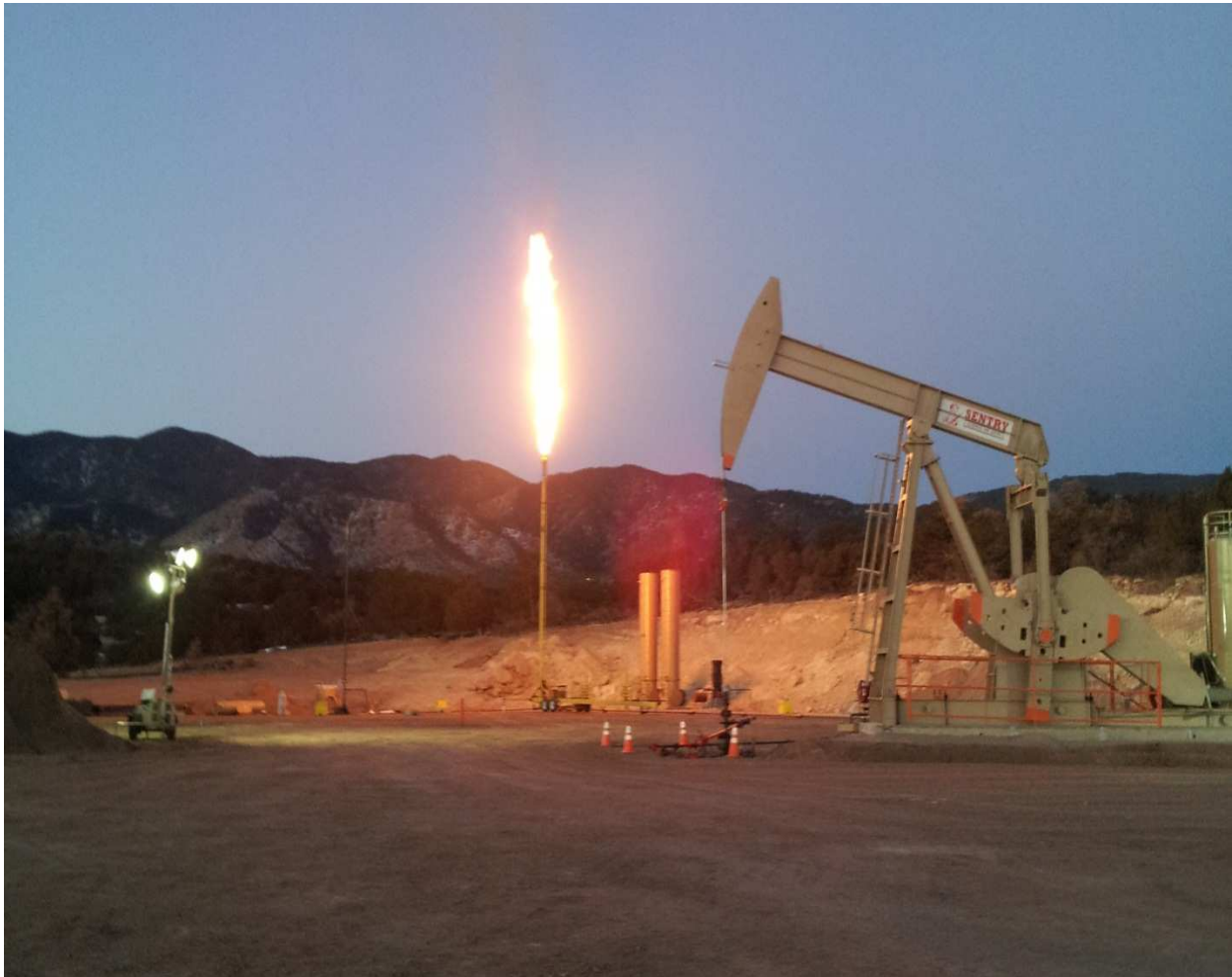




Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471

Third Quarter Report FY2013

For the three months ended
March 31, 2013



OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) maintains working interests and net revenue interests in five proven oil and gas provinces in the United States and Australia.

During the past quarter Austin focused on optimising oil production and further de-risking exploration, to provide more attractive farm-out opportunities and help reduce the cost of future borrowings.

