



**A U S T I N**  
EXPLORATION

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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## **INTERIM FINANCIAL REPORT**

**HALF YEAR ENDED 31 DECEMBER 2013**

## CONTENTS

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DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION.....	7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	9
CONSOLIDATED STATEMENT OF CASH FLOWS.....	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12
DIRECTORS' DECLARATION.....	18
INDEPENDENT AUDITOR'S REVIEW REPORT .....	19

# AUSTIN EXPLORATION LIMITED

## DIRECTORS' REPORT

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Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2013.

### DIRECTORS

The names of each person who has been a Director during the half-year and to the date of this report are:

Mr Richard Cottee  
Mr Guy Thomas Goudy  
Dr William Mark Hart  
Mr Dominic Pellicano

### COMPANY SECRETARY

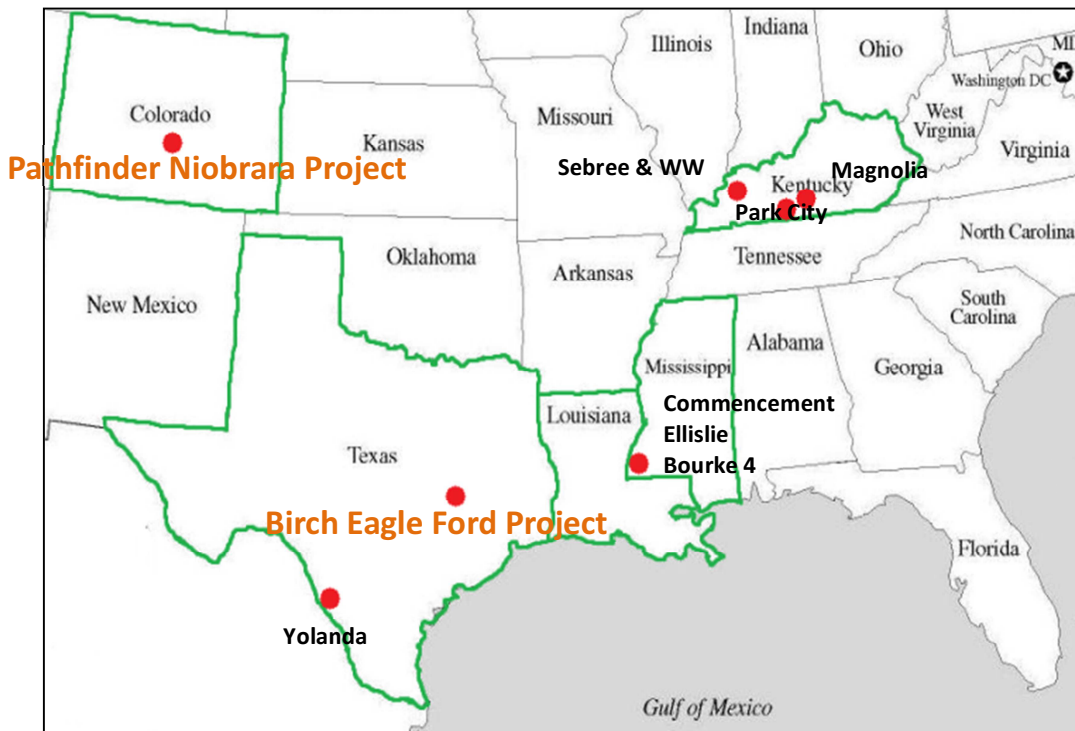
Mr David J Nairn is the Company Secretary.

### 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 properties, and retains an unblemished safety and environmental record with no lost time safety accidents or environmental incidents.

During the first half of the 2014 financial year, Austin continued to implement its low cost production enhancement program to increase production and cash flow. This program aims to increase cash flow in all three business units; Colorado, Kentucky, and Texas/Mississippi. Importantly, this served a dual purpose with continuation of the Company's de-risking program, whereby its successful exploration program has positioned the Company to access debt capital in the near term for the further development of its North American oil and gas properties that contain more than 47MBOE equivalent on a P50 basis (Gustavson 2013 Independent Reserves and Resources report).

Austin Exploration is currently undertaking its biggest ever drilling campaign, and the Company is well positioned to capitalise on the US shale boom.



