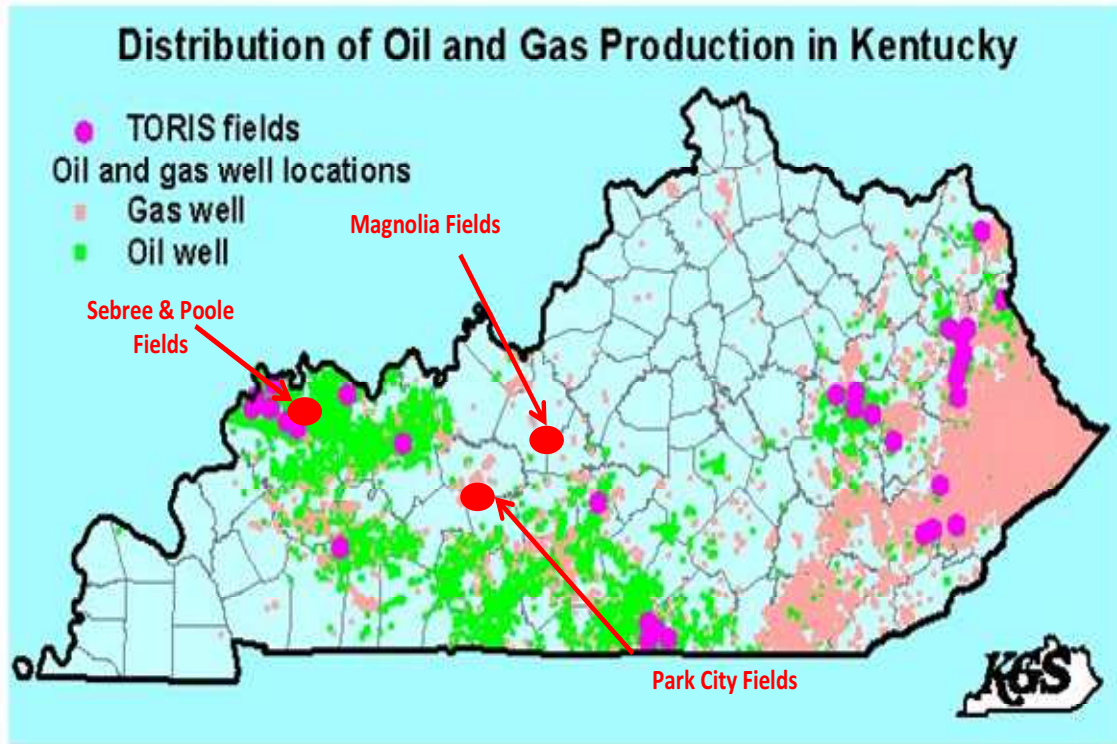
Austin is the Operator

- **Kentucky Exploration LLC. Approx. 5000 acre 50/50 Joint Venture with private Australian Investment Company.**
- **Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production, and cash flow, for the Company.**
- **Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation.**
- **Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg.**
- **Mississippi project: Adams County, Mississippi.**
- **Primary hydrocarbon targets: Wilcox Formation (Conventional).**

Well Name	Working Interest	Net Revenue Interest	Well Started Producing	Total BOE as of Dec 31, 2014
Ellislie	50.00%	37.50%	August-12	43,571.60
Commencement	50.00%	37.50%	May-11	63,526.81
Bourke 4	50.00%	36.00%	November-12	28,755.54
Bourke 5	50.00%	36.00%	April-14	2,610.09

Eastern Business Unit Quarterly Update

- **Achieved record production levels of 48 BOPD in Kentucky Business unit in first quarter**
- **Current daily production at 30 – 40 BOPD (5 high cost leases have been idled)**
- **Four Mississippi wells continue to produce well at approx. 80 BOPD.**
- **Continual engineering program underway designed to maximise production and operating efficiencies.**
- **Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk, long life production and cash flow.**
- **The Company’s low cost, high impact drilling program in Kentucky and Mississippi continues to have a material impact on cash flow while minimizing the costs of all of Austin’s operations.**
- **Leases with high operational expenses with high water haulage, electricity and chemical programs have been put on idle until the prices of oil recover.**



A map showing Austin Exploration's Leases in Kentucky. Kentucky Exploration LLC (Austin Exploration's wholly owned subsidiary) is operating 5 oil fields, 20 leases and approximately 5000 acres in Kentucky.

WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is pleased to report that there was no safety or phase one environmental incidents over the past year. With continual drilling operations taking place in the US, the Board commends its US team on this achievement. The Company places a large emphasis on the safety of all people, from its own employees to external contractors at its well sites. It is mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Denver Colorado as well as several OSHA safety programs that are held throughout the year.

