

# 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")

30 September 2013

### Consolidated statement of cash flows

		Current quarter \$A	Year to date (3 months) \$A
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	401,110	401,110
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(315,015) (364,492) (765,797)	(315,015) (364,492) (765,797)
1.3	Dividends received		
1.4.	Interest and other items of a similar nature received	3,079	3,079
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Income received from Farm Out Agreements)	1,678,125	1,678,125
<b>Net Operating Cash Flows</b>		<b>637,010</b>	<b>637,010</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (d) Kentucky Exploration LLC JV	(2,028)	(2,028)
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)	(354,482)	(354,482)
<b>Net investing cash flows</b>		<b>(356,510)</b>	<b>(356,510)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>280,500</b>	<b>280,500</b>

1.13	Total operating and investing cash flows (brought forward)	280,500	280,500
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,700,000	1,700,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	54,620	54,620
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(127,665)	(127,665)
	<b>Net financing cash flows</b>	<b>1,626,955</b>	<b>1,626,955</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,907,455</b>	<b>1,907,455</b>
1.20	Cash at beginning of quarter/year to date	1,144,805	1,144,805
1.21	Exchange rate adjustments to item 1.20	(71,174)	(71,174)
1.22	<b>Cash at end of quarter</b>	<b>2,981,086</b>	<b>2,981,086</b>

### 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	320,738
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

### 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	1,092,394	54,620
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A
4.1 Exploration and evaluation	465,000
4.2 Development	
4.3 Production	
4.4 Administration	650,000
<b>Total</b>	<b>1,115,000</b>

**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	2,931,086	1,094,805
5.2 Deposits at call	50,000	50,000
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,981,086</b>	<b>1,144,805</b>

**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	Texas Birch Property Farmouts – Halcon & PetroMax	AusCo held a working interest of 100% and a NRI of 75%. – Farmout companies have four well drilling commitment	WI of 100% and NRI of 75%	WI of 30% and NRI of 22.5%
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	<b>Preference securities</b> (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	1,754,862,137	1,754,862,137	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	141,666,666	141,666,666	0.012
7.5	<b>+Convertible debt securities</b> (description)			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

**Appendix 5B**

**Mining exploration entity quarterly report**

7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	87 "2013" I Class Listed Options		\$0.055	7/6/2013
	964,612,148 "2013" I Class Listed Options		\$0.055	7/6/2013
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

- 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:   
(Chief Financial Officer)

29/10/2013  
Date: 31/10/2013

Print name: Lonny Haugen

## 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.



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

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## **First Quarter Report FY2014**

**For the three months ended  
September 30, 2013**

with additional information on subsequently completed activities



## OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) maintains working interests and net revenue interests in four proven oil and gas provinces in the United States. Austin is the operator of its Colorado, and Kentucky operations.

No lost time safety accidents or environmental incidents occurred during the first quarter, keeping the Company’s unblemished safety and environmental record intact.

Over the September quarter, much of the Company’s focus has been on completing the two farm-out programs in Texas with Halcon Resources Corporation and PetroMax Operating Company. These two farm-out programs carry a combined economic benefit to Austin of over US\$ 50 million. The Company is fully funded to meet all of its contractual obligations.

During the past quarter, the Company has continued to manage and add to levels of oil and gas production at its 3 business units in Colorado, Kentucky & Texas/Mississippi. To build on this solid foundation, Austin implemented a low cost production enhancement program with a focus on increasing cash flow and production. This program will concentrate on 4 core areas:

1. Kentucky Business Unit:

As announced to the ASX on September 12, the Kentucky business unit achieved a 25% production boost adding to essential operating cash flows. A 3-well, low-cost drilling program is underway in Kentucky with a view to further increase levels of production to 40 BOPD. Material results will be released as they come to hand.

2. Mississippi # 4 well:

Plans are underway to drill the Company’s fourth well in Mississippi this year. The Company has enjoyed 100% success at its 50% joint venture program in Mississippi, and production has improved with every well drilled. The first well drilled produced an IP at 82 BOPD, the second well an IP at 135 BOPD, and the third well an IP at 248 BOPD. These results provide management with confidence in the potential success of the 4th well.

3. Colorado Pathfinder Pierre # 1 well. To commence in 2014:

Preparations have begun for Austin’s first Pierre shale well in 2014, in the Florence field. The Florence field has produced more than 15 million barrels of oil since production was first recorded in 1862. Austin’s Pathfinder property was held by mining companies until Austin was able to acquire the oil and gas rights for the property in late 2011. As such, this portion of the field has not been drilled for oil and Austin believes the oil reserves are in virgin territory.