Map Showing Austin Exploration's Assets in the USA

### **First Half 2014 Highlights**

1. Eagle Ford Horizontal Drilling Program with Halcon Resources Corporation underway

As announced to the ASX on 23 December 2013, Halcon Resources has spudded the first Eagle Ford Horizontal well in the Birch Prospect. Under the farm-out agreement with Halcon, Austin Exploration is to be carried on a total of three wells, and will retain a 30% Working Interest in the Birch prospect.

The Company is pleased to report that the well was successfully drilled to a total measured depth of 17,050 feet, with an approximate 8000 ft horizontal leg drilled into the Eagle Ford shale. Completion and stimulation operations are underway and the Company will communicate results as they come to hand.

Austin commends Halcon on a world class drilling operation and looks forward to further drilling at the Company's Birch Eagle Ford project in Burleson County, Texas.

Under a separate agreement, PetroMax will carry Austin on a fourth well that is expected to commence in 2014. The value of the combined four-well free-carry for Austin is expected to be USD\$32-\$40 million (\$8 – 10 million per well).

## AUSTIN EXPLORATION LIMITED

### DIRECTORS' REPORT (contd.)

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#### 2. Mississippi # 4 well:

The Company successfully drilled its fourth Mississippi well, the M4 Well, to a target depth of 6,400 ft. 13.5 feet of oil shows were encountered within the Wilcox formation and as such the Company immediately moved to organise the necessary production facilities for the M4 well.

Crude Oil was discovered in the Campbell and Parker Sand Formations - the primary targets of the drilling program on the HiLo Prospect - as well as the Wilson Sand formation which adds further production potential to the Bourke #5 well.

Cement casing has been successfully set and cemented for production. Austin is pleased to confirm that final preparations to put the well into production are underway, with production expected to commence in March.

The M4 well is Austin's second well on the HiLo Prospect in Adams County, Mississippi. Austin has a 50% working interest and a 36% net revenue interest in the project.

This will be the fourth successful well for Austin in Mississippi.

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

Preparations to drill the Company's first Pierre shale well at the Pathfinder Project in Colorado are underway with drilling set to begin in coming months.

Austin has successfully completed an exploration study of its 11,560 acre property in Fremont County, Colorado. The results of the three-stage approach, which comprised satellite imaging, surface geochemical studies and 2D seismic, confirmed a significant fracture network on Austin's leases and identified primary targets for drilling in 2014.

The Company conducted several exploration studies to better understand the fracture systems in the Pierre and Niobrara formations under its leases. The complex natural fractures systems, particularly in the shallow Pierre shale formation, are critical for production in this gravity drainage drive reservoir. Those fractures are responsible for over 15,000,000 bbls of oil produced from the Pierre shale in the adjacent Florence field to date.

The first step of the Company's exploration technique was to conduct satellite imaging analysis while integrating geological structure analysis and subsurface geology. This Pierre satellite study has identified 8 anomalies located over the 11,560 acres of leases that Austin Exploration has acquired. Those 8 anomalies are believed to be areas with high fracture density.

The second step in finding the fractures in the lower Pierre formation was the detection of hydrocarbon leakage to the surface using a surface geochemical technique. This technique detects hydrocarbon seepage by measuring the surface Iodine. The Iodine study was conducted on all the highly fractured areas that were identified by the satellite imaging. The Company then selected a promising target in which to shoot 2D seismic.

After detecting high fracture density areas using the satellite imaging, and confirming those areas using the surface Iodine Geochemical techniques, results from the 2D seismic lines are now being used to help with selection of future drilling locations.

Three lines of 2D seismic were shot over one of the best anomalies found using the satellite imaging and surface geochemistry. The results from the 2D seismic data were very encouraging and showed two anomalous areas that indicate the presence of natural fractures. Each of these anomalous areas covers approximately 200 acres and the Company has identified 5 – 10 drilling targets within the 200 acres.

## AUSTIN EXPLORATION LIMITED

### DIRECTORS' REPORT (contd.)

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These early results confirm the significant, and largely untapped, potential for oil and gas development in this field.

Wells drilled into the Pierre formation are shallow and do not require horizontal drilling, therefore drilling and completion costs are lower. Currently there are two partners committed to the drilling program for the first well to help share capital investment costs. Producing wells drilled on adjacent acreage (to Austin's) have had generally returned capital investment in less than 6 months with a long profit trail. Work continues on the Niobrara drilling program. In 2014 Austin plans to drill three Pierre wells and two Niobrara wells.