Following a successful drilling program which saw oil and gas bearing zones intersected at its Texas Birch and Pathfinder Niobrara projects, Austin is advancing negotiations regarding the development of an economically viable solution to gather, process and market this gas from both properties.

As flagged to the market on 9 April 2013, the Company is also currently seeking suitable partners to help fund its next stage of development through “drill to earn” farm-in processes. Such farm-out arrangements are only possible given Austin has secured large acreage positions and majority ownership interests in its two core properties (Birch and Pathfinder). The Company will endeavour to maintain a controlling interest of 50% or greater in these assets and remain as the operator of record.

Austin announced a share purchase plan and a Placement to raise up to \$8million at 1.6cents per share on 9 April 2013. The fundraising is to cover 2 commitment wells (approximately \$2.7million total) in the Niobrara and Eagle Ford.

Fremont County, Colorado

Pathfinder Niobrara Project

- AKK has an 85% interest in approximately 11,560 acres at its Pathfinder Project in the Denver-Julesburg Basin
- General Manger: Ms Ola Akrad
- Primary Objective is the Niobrara shale

Pathfinder C11-12 No. 1 HZ Well

Austin announced on the 14th of March that the Pathfinder C11 –12 No.1 HZ well was flowing naturally to the surface at a rate of 403 BOEPD.

This well flows oil and gas, to date producing approximately 4000 BOE, primarily under natural pressure to the surface. The well continues to surge oil and gas in pulses, a common occurrence when bringing a horizontal oil and gas well with multiple frac stages into production.

The success of this hydrocarbon discovery validated the Company's extensive geologic and engineering due diligence that was undertaken prior to acquiring the Pathfinder project and further confirmed the potential of this project.

Discussions are underway with the leaseholder of the Pathfinder project on a plan for Austin to concentrate on gas gathering, processing and sales from the existing well instead of drilling a commitment well. This additional time will enable the Company to have infrastructure for gas sales immediately available when it completes its next horizontal Niobrara well.

Concurrently, the Company is working on a solution with a Colorado-based company to market and sell the gas from this property. Under the plan being formulated, this gas marketing company will provide the infrastructure and associated equipment, including the laying of gas lines, separation equipment, metering stations and valving for the entire field. Austin would enter into a long term gas sales contract in exchange for the gas marketing company providing the upfront capital required to access the gas for sale.

The Company remains encouraged by the large surges of oil and gas that this well is producing naturally, and anticipates it will have this well in full time production after it has completed negotiations on the delivery and sale of the gas to market.

On the back of the successfully drilled horizontal well and the hydrocarbon discovery, the Company is confident of securing a farm-in partner to push ahead with an aggressive development strategy. Under the terms of the proposed farm-in deal, announced on 29 April 2013, two commitment wells required to retain this prospect would be funded by the new joint venture partner, heralding a new phase of the Company's development and alleviating the need to return to the market for additional funding.

Burleson County, Texas

Birch Project

- AKK holds a 100% Working Interest in the 5000 acre Texas Birch Prospect
- General Manager: Mr Aaron Goss

Austin intends to commence planning to drill its first horizontal well targeting the Eagle Ford shale formation at the Texas Birch project, (subject to completing a Niobrara leaseholder agreement). Austin's earlier exploration and appraisal program and the knowledge that gained from it, has removed significant drilling risks associated with drilling a horizontal well.

This horizontal Eagle Ford well will complete the Company's horizontal exploration and appraisal program in the US, given the Company will have drilled an Eagle Ford horizontal, an Austin Chalk horizontal and a Niobrara horizontal well. As was announced to the ASX on the 29th of August 2012, Gustavson and Associates estimate

that, at a 50% probability, these three formations combined hold approximately 42 million barrels of recoverable oil equivalent (BOE).

The proposed completion of the horizontal well program would allow Austin Exploration to certify and upgrade its reserves to Proven at the Company's two core properties. Austin believes this will achieve the most value accretive farm-out opportunity and allow the Company to use bankable reserves to access debt financing as another potential option to develop these properties in the future.

