



AUSTIN EXPLORATION

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



Austin Board & Management Team on location at the Company's 15,282 acre Pathfinder property in Colorado
L-R Chief Geologist Mr. Onur Conger, CEO & MD Mr. Guy Goudy, Director Mr. Phil McCarthy,
Director Mr. Stuart Middleton, VP/GM Colorado Business Unit Mr Aaron Goss, Chairman Dr. W.M. Mark Hart

Fourth Quarter Report FY2014

For the three months ended 30 June 2015

With additional information on subsequently completed activities

REVIEW OF OPERATIONS AND ACTIVITIES

Quarterly Highlights

- **Company re-shifts focus to driving growth through lower cost conventional drilling programs in response to low oil prices**
- **Board of Directors strengthened with the addition of two highly experienced and world class Energy Executives in Mr Stuart Middleton & Mr Phil McCarthy**
- **Growth to be driven through internally staffed and low cost drilling in Colorado, Kentucky & Mississippi with shallow, conventional and high impact exploration targets**
- **Drilling in Kentucky strikes oil on Robards Lauenstein #4 well with well flowing under natural pressure. Well drilled internally by Austin's team leading to lowest cost well ever drilled and completed by the Company for less than US\$100k**
- **Kentucky Business Unit records a record production day rate of 50.12 BOPD in July**
- **3,722 acre expansion of DJ Basin Pathfinder project in Colorado completed**
- **C18#4 well in Colorado successfully drilled to target depth and intersects hydrocarbons and further de-risking of project**
- **Company continues to pare administration costs with a further \$45k of G&A cost reductions achieved this quarter**
- **State-of-the-art high Resolution 3D "Zig-Zag" seismic program successfully completed in Section 18 of the Colorado Pathfinder with several high grade Pierre and Niobrara exploration targets identified**
- **Mississippi drilling program to recommence this quarter following previous 100% success rate (4 out of 4 wells still in oil production)**
- **Company seeking divestment opportunities for higher cost development assets in Texas to avoid high cost and dilutive financing**

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 US oil and gas provinces, being Colorado, Kentucky Mississippi and Texas. Austin is the operator of its Colorado and Kentucky projects.

Austin maintains, and is proud of, its outstanding safety and environmental record, with no lost time accidents or environmental incidents ever.

The focus for the Company over the past quarter has been to realign its development and growth strategy in line with the current low global oil price environment. The Company is focusing on low cost development to drive its growth and cash flows, and doing so without dilution to shareholders.

Austin is fortunate to have a diversified asset base that affords lower cost, yet highly economical exploration targets in Colorado, Kentucky and Mississippi. These shallower formations do not require expensive long horizontal drilling or fracking.

The Company was pleased to announce the acquisition of a further 3,722 acres in the DJ Basin in Colorado that is contiguous to its existing 11,560 acre Pathfinder property, giving the Company a 15,282 acre position in this region which covers one of the most prolific oil and gas producing basins in North America.

The Company would like to thank the mineral owners for their partnership in this acreage. This acquisition was made possible as these mineral owners, who are native to the Florence area, have been impressed by the Company's development of its existing 11,560 acres Pathfinder property, and the value that it has added to this asset. This value has been added through the Company's Safety & Environment culture, engineering & drilling and intensive geologic and geophysics work.

While this acquisition has added significant value to the Pathfinder project, more critically Austin is the operator and is in total control over the development of this project.

Austin's property is unique in that it is directly adjacent to the renowned Florence oil field that has produced approximately 16 million barrels of oil. Austin's Pathfinder property was held for coal and gold mining prior to the Company acquiring the oil and gas rights to this property. As such, Austin believes that the oil and gas reserves in the Pathfinder property remain in virgin territory.