#### 4. Pathfinder Colorado – Letter Of Intent to process heavy gases signed:

In a significant development for Austin's Pathfinder project, the Company has signed a Letter of Intent with Gas Processing of America, Inc, (GPA). Under the terms of the agreement, GPA will process and sell the heavy liquid gases (propane, hexane, ethane and butane) that have been discovered following the successful completion of the Company's first two Niobrara wells at this project. Austin is in the final stages of signing the definitive Gas Processing Agreement, which is expected to be completed in March.

Under the terms of the agreement, GPA will provide the capital to install the processing plant, compression plant and the associated infrastructure. An equitable arrangement has been worked out to share the proceeds from the sale of the heavy gases. GPA will be the owner/operator, gather and transport the gas, maintain the plant, and will market and sell the gas. Austin believes construction of these facilities will take approximately 180 days with first heavy gas sales to commence shortly thereafter.

This is a major step forward for the Colorado Pathfinder project as it strips out the heavy gases and allows the methane to be sold as pipeline quality gas.

#### 5. Kentucky Business Unit – low-cost high-impact drilling and stimulation program underway:

A five-well, low-cost high-impact drilling and stimulation program is underway in Kentucky. All 5 wells have been successfully drilled and logged. The logs show the presence of hydrocarbons in all of the drilled wells. Currently, Austin Exploration's technical team is working on a detailed well stimulation program in order to optimise production from these wells. Once this detailed analysis is completed the Company will embark on a "campaign frac" program where these 5 wells will be fraced back-to-back in order to achieve maximum cost efficiencies and maximum oil liberation. The completion of this low-cost, high-impact stimulation project is expected to increase levels of production in order to achieve the 40+ BOPD goal set for Kentucky in 2014.

#### AUDITOR'S DECLARATION

The auditor's independence declaration as required under section 307C of the corporations Act 2001 is set out on page 7 of the financial report.

Signed in accordance with a resolution of the Board of Directors



Richard I Cottee  
Chairman

Dated this 13<sup>th</sup> day of March 2014

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**Auditor's Independence Declaration**  
To The Directors of Austin Exploration Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Austin Exploration Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. L. Taylor  
Partner - Audit & Assurance

Melbourne, 13 March 2014

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**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE**  
**INCOME**

For the half-year ended 31 December 2013

		<b>Consolidated Group</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>Revenues</b>			
Revenue	2	749,858	1,084,265
Gain on disposal of exploration asset	3	1,731,574	-
		<u>2,481,432</u>	<u>1,084,265</u>
<b>Expenses</b>			
Lease operating expense		(309,660)	(381,443)
Employee benefits expense		(921,808)	(693,976)
Depreciation and amortisation expense		(961)	(519,011)
Other expenses		(627,029)	(695,521)
Travel and accommodation expense		(115,992)	(82,953)
		<u>(1,975,450)</u>	<u>(2,372,904)</u>
Joint venture contribution		<u>35,230</u>	<u>40,894</u>
<b>Profit/(Loss) before income tax expense</b>		541,212	(1,247,745)
Income tax expense		-	-
<b>Profit/(Loss) from continuing operations</b>		<u>541,212</u>	<u>(1,247,745)</u>
<b>Profit/(Loss) for the period</b>		<u>541,212</u>	<u>(1,247,745)</u>
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified subsequently</i>			
<i>To Profit or Loss</i>			
Movement in fair value of financial asset		(247,023)	-
Exchange rate differences on translating foreign operations		1,159,909	(836,705)
<b>Total comprehensive income profit/(loss) for the period</b>		<u>1,454,098</u>	<u>(2,084,450)</u>
Basic earnings per share		\$0.0003	(\$0.0008)
Diluted earnings per share		\$0.0003	(\$0.0008)