Birch 3 Austin Chalk Horizontal well

Birch 3 continues to unload the drilling fluids that were used in drilling the horizontal leg of this well. The well has produced 1044.31 barrels of oil and 10,557 barrels of drilling fluids. Austin's believes a further 10,000 barrels of drilling fluid will need to be unloaded from the well-bore before it achieves its targeted production rates. Live oil and gas was flowing freely to the surface and the Company remains confident this well will be a good producer once the drilling fluids are removed. The Company has halted production on this well pending a solution to the marketing of the gas similar to the one being negotiated for the Niobrara.

Kentucky & Mississippi

Kentucky Exploration LLC

- AKK holds a 50% working interest in a Joint Venture project covering approximately 3000 acres (1000 acres under option) in Kentucky
- General Manager: Mr Timothy Hart

Adams County, Mississippi

- AKK has a 50% Interest in an on-going well by well program
- General Manager: Mr Aaron Goss

These two properties continue to meet the Company's expectations and are performing well, providing essential operating cash flow for the business and allowing for maximum capital to be invested into the ground.

Through Austin's Kentucky Joint Venture, Kentucky Exploration LLC, the Company has begun drilling at its Tapp project in Henderson County, Kentucky. This drilling program is targeting oil from the Jackson and Cyprus formations to a depth of approximately 2400 – 3000 ft. The Joint Venture will drill two low cost, low risk exploration wells, targeting July completion, and looks forwarding to reporting the results as they occur. Currently, the Company is producing approximately 20 BOPD and believes this drilling program has the potential to increase current production levels by at least 30%.

Discussions with Austin's Mississippi-based partner to drill its fourth Mississippi well are underway. The Company has had 100% exploration success at its Mississippi project. Flooding conditions have caused minor delays and Austin expects drilling to commence in the third calendar quarter of 2013. The Company has a 50% interest in these wells.

Project 500 Squared

During this quarter, in March, Austin achieved a significant milestone by reaching 547 total barrels of oil equivalent over a 24 hour period. In conjunction with meeting this production target set in March of 2012 by Austin's Chairman Richard Cottee, the Company also achieved the removal of over \$1 million of non-essential operating costs out of the business.

PEL 105 - Cooper Basin South Australia

AKK holds a 50% working interest in PEL 105 covering an area of 218 square kilometres in the Cooper Basin

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.

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 March 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (9 months) \$A
1.1	Receipts from product sales and related debtors	428,219	1,052,748
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(2,328,847)	(17,965,592)
1.3	Dividends received		(1,011,760)
1.4	Interest and other items of a similar nature received	5,112	136,370
1.5	Interest and other costs of finance paid		(1,309,619)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(2,628,648)	(19,097,853)
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		(56,513)
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)	(103,489)	(23,966)
	Net investing cash flows	(103,489)	(80,479)
1.13	Total operating and investing cash flows (carried forward)	(2,732,137)	(19,178,332)

1.13	Total operating and investing cash flows (brought forward)	(2,732,137)	(19,178,332)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(58,509)	(63,866)
1.18	Dividends paid		
1.19	Other (Capital Raising Costs and OTCQX listing)	-	(5,774)
	Net financing cash flows	(58,509)	(69,640)
	Net increase (decrease) in cash held	(2,790,646)	(19,247,972)
1.20	Cash at beginning of quarter/year to date	4,070,071	21,090,510
1.21	Exchange rate adjustments to item 1.20	(6,468)	(569,581)
1.22	Cash at end of quarter	1,272,957	1,272,957

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	258,396
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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	1,106,384
4.2 Development	-
4.3 Production	-
4.4 Administration	730,410
Total	1,836,794

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	1,222,957	4,020,071
5.2 Deposits at call	50,000	50,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,272,957	4,070,071

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	1,516,920,471	1,516,920,471	Nil
	<i>(description)</i>			
7.4	Changes during quarter			
	(a) Increases through issues	14,533,750	14,533,750	Nil
	(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			

Appendix 5B

Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>				<i>Expiry date</i>
		964,612,235 "2013" I Class Listed Options		\$0.055	06/07/2013
		2,000,000 "2013" K Class Options		\$0.055	12/12/2013
7.8	Issued during quarter	87 "2013" I Class Listed Options		\$0.055	06/07/2013
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: 30/04/2013

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.