4. Pathfinder Colorado - Gas gathering and sales :

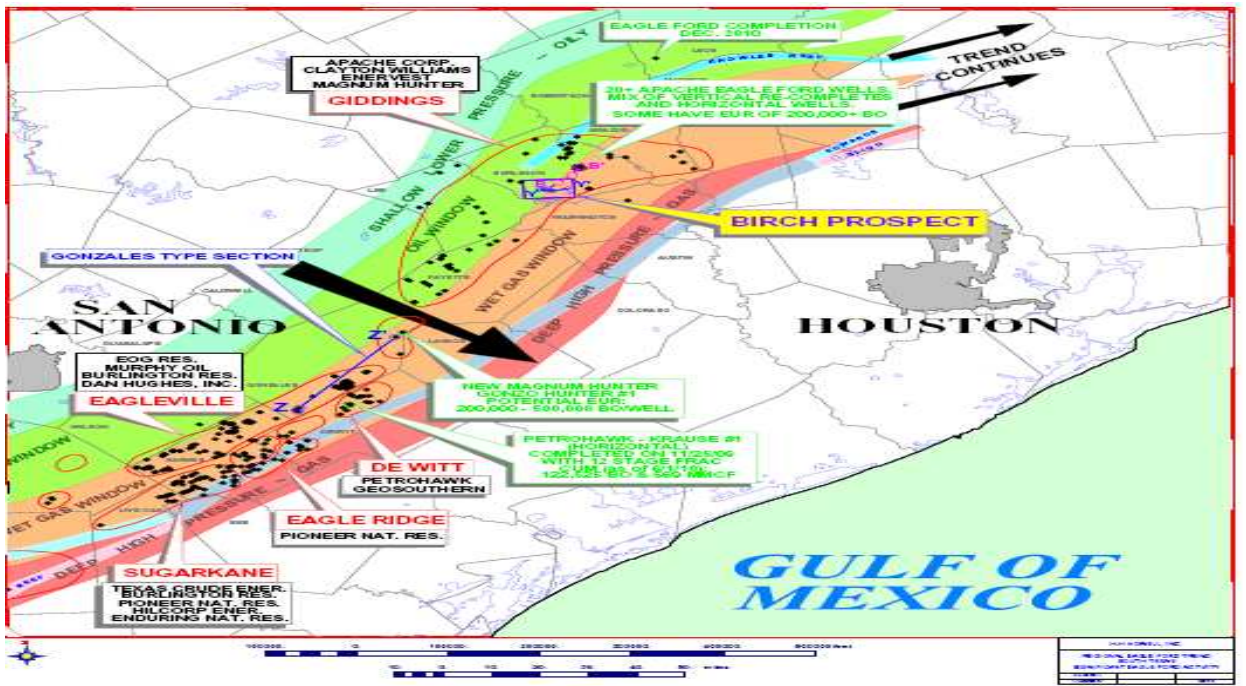
Austin’s first horizontal Niobrara well has produced volumes of gas up to 1.65MMCF/day and, as previously announced to the market, the Company is working on an industrial gas gathering solution. The Company’s management and engineering team is currently working on right of ways, surveying,



engineering, construction and an industrial marketing contract with Mercator Energy. This program is expected to be operational in 2014.

The Company is advancing these cash flow enhancement programs and will keep its shareholders up to date with material progress as it occurs.

## SOUTHERN BUSINESS UNIT



### VP & General Manager:

- Mr Aaron J. Goss
- Birch Eagle Ford Project, Bureson County, Texas
- Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk
- Secondary targets: Taylor Sands, Buda, Georgetown
- Mississippi project: Adams County, Mississippi
- Primary Hydrocarbon targets: Wilcox Formation ( Conventional)

## **HIGHLIGHTS**

- **Four well farm-out program exceeds US\$50million of economic benefit to Austin**
- **Fourth Mississippi well to be drilled in the last quarter of 2013**

### **Austin to be carried on 3 Horizontal Eagle Ford wells with Halcon Resources Corporation:**

- Eagle Ford horizontal drilling campaign anticipated to start in 2014.
- Under the farm-out agreement Halcon will drill 3 horizontal wells to earn a 70% Interest in 4255 acres of Austin's Birch property. Austin will retain 30% of the Birch Block post the drilling of these 3 wells.
- Free carried drilling value to Austin valued at approximately US\$24 - \$27 million ( \$8-9 million per well).
- Halcon have paid Austin an 18 month option fee of \$400 per acre in which time the 3 wells must be drilled.
- Austin will keep the Surface facilities (Pump-jack, tank, flow lines) from the Birch #3 Schwartz Galbreath property.
- Halcon have announced a targeted expansion totalling 150,000 acres in East Texas.
- Halcon's first 7 wells had published initial 24 hr average production rates of 859 BOEP (94% Oil).