Notes to the financial statements are included on pages 12 -17



**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2013

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>31 Dec</b>	<b>30 June</b>
		<b>2013</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,925,456	1,144,870
Trade and other receivables		405,530	239,621
Other current assets		50,586	512,987
<b>TOTAL CURRENT ASSETS</b>		<u>2,381,572</u>	<u>1,897,478</u>
<b>Non-Current Assets Held for Sale</b>		-	18,426
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method		2,656,340	2,580,546
Property, plant and equipment		221,775	231,017
Available for sale financial asset		1,502,978	-
Development and producing assets	4	1,716,906	1,634,584
Exploration and evaluation assets	4	33,033,955	32,614,713
Other non-current assets		610,732	174,075
<b>TOTAL NON-CURRENT ASSETS</b>		<u>39,742,686</u>	<u>37,253,361</u>
<b>TOTAL ASSETS</b>		<u>42,124,258</u>	<u>39,150,839</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		144,319	279,694
<b>TOTAL CURRENT LIABILITIES</b>		<u>144,319</u>	<u>279,694</u>
<b>NON-CURRENT LIABILITIES</b>			
Other long term liabilities		60,611	58,814
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>60,611</u>	<u>58,814</u>
<b>TOTAL LIABILITIES</b>		<u>204,930</u>	<u>338,508</u>
<b>NET ASSETS</b>		<u>41,919,328</u>	<u>38,812,331</u>
<b>EQUITY</b>			
Issued capital	7	56,182,505	54,529,606
Reserves		4,869,240	8,129,180
Retained earnings / (Accumulated Losses)		<u>(19,132,417)</u>	<u>(23,846,455)</u>
<b>TOTAL EQUITY</b>		<u>41,919,328</u>	<u>38,812,331</u>

Notes to the financial statements are included on pages 12 -17

**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half-year ended 31 December 2013

	<b>Consolidated Group</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	817,524	624,529
Payments to suppliers and employees	(1,777,799)	(1,590,331)
Interest received	7,087	131,258
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(953,188)</b>	<b>(834,544)</b>
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Cash received from Farm out agreements	1,667,381	-
Receipts from JV Investment	-	79,523
Payments for JV Investment	(591,001)	-
Payments for fixed assets	(42,534)	(56,513)
Payments for exploration expenditure	(896,846)	(15,636,745)
Payments for development expenditure	(6,009)	-
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>130,991</b>	<b>(15,613,735)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	54,270	-
Repayment of borrowings	(54,270)	(5,357)
Proceeds from the issue of ordinary shares	1,700,000	-
Transactions Costs	(126,350)	(5,774)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>1,573,650</b>	<b>(11,131)</b>
Net (decrease) increase in cash held	751,453	(16,459,410)
Cash at beginning of period	1,144,870	21,090,085
Foreign Currency movement	29,133	(560,604)
	<hr/>	<hr/>
Cash at end of period	<b>1,925,456</b>	<b>4,070,071</b>

Notes to the financial statements are included on pages 12 -17

**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the half-year ended 31 December 2013

	<b>Issued Capital \$</b>	<b>Share Options Premium Reserve \$</b>	<b>Asset Revaluation Reserve \$</b>	<b>Currency Translation Reserve \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>BALANCE AT 1 JULY 2013</b>	54,529,606	4,172,826	-	3,956,354	(23,846,455)	38,812,331
Issue of share capital	1,779,249	-	-	-	-	1,779,249
Transaction Costs	(126,350)	-	-	-	-	(126,350)
Share options expired during the period	-	(4,172,826)	-	-	4,172,826	-
Profit or loss	-	-	-	-	541,212	541,212
Other Comprehensive Income	-	-	(247,023)	1,159,909	-	912,886
<b>BALANCE AT 31 DECEMBER 2013</b>	<b>56,182,505</b>	<b>-</b>	<b>(247,023)</b>	<b>5,116,263</b>	<b>(19,132,417)</b>	<b>41,919,328</b>
<b>BALANCE AT 1 JULY 2012</b>	52,628,930	4,093,065	-	270,527	(20,966,244)	36,026,278
Issue of share capital	110,000	-	-	-	-	110,000
Transaction Costs	-	-	-	-	-	-
Employee share options	-	56,000	-	-	-	56,000
Profit or loss	-	-	-	-	(1,247,745)	(1,247,745)
Other Comprehensive Income	-	-	-	(836,705)	-	(836,705)
<b>BALANCE AT 31 DECEMBER 2012</b>	<b>52,738,930</b>	<b>4,149,065</b>	<b>-</b>	<b>(566,178)</b>	<b>(22,213,989)</b>	<b>34,107,828</b>

Notes to the financial statements are included on pages 12 -17

## NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2013

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### NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Austin Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for as noted below:

#### AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged. Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

Austin Exploration Limited is domiciled in Australia. The consolidated annual financial report of the consolidated entity for the year ended 30 June 2013 is available at [www.austinexploration.com](http://www.austinexploration.com).