Austin's Pathfinder property is in a proven hydrocarbon rich area of the DJ Basin where successful exploration work in this field has confirmed the presence of several hydrocarbon bearing formations ranging from approximately 4,000 ft. to 8,000 ft. In order of depth these formations start with the Pierre, Niobrara, Codell, Greenhorn, Grenaros and Dakota formations. These multiple oil and gas hydrocarbon bearing formations offer the Company "Exploration and Production optionality", meaning that the Company can focus on drilling shallow and lower cost wells during times of lower oil prices, and can explore the deeper resource targets when prices recover in the future.

The Company successfully completed its state-of-the art 3D "Zig Zag" Seismic program in Colorado which uncovered several high grade exploration targets in the Pierre and Niobrara formations, and has added further value to the Pathfinder property. The future value and unlocked potential of this property is significant.

Further, the Company was very pleased to announce that it had struck oil on its Robards Lauenstein #4 well in Kentucky, which continues to flow oil to the surface under natural pressure. This well was drilled internally by Austin's US based Management team and was drilled and completed for less than \$100k, which is the lowest cost well ever drilled by Austin. Current projections are that this well will pay out in less than a year and provide profitable cash flows for up to 20 years. The Company is very proud of Mr. Tim Hart, VP/GM for Austin's Eastern Business Unit, who worked tirelessly to drill this successful well safely and under budget.

As has been announced to the market the Company is pursuing a divestment of its Texas Birch Project. This property lies over the Eagle Ford shale and has provided good cash flows for the Company, however, with the current state of the capital markets for emerging oil and gas companies, future funding of these horizontal wells and further lease extension payments are uncertain, and would potentially be highly dilutive to shareholders. The Board and Management of Austin have been working diligently to avoid such dilution in the current low oil price environment. This strategy is consistent with the Company's focus on driving shareholder value through the development of drilling lower cost conventional wells which are economic at lower oil prices.

Austin has world class assets and a highly dedicated Management team and Board that is continually 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:

Mr. Aaron Goss

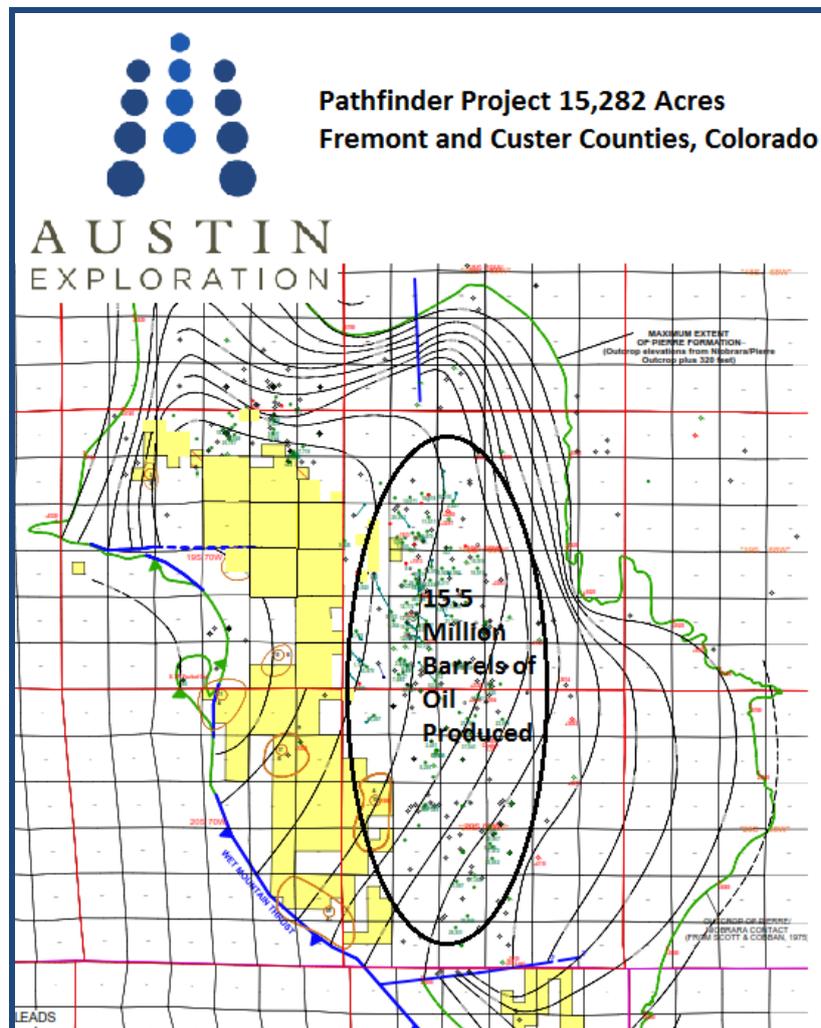
Austin is the Operator

- Pathfinder Project, Fremont County, Colorado
- 100% Working Interest in 15,282 acre property in the DJ Basin
- Primary hydrocarbon targets: Niobrara Shale & Pierre Shale
- Secondary Targets: Codell, Greenhorn, Grenaros, and Dakota
- First Company to successfully drill and complete a Niobrara Horizontal in Fremont County with 403 BOEPD IP in 2012

Colorado Business Unit quarterly highlights:

- Significant 3,722 acre expansion of DJ Basin Pathfinder project in Colorado completed with no dilution to shareholders
- Drilling successfully reached target depth on the C18#4 well and intersected natural gas hydrocarbons
- The well was drilled at a 35% degree angle through the Pierre formation and intersected natural gas hydrocarbons
- These wells satisfy lease commitments for full acreage retention
- State-of-the-art "zig-zag" high definition 3D seismic program was successfully completed which has identified several high grade exploration targets
- Austin's property neighbor's the Florence oil field which has produced approx. 16 million barrels of oil from the Pierre formation
- Pierre wells remain highly economic in the current low oil price environment

- The Pierre formation is a 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 above map illustrates Austin's 15,282 acre property highlighted in yellow. The Pathfinder property sits directly adjacent to approx. 16 million barrels of oil that has been produced in Fremont County from the Pierre formation. Austin's acreage was previously held by coal and gold mining Companies and Austin believes its oil and gas reserves remain in virgin territory.

EASTERN BUSINESS UNIT (KENTUCKY & MISSISSIPPI)

VP & General Manager
Mr. Timothy B. Hart
Austin is the Operator

- Kentucky Exploration LLC. Approx. 4000 acre 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.
- Continual engineering program underway designed to maximise production and operating efficiencies.
- The Company's low cost, high impact drilling program in Kentucky provides an excellent source cash flow while minimizing the costs of all of Austin's operations.

- Leases with high operational expenses and high water haulage, electricity and chemical programs have been put on idle until the price of oil recovers.
- 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.
- Mississippi project: Adams County, Mississippi.
- Mississippi primary hydrocarbon targets: Wilcox Formation (Conventional)
- 100% success rate with 4 out of 4 wells successfully drilled and completed and in production
- Drilling of Austin’s fifth well in Mississippi to commence in the next quarter

| Well Name | IP | Depth | Formation |
|-------------------------|----------|--------------------------------|----------------------------|
| Ellislie No. 1 | 82 BOPD | 6,445’ – 6,450’ TVD: 6,585’ | Armstrong Sands |
| Armstrong No. 1A | 135 BOPD | 6,445’ – 6,450’ TVD: 6,650’ | Baker Sands |
| Bourke No. 4 (MS #3) | 248 BOPD | 6,108’ – 6,111’ TVD: 6,410’ | Parker Sands |
| Bourke No. 5 (MS #4) | 15 BOPD | 6,500’ | Parker & Campbell Sands |