### **Austin to be carried on 1 Horizontal Eagle Ford well with PetroMax Operating Company :**

- Petromax Operating of Garland Texas to carry Austin on 1 horizontal Eagle Ford well valued at between US\$8 – 9 million per well.
- First Eagle Ford well to be drilled in 2014.
- Austin retains 30% of 645 acre block.
- Lease extended for a further two years to July 2015.
- PetroMax has had a significant amount of success with drilling and Operating Eagle Ford wells.

## **Mississippi (Adams County)**

### **ARMSTRONG WELL**

- 24 hour IP rate was 82 BOPD.
- The well is producing from the Wilcox formation.
- Successfully drilled to target depth of 6585 ft in May 2010.
- 50% W.I.

### **COMMENCEMENT WELL**

- 24 hour IP rate was 135 BOPD.
- The well is producing from the Wilcox formation.
- Successfully drilled to target depth of 6550 ft in March 2011.

- 50% W.I.

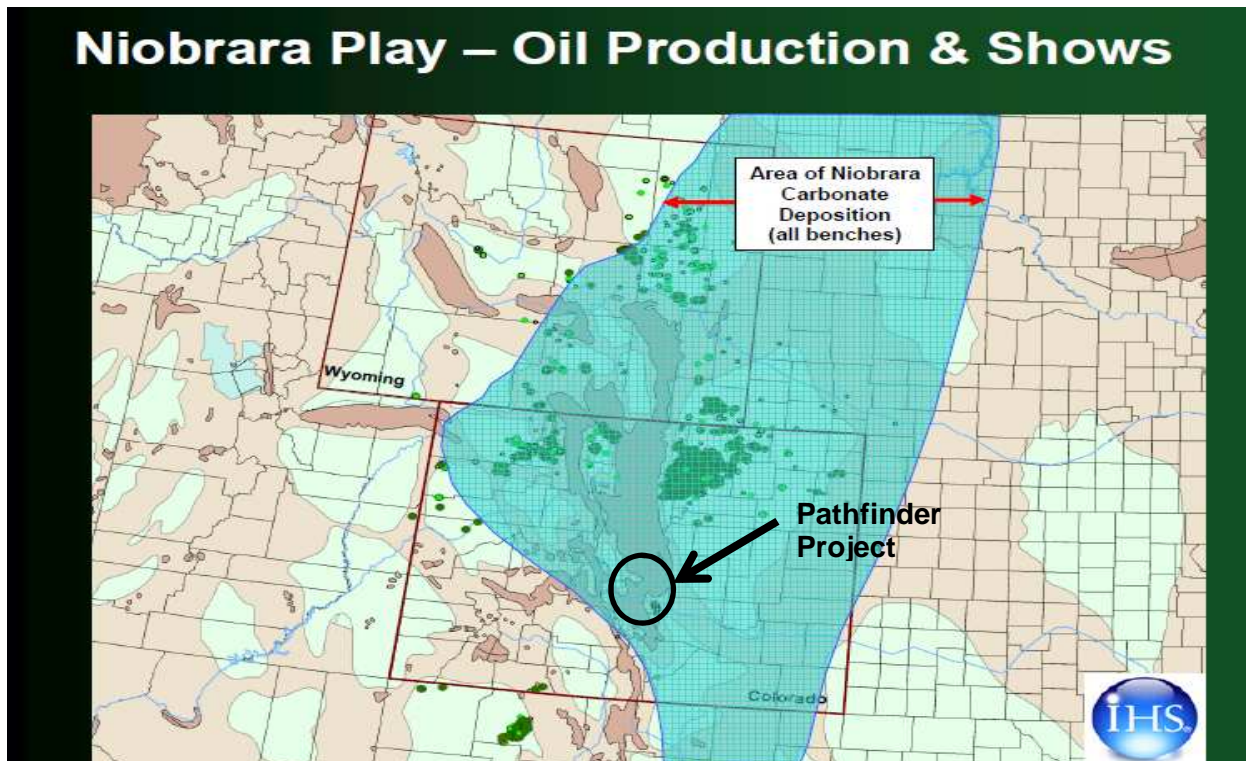
### **BOURKE #4 WELL**

- 24 hour IP rate was 248 BOPD
- The well is producing from the Wilcox formation.
- Successfully drilled to target depth of 6400 ft in July 2012
- 50% W.I.