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of or disclosure in, its half-year financial statements.

### NOTE 2 – REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

	<b>CONSOLIDATED GROUP</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Sale of oil and gas	743,996	918,642
Interest received	5,862	165,623
<b>Total</b>	<b>749,858</b>	<b>1,084,265</b>

## NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2013

### NOTE 3 – OTHER COMPREHENSIVE INCOME

	CONSOLIDATED GROUP	
	31 December 2013 \$	31 December 2012 \$
Carrying Value – 50% Interest in PEL105	(18,426)	-
Shares received in Tellus Resources	1,750,000	-
<b>Profit on sale of interest in PEL105</b>	<b>1,731,574</b>	<b>-</b>

On 9<sup>th</sup> October 2013, the Group's interest in PEL105 was sold to Tellus Resources Limited. Austin Exploration Limited received 19,776,020 shares in Tellus Resources which were valued on the Australian Securities Exchange (ASX) at 0.088491, in consideration for its 50% interest in the license area in the Cooper Basin. These shares are held as an available for sale finance asset with subsequent movements in fair value recognised in a revaluation reserve.

### NOTE 4 – EXPLORATION, DEVELOPMENT AND PRODUCING ASSETS

#### Movement in Exploration and Evaluation Expenditure capitalised

	CONSOLIDATED GROUP	
	31 December 2013 \$	30 June 2013 \$
Balance at beginning of year	32,614,713	10,413,363
Additions	1,174,306	21,061,024
Exchange rate difference	994,341	1,143,387
Disposals	(18,426)	-
Impairment Expense	-	(3,061)
Proceeds from Farm Out Agreements	(1,730,979)	-
	<b>33,033,955</b>	<b>32,614,713</b>

On 30<sup>th</sup> July 2013, the Group announced signing of an agreement with Halcon Resources Corporation. Under the farm-out agreement, Halcon will earn a 70% interest in the Birch Project by funding 100% of the drilling costs on the next three Eagle Ford wells. Austin has received an upfront payment for an 18 month exclusive drilling option during which time the farm-out wells must be drilled.

On 14<sup>th</sup> August 2013, the Group reached an agreement with PetroMax. PetroMax will fund 100% of the costs on the first horizontal Eagle Ford well drilled at the Group's 645 acre Birch Loan-Oak Block. Austin Exploration and PetroMax have agreed on a 70% PetroMax/30% Austin basis.

#### Movement in Development and Producing Assets

	CONSOLIDATED GROUP	
	31 December 2013 \$	30 June 2013 \$
Balance at beginning of year	1,634,584	1,626,685
Additions	6,054	349,645
Exchange rate difference	50,746	131,628
Disposals	-	-
Amortisation expense	25,522	(473,374)
	<b>1,716,906</b>	<b>1,634,584</b>

## NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2013

### NOTE 5 – IMPAIRMENT CHARGE

At December 31, 2013, the Directors' reviewed the carrying values of its development and exploration assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at December 31, 2013, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

The Group has not impaired its exploration, development and producing assets at 31 December 2013 and will further review the assets for impairment at 30 June 2014.

### NOTE 6 – OPERATING SEGMENTS

#### Segment Information

##### (i) Segment Performance

	6 months to 31 December 2013	6 months to 31 December 2013	6 months to 31 December 2013	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	1,735,618	745,813	-	2,481,431
Joint Venture net revenue	-	-	35,230	35,230
Segment net (loss)/profit before tax	1,205,700	(699,718)	35,230	541,212

	6 months to 31 December 2012	6 months to 31 December 2012	6 months to 31 December 2012	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	160,274	923,991	-	1,084,265
Joint Venture net revenue	-	-	40,894	40,894
Segment net loss before tax	(653,480)	(635,159)	40,894	(1,247,745)

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**  
**For the half-year ended 31 December 2013**

**NOTE 6 – OPERATING SEGMENTS (contd.)**

**(ii) Segment Assets**

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Assets</b>	41,531,288	40,348,678	81,879,966
Inter segment elimination	(39,755,708)	-	(39,755,708)
	<b>1,775,580</b>	<b>40,348,678</b>	<b>42,124,258</b>