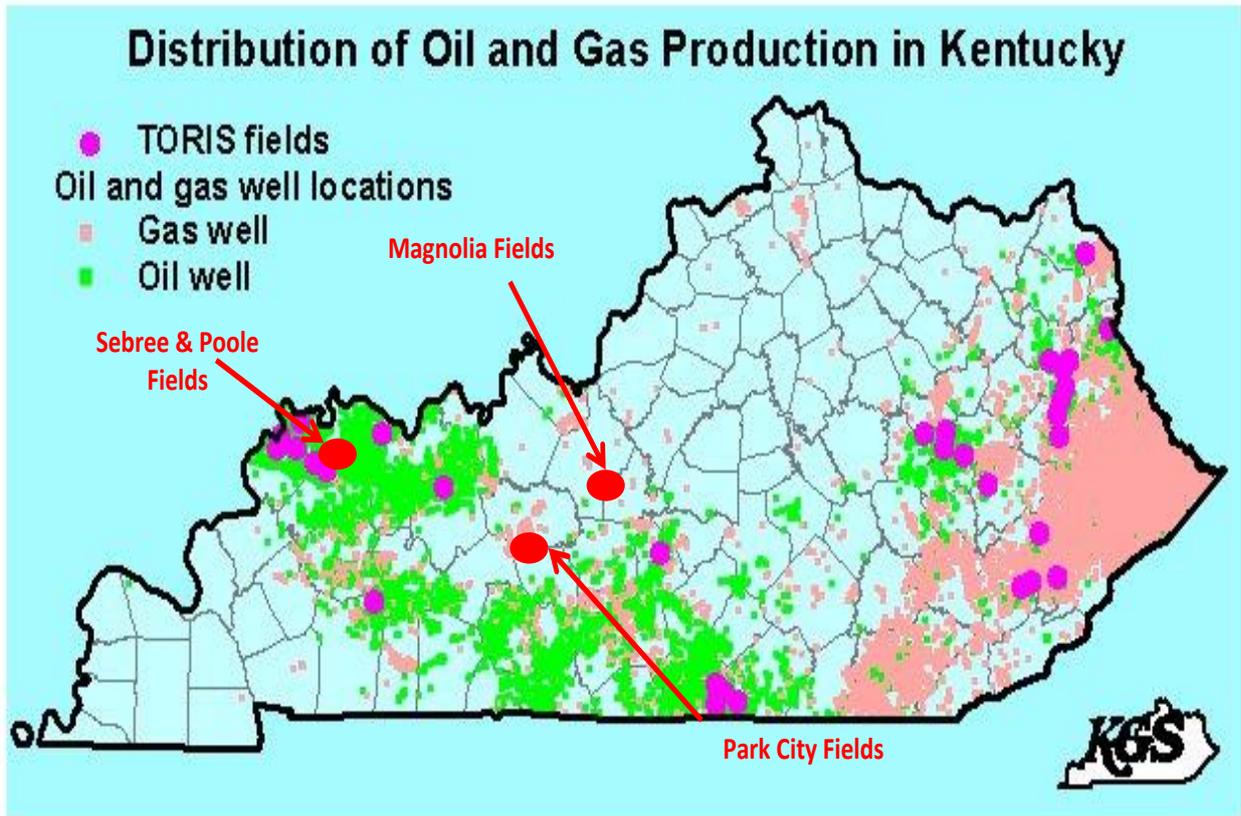
Austin has a 100% success rate in Mississippi with all four wells drilled intersecting oil and in production



Austin’s Team on location for the drilling of C18#4 Pierre well in Colorado.
 L-R – Chief Geologist Mr. Onur Conger, CEO & MD Guy Goudy, Chairman Dr W.M. Mark Hart
 Engineer Mr Hakan Corapcioglu, VP/GM Colorado Business unit Mr. Aaron Goss

Kentucky Business Unit quarterly highlights:

- Achieved a record production day rate of 50 BO in July in Kentucky
- Robards Lauenstein #4 well successfully drilled and producing oil under natural pressure
- Well will be drilled and completed for less than US\$100k
- Drilled internally by Austin's team with no contractors saving significant costs
- Well expected to produce oil profitably for 20+ years



The map illustrates Austin Exploration's Leases in Kentucky. Kentucky Exploration LLC (Austin Exploration's wholly owned subsidiary) is operating approximately 4000 acres in Kentucky.