## **COLORADO BUSINESS UNIT**

### **VP & General Manager:**

- Mr Juan Carlos Carratu
- Pathfinder Project, Fremont County, Colorado
- Primary Hydrocarbon targets: Niobrara Shale & Pierre Shale
- Secondary Targets: Greenhorn, Grenaros, Dakota



## **PATHFINDER PROJECT**

- Company controls 85% of approximately 11,500 acre property.
- Drilling of the Company's first major horizontal non-conventional well was successful with a 24 hour initial production rate of 403 BOEPD.
- Production success from a first well in virgin formation is rare and a testament to Austin's engineering excellence.
- The logs indicate the presence of the Niobrara Shale in three benches (A,B &C) ranging from 5175 ft-5453 ft, totalling approximately 200 ft thick of potential pay zones in the Niobrara.
- Oil sheens were also encountered in the mud returns whilst drilling at several intervals ranging from approximately 3500ft to 5900 ft in the Pierre, Niobrara, Greenhorn and Codell formations.
- A thorough analysis of the log data has been completed. These results have been analysed and compared to two of the most productive Niobrara wells in the Wattenberg Field (DJ Basin). In consultation with several geologists, geophysicists and petroleum engineers, the log results from the Pathfinder #1 well appear comparable if not better than these wells.
- An Industrial gas gathering solution is underway. Comprehensive engineering work is currently being undertaken that includes GPS Right of ways work, permitting and land surveying. The Company expects the construction and installation of the gathering system to be completed and in operation in 2014.

## **PIERRE SHALE POTENTIAL:**

- Oil first produced from the Pierre Shale in the Florence Field, in Freemont County in 1862.
- Thousands of wells have produced oil and the field has produced approximately 15 million barrels of oil since first production was recorded.
- Austin's Pathfinder project was held by mining Companies until acquired by Austin in 2011 which lends to a significant amount of exploration potential as the Pierre formation reserves should not have been depleted.
- Drilling of the Pathfinder Niobrara well confirmed oil shows whilst drilling through the Pierre Shale.
- Austin's drilling has confirmed the presence of a fracture system in the Pierre formation.
- Comprehensive engineering, geologic and geophysics study currently being undertaken by Austin's technical team and its partners with a view to drill Austin's first Pierre Shale well in 2014.

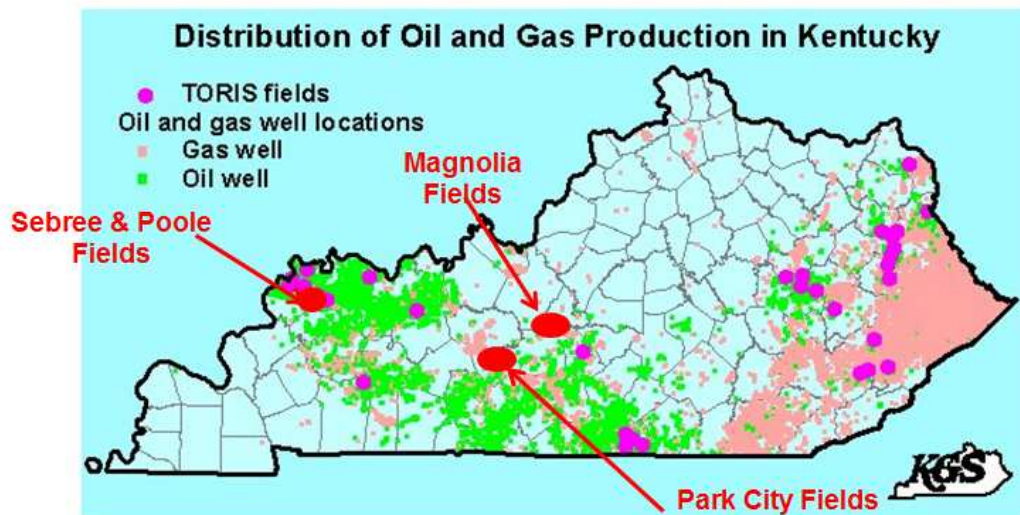


Fremont County: Pathfinder C 11 – 12 #1 Hz oil and gas well

## KENTUCKY BUSINESS UNIT

### VP & General Manager:

- Mr Timothy B Hart
- Kentucky Exploration LLC. 50/50 Joint Venture with private Australian Investment Company
- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg



7985 W. 16<sup>th</sup> Ave, Lakewood • Denver, Colorado 80214  
Level 9, 575 Bourke Street • Melbourne, VIC 3000  
GPO Box 2850 • Melbourne, VIC 3001