RESERVES & RESOURCES - INDEPENDENT CONSULTANT'S ANALYSIS

Following Austin's successful exploration program in the United States, the Company received its most significant upgrade to date of its resources and reserve base for its US oil and gas properties in Texas, Colorado, Kentucky and Mississippi. The Independent report was completed by Gustavson Associates., Inc. a worldwide leader in independent oil and gas reserve and resource evaluations.

A summary of the Company's oil and gas reserves and resources was updated by Austin's Independent Oil and gas consulting firm Gustavson Associates in December 2014 and is listed below:

Austin Exploration's Net Contingent Resources						
Projects	Oil Resources			Solution Gas Resources		
	MMBbl (Million Barrels)			BSCF(Billion cubic feet)		
	P ₉₀	P ₅₀	P ₁₀	P ₉₀	P ₅₀	P ₁₀
Texas	0.780	1.606	3.250	4.470	9.209	18.590
Colorado	15.453	20.255	26.614	14.909	19.236	25.124
Kentucky	0.138	0.210	0.305	0.224	0.482	0.981
Mississippi	-	-	-	-	-	-
TOTAL –Contingent Resources	16.371	22.071	30.169	19.603	28.927	44.695

Austin Exploration's Net Reserves			
Reserve Category	Area	Net Oil Reserves (BBL)	Net Gas Reserves (Mscf)
Proved Developed Producing	Colorado-Niobrara	5,060	-
	Kentucky	38,737	-
	Mississippi	34,577	-
	Texas EF and Yolanda	191,470	116,420
Proved Developed Non-Producing	Mississippi	78,629	-
Proved Undeveloped	Texas EF	1,533,200	633,600
Probable Undeveloped	Texas EF	3,553,200	1,468,300
	Colorado-Pierre	31,100	6,700
Possible Undeveloped	Texas EF	5,271,100	2,178,300
	Colorado-Pierre	311,010	66,960
Austin Exploration's Total Net Reserves		11,048,083	4,470,280

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

AUSTIN EXPLORATION LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

	Current quarter \$A	Year to date (6 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	957,841	1,250,530
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,346,437) (98,791) (844,180)	(2,834,605) (144,004) (1,811,137)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	991	3,827
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Income received from Farm Out Agreements)	-	-
Net Operating Cash Flows	(1,330,576)	(3,535,389)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (d) Kentucky Exploration LLC JV	(1,877)	(1,877)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Equity Distributions/(Transfers) to/from Kentucky Exploration LLC JV)	(372,439)	(815,323)
Net investing cash flows	(374,316)	(817,200)
1.13 Total operating and investing cash flows (carried forward)	(1,704,892)	(4,352,590)

1.13	Total operating and investing cash flows (brought forward)	(1,704,892)	(4,352,590)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	677,013	2,394,915
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	1,442,023	1,442,023
1.17	Repayment of borrowings	(1,035,666)	(1,035,666)
1.18	Dividends paid		
1.19	Other (provide details if material)	(435,924)	(546,077)
	Net financing cash flows	647,446	2,255,195
	Net increase (decrease) in cash held	(1,057,446)	(2,097,395)
1.20	Cash at beginning of quarter/year to date	2,490,033	3,328,397
1.21	Exchange rate adjustments to item 1.20	110,285	311,870
1.22	Cash at end of quarter	1,542,872	1,542,872

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
1.23	Aggregate amount of payments to the parties included in item 1.2	208,404
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONTRACT FEES TO DIRECTORS AND OFFICERS INCLUDING SUPERANNUATION

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

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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

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Financing facilities available*Add notes as necessary for an understanding of the position.*

	Amount available \$A	Amount used \$A
3.1 Loan facilities	178,329	406,357
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	350,000
4.2 Development	-
4.3 Production	70,000
4.4 Administration	450,000
Total	870,000

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	Previous Quarter \$A
5.1 Cash on hand and at bank	1,542,872	2,490,033
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,542,870	2,490,033

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			
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 <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	327,862,790 (Please note that a 10:1 share consolidation took place during the quarter)	327,862,790 (Please note that a 10:1 shares consolidation took place during the quarter)	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	64,900,000	64,900,000	0.0765
7.5	+Convertible debt securities <i>(description)</i>			

Appendix 5B

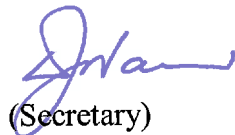
Mining exploration entity quarterly report

<p>7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted</p>				
<p>7.7 Options (description and conversion factor)</p>			<p><i>Exercise price</i></p>	<p><i>Expiry date</i></p>
<p>7.8 Issued during quarter</p>				
<p>7.9 Exercised during quarter</p>				
<p>7.10 Expired during quarter</p>				
<p>7.11 Debentures (totals only)</p>				
<p>7.12 Unsecured notes (totals only)</p>				

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 give a true and fair view of the matters disclosed.

Sign here:



(Secretary)

Date: 30/01/2015

Print name: David Nairn

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.