MD & CEO Guy Goudy assisting with drilling operations and connecting the Blooey line to the well head diverter on the successful Robards Lauenstein #4 well in Kentucky



VP/GM of Austin's Eastern Business Unit, Mr Tim Hart, drilling the Robards Lauenstein #4 well in Kentucky. This well was drilled internally by Austin's Management and is the lowest cost well ever drilled by the Company which was completed for under US\$100K. The well struck oil and continues to flow oil under natural pressure into the tanks

TEXAS BUSINESS UNIT

VP & General Manager:

Mr. Aaron J. Goss

- Birch Eagle Ford Project, Burleson County, Texas
- ~30% Working Interest of approximately 5000 acres in its farm-out program with Halcon Resources
- As announced to the market on July 16, the Company engaged Meagher Energy Advisors to conduct a tender process for a potential sale of the Company's Birch project following several unsolicited approaches that had no financial backing and were not capable of a transaction. Negotiations are on-going and material updates will be provided to the market.

Austin's partners continue to indicate that drilling will not start up again until prices reach at least \$60 - \$65 per bbl (WTI) for a sustained period of 90 days or more.

- Yolanda Dual Austin Chalk Well. Dimmitt County, Texas
- Working Interest 36%, NRI = 27.6%
- Well drilled and completed in 2010. Initial Production rate = 300 Bopd

WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is pleased to report that there were no safety or phase one environmental incidents over the past year. With 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.

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 June 2015

Consolidated statement of cash flows

| | | Current quarter \$A | Year to date (12 months) \$A |
|---|---|------------------------|------------------------------------|
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | 438,537 | 2,205,939 |
| 1.2 | Payments for (a) exploration & evaluation | (672,880) | (4,177,409) |
| | (b) development | | |
| | (c) production | (116,666) | (381,592) |
| | (d) administration | (498,713) | (2,853,597) |
| 1.3 | Dividends received | | |
| 1.4 | Interest and other items of a similar nature received | 491 | 5,161 |
| 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 | (849,231) | (5,201,498) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | | |
| | (a) prospects | | |
| | (b) equity investments | | |
| | (c) other fixed assets | (7,843) | (9,720) |
| | (d) Kentucky Exploration LLC JV | | |
| 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) | (84,312) | (951,881) |
| | Net investing cash flows | (92,155) | (961,601) |
| 1.13 | Total operating and investing cash flows (carried forward) | (941,386) | (6,163,099) |

| | | | |
|------|--|------------------|--------------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (941,386) | (6,163,099) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 163,216 | 3,115,746 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | 1,909,617 | 3,351,640 |
| 1.17 | Repayment of borrowings | (359,204) | (1,482,128) |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | (115,371) | (691,681) |
| | Net financing cash flows | 1,598,258 | 4,293,577 |
| | Net increase (decrease) in cash held | 656,872 | (1,869,522) |
| 1.20 | Cash at beginning of quarter/year to date | 1,199,423 | 3,328,397 |
| 1.21 | Exchange rate adjustments to item 1.20 | 13,791 | 411,211 |
| 1.22 | Cash at end of quarter | 1,870,086 | 1,870,086 |

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 | 193,934 |
| 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

| |
|--|
| |
|--|

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

| |
|--|
| |
|--|

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A | Amount used \$A |
|---------------------------------|-------------------------|--------------------|
| 3.1 Loan facilities | 1,958,850 | 1,929,231 |
| 3.2 Credit standby arrangements | | |

Estimated cash outflows for next quarter

| | \$A |
|--------------------------------|------------------|
| 4.1 Exploration and evaluation | 750,000 |
| 4.2 Development | - |
| 4.3 Production | 100,000 |
| 4.4 Administration | 500,000 |
| Total | 1,350,000 |

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 | 1,870,086 | 1,199,423 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 1,870,086 | 1,199,423 |

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 | 332,607,790 | 332,607,790 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <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 | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

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:

(Company Secretary)

Date: 31/07/2015

Print name: Robert Lees

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.