## HIGHLIGHTS

- **25% boost to production and effective cost management provide a strong a consistent stream of operating cash flow**
- **Three well, low cost, high impact drilling program underway**
- Since drilling began in August of 2011, Kentucky Exploration, LLC, a wholly-owned subsidiary of Austin Exploration, and Joint Venture partner Newtak, have experienced production rates of **25 barrels of oil per day** and have set a near term production goal of 40 BOPD.
- Kentucky Exploration LLC is operating 4 oil fields, 20 leases and approximately 3000 acres.
- Austin Exploration is bringing the most advanced engineering and drilling technologies, stimulation methods and engineering principles to capitalise on the underexplored and underdeveloped potential of the Kentucky oilfields.
- Austin Exploration has established a significant local presence in Kentucky.
- Opened Kentucky office in the most prolific oil producing county in Kentucky (Henderson County). This is in line with Austin's strict business unit philosophy of having Management located within driving distance of all of the Company's properties.
- Intensive community relations focus is being led by VP/GM Mr. Timothy Hart, with local business people, farmers and the general communities in which the Company operates. This plays a big role in the Company's success in Kentucky.
- Kentucky generally has low drilling costs, compared to other areas of the US due to shallow pay zones in the Illinois Basin, and [Kentucky Exploration, LLC] is subsequently a low cost drilling company.
- The US National Petroleum Council estimates remaining resources in Kentucky of 5.42 billion barrels of oil and 126 trillion ft<sup>3</sup> of gas.



**Math Energy RD 20 Range III drilling rig preparing for drilling operations**

## **COOPER BASIN – PEL 105**

### **Formal agreements completed for the sale of PEL 105**

On October 9<sup>th</sup> Austin Exploration announced the completion of formal agreements with Tellus Resources (ASX:TLU) for the sale of Austin's 50% interest in the PEL 105 licence area in the Cooper Basin, South Australia in exchange for \$1.75mil of scrip in TLU.

Austin currently holds an ownership interest in Tellus of approximately 14.9%, which affords Austin an ongoing exposure to the upside potential of the PEL 105 block in the Cooper Basin without the financial commitments of direct ownership. Under the terms of the agreement the shares are to be held in Escrow for 12 months.

The sale of this project allows Austin to focus on the development of its world class portfolio of North American oil and gas assets in Colorado, Texas, Kentucky and Mississippi.

## GUSTAVSON & ASSOCIATES INDEPENDENT CONSULTANT ANALYSIS

The Company was very pleased to receive further independent validation by Gustavson and Associates of the Company's resources and reserves at its projects in Colorado, Texas and Kentucky with a 25 % increase to its resources at its Birch project in Texas. The Company intends to commission a further independent report on its flagship Colorado Pathfinder asset as more wells are drilled. With the high number of Eagle Ford horizontal wells that are planned to be drilled in Burleson County, Texas in 2014, the Company continues to be confident that its contingent resources will be confirmed as proved reserves in 2014

	Estimated Ultimate Oil Recovery MMBbl ( Million Barrels)			Oil Resources, MMBbl (Million Barrels)			Solution Gas Resources, BSCF Billion cubic feet		
	P <sub>90</sub>	P <sub>50</sub>	P <sub>10</sub>	P <sub>90</sub>	P <sub>50</sub>	P <sub>10</sub>	P <sub>90</sub>	P <sub>50</sub>	P <sub>10</sub>
<b>Birch Prospect</b>	6.14	11.98	22.4	5.94	11.79	22.20	24.55	50.06	101.22
<b>Pathfinder Prospect</b>	16.94	21.76	28.36	16.94	21.76	28.36	19.09	24.52	31.96
<b>TOTAL –Contingent Resource</b>	<b>23.08</b>	<b>33.74</b>	<b>50.76</b>	<b>22.88</b>	<b>33.55</b>	<b>50.56</b>	<b>43.64</b>	<b>74.58</b>	<b>133.18</b>

<b>Kentucky Reserves Report</b>	<b>P<sub>90</sub></b>	<b>P<sub>50</sub></b>	<b>P<sub>10</sub></b>
<b>Oil, MBO (Thousand Barrels)</b>	339.7	517.3	754.5
<b>Gas, MMCF (Million cubic feet)</b>	512.7	1104.2	2264.2

### DISCLAIMER:

This announcement contains or may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will," "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Oil production rates fluctuate over time due to reservoir pressures, depletion or down time for maintenance. The Company does not represent that quoted production rates will continue indefinitely.