**(iii) Segment Liabilities**

	<b>Australia</b>	<b>USA</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment Liabilities</b>	38,517	39,922,121	39,960,638
Inter segment elimination	-	(39,755,708)	(39,755,708)
	<b>38,517</b>	<b>166,413</b>	<b>204,930</b>

**NOTE 7 – ISSUED CAPITAL**

	<b>Number</b>	<b>\$</b>
<b>6 months to 31 December 2013</b>		
As at 1 July 2013	1,613,195,471	54,529,606
Issue of 141,666,666 shares @ 0.012 per share	141,666,666	1,700,000
Issue of 7,925,000 shares @0.01 per share	7,925,000	79,249
Less: Costs of Capital Raising	-	(126,350)
At 31 December 2013	<b>1,762,787,137</b>	<b>56,182,505</b>
<b>6 months to 31 December 2012</b>		
As at 1 July 2012	1,497,386,721	52,628,930
Issue of 5,000,000 shares @ 0.022 per share	5,000,000	110,000
At 31 December 2012	<b>1,502,386,721</b>	<b>52,738,930</b>

During the six month period to 31 December 2013, a total of 7,925,000 listed shares were issued to various staff of Austin Exploration Limited at no cost pursuant to the Executive Performance Rights Plan approved by the 28 November 2012.

**NOTES TO THE FINANCIAL STATEMENTS (contd.)**  
**For the half-year ended 31 December 2013**

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**NOTE 8 – OPTION ISSUE**

Options issued and authorised for the period to 31 December 2013 are as follows:

	<b>Number</b>
<b>6 months to 31 December 2013</b>	
As at 1 July 2013	966,612,235
Expired "K" Class Unlisted Options	(2,000,000)
Expired Listed Options AKKOA	(87)
Expired "I" Class Listed Options	<u>(964,612,148)</u>
At 31 December 2013	<u>-</u>

During the six month period to 31 December 2013, all issued options expired.

**NOTE 9 – RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**Transactions with Director-related Entities**

During the period the Group utilised the services of Math Energy 1 LLC for the provision of building rent below commercial rates. To the reporting date the costs of these services was \$5,426. Dr. Mark Hart is a director of Math Energy 1 LLC.

During the period the Group utilised the services of Freestone Energy Partners for the provision of consulting services at commercial rates. To the reporting date the costs of these services was \$30,000 (excluding GST). Mr Richard Cottee has a service agreement with Freestone Energy Partners.

During the period the Group utilised the services of Math Energy Drilling LLC for the provision of drilling services below commercial rates. To the reporting date the costs of these services was \$92,255 (excluding GST). Mr Mark Hart is a director of Math Energy Drilling LLC.

During the period the Group utilised the services of CFO Colorado Accounting & Tax Services for the provision of accounting and taxation services at commercial rates. To the reporting date the costs of these services was \$3,133 (excluding GST). Mr Lonny Haugen is the President of CFO Colorado Accounting & Tax Services.

**NOTE 10 – CONTINGENT LIABILITIES**

There has been no material change to contingent liabilities since the last annual reporting date.

**NOTE 11 – EVENTS OCCURRING AFTER THE REPORTING DATE**

On 5<sup>th</sup> February 2014, the Board of Austin Exploration Limited advised that it has completed a placement of \$2.86 million through the issue of 260 million new shares at 1.1 cents per share. The placement to sophisticated investors was completed at a 15% discount to Austin's last closing price on the ASX.



## NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2013

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### **NOTE 12 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's investment in Tellus Resources Limited is valued using Level 1, being quoted prices from the ASX.

## DIRECTORS' DECLARATION

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The directors of the Group declare that:

1. The financial Statements and Notes, as set out on pages 8 to 17 are in accordance with the Corporations Act 2001,
  - a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013, and of its performance for the half year ended on that date; and
  - b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting"; and
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Richard I Cottee  
Chairman

Dated this 13<sup>th</sup> day of March 2014

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## Independent Auditor's Review Report To the Members of Austin Exploration Limited

We have reviewed the accompanying half-year financial report of Austin Exploration Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of Austin Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Austin Exploration Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Austin Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. L. Taylor  
Partner - Audit & Assurance

Melbourne, 13 March 2014