

# AUSTIN EXPLORATION LIMITED

ABN 35 116 249 060



## First Quarter Report FY2011

**For the three months ended**  
September 30, 2010

***With Australian and USA***  
***activity updates through***  
October 26, 2010

## OVERVIEW OF OPERATIONS AND ACTIVITIES

### ***Exploration and Production***

Austin Exploration Limited (ASX: “AKK”) currently maintains working interests and net revenue interests in five key oil and gas assets in Australia and the United States.

Other projects meeting a stringent set of acquisition guidelines will be brought into the Company’s portfolio as they are reviewed and approved by the Board of Directors. . The company will seek to maximise the advantage of the strong Australian Dollar as it seeks out further scientifically qualified projects that offer favourable economics and short pay back periods.

### **Australian Assets (Austin Exploration Limited)**

Austin Exploration (“AKK”) currently holds one oil and gas asset in Australia.

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### ***Cooper Basin - PEL 105 oil and gas project***

- › AKK holds a 50% working interest
- › PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia
- › Estimated spacing allows for five additional wells on the licence
- › Due to an unprecedented amount of flooding in the area, access to the drill site for the previously advised initial Pirie-1 well has not been possible. Until the area dries out sufficiently to allow access, we are unable to finalize exploration programs in conjunction with our JV partner, Adelaide Energy Ltd. Austin will continue to monitor the status of the site and will update shareholders once a more precise timeline for drilling has been reached, which at this stage is projected to be March 2011.

### **U.S.A. Assets (Aus-Tex Exploration, Inc.)**

Four oil and gas assets are currently held in the USA by AKK’s 100%-owned subsidiary, Aus-Tex Exploration, Inc.

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### ***North Carrizo, Yolanda Villarreal #1 oil well (Dimmitt County, Texas)***

- › Aus-Tex holds a 45% BC/WI, a 36% AC/WI and a 27.36% NRI
- › Producing formation is the Austin Chalk

- › The well was completed and put on production on July 31, 2010 and has been producing oil under natural pressure since that time. As at the 24<sup>th</sup> October the well had flowed **8495** barrels of oil naturally to the surface.
- › All Oil being produced is being sold to the local refinery
- › The highest daily production rate to date was 256.7 BOPD
- › The well will be put on pump when natural flow FTP ( Flowing Tubing Pressure) rates decline to a point where the operator is confident that the FTP pressure is low enough to prevent formation damage. This is expected to occur within the next few weeks.

### ***The Armstrong oil project (Natchez, Mississippi USA)***

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Producing formation is Wilcox Sand
- › Three-well drilling program envisioned
- › First well (Armstrong #1) is completed and was put on production in May 2010
- › Daily production is currently at 62 barrels of oil and is being sold to the local refinery



**ARMSTRONG- ELLISLIE NO#1 PUMP JACK**

### ***The Sebree oil project (Northwest, Kentucky USA)***

- › Aus-Tex holds a 50% WI and a 37.5% NRI
- › Target formation is Tar Springs Sand
- › Quality infrastructure is in place, with oil transport and sales contracts completed
- › A reserve report and cash flow model was completed by a third party, JORC qualified geologist and it was released to the market on February 4<sup>th</sup>, 2010
- › Five well drilling program envisioned

- › Salt water disposal well nearing completion
- › Production is anticipated to recommence in December 2010
- › Three wells are expected to be in production by the end of 2010

### ***The Park City oil and gas project (Southwest, Kentucky USA)***

- › Aus-Tex holds a 100% WI and a 78.125% NRI
- › The primary hydrocarbon focus of this project is natural gas with a secondary focus on oil
- › Target formations are the Limestone and New Albany
- › 17 wells have been drilled
- › Four of these have been completed. Three are currently producing oil and one is capable of producing gas but has been shut-in
- › Daily production is currently averaging two-to-five barrels of oil

UNITED STATES OPERATIONS				
Prospect Name	Park City	North Carrizo	Sebree	Armstrong
Well Name(s)	Listed on company web site	Yolanda Villarreal No. 1-H	Russel 1A	Ellislie Plantation #1
Location	Edmonson County, Kentucky USA	Dimmitt County, Texas USA	Webster County, Kentucky USA	Natchez, Mississippi USA
Ownership Interest	Working Interest 100% - Revenue Interest 78.25%	Working Interest BCP = 45% ACP=36% NRI= 27.6%	Working Interest 50% Revenue Interest 37.5%	Working Interest 50% Revenue Interest 37.5%
Partners / Operators	Operator of record No JV Partner	Alamo Operating Company	KOS Energy Ltd	Dow Tate Energy LLC
Objective / Focus	Sallow low cost long life oil wells	Oil Dual Lateral Austin- Chalk	Oil Shallow long life targeting Tar Springs	Re-entry of once uncommercial Well targeting Wilcox formation
Current Status	17 wells drilled to date, 4 of those completed as oil wells and now on production	In production- Natural flow	Water disposal well nearing completion. EPA approved. 4 wells scheduled for completion	In production- On pump

***The Seychelles oil project (East Africa Region)***

Since the end of the September 2010 quarter - and as announced to the ASX on the 26<sup>th</sup> October 2010 - Austin finalised a Memorandum Of Understanding (MOU) with WHL Energy Limited (ASX:WHN) to have a right to farm in up to 4% on the first well drilled in a multi-billion barrel off shore exploration project.

Subject to shareholder approval, WHL intends to acquire all 35 off-shore exploration licence blocks in the Republic Of Seychelles. The Board of Austin looks forward to working closely with WHL Energy and being a part of what is a truly exciting frontier exploration project.

# 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 EXPLORATIONS LIMITED

ABN

98 114 198 471

Quarter ended ("current quarter")

30 SEPTEMBER 2010

### 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	145,633	145,633
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(58,608) (971,359)	(58,608) (971,359)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	29,251	29,251
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(855,083)</b>	<b>(855,083)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(572,202)	(572,202)
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 (provide details if material)		
<b>Net investing cash flows</b>	<b>(572,202)</b>	<b>(572,202)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,427,285)</b>	<b>(1,427,285)</b>

1.13	Total operating and investing cash flows (brought forward)	(1,427,285)	(1,427,285)
	<b>Cash flows related to financing activities</b>		
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		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	(1,427,285)	(1,427,285)
1.20	Cash at beginning of quarter/year to date	3,598,032	3,598,032
1.21	Exchange rate adjustments to item 1.20	(23,371)	(23,371)
1.22	<b>Cash at end of quarter</b>	2,147,376	2,147,376

### 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	139,999.97
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONSULTING AND 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	341,760
4.2 Development	549,362
4.3 Production	31,800
4.4 Administration	275,943
<b>Total</b>	<b>1,198,865</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	1,124,118	2,590,062
5.2 Deposits at call	1,023,258	1,007,970
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,147,376</b>	<b>3,598,032</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			
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.

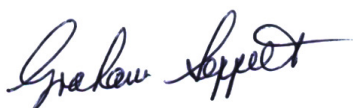
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	295,051,718	295,051,718		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

			<i>Exercise price</i>	<i>Expiry date</i>
7.7	<b>Options</b> <i>(description and conversion factor)</i>	5,400,000 "2011" A Class Options	\$0.30	30/06/2011
		12,600,000 "2011" B Class Options	\$0.50	30/06/2011
		12,600,000 "2011" C Class Options	\$0.75	30/06/2011
		541,667 "2012" D Class Options	\$0.24	28/02/2002
		333,333 "2013" E Class Options	\$0.24	01/03/2013
		500,000 "2011" F Class Options	\$0.20	15/10/2011
		9,000,000 "2011" G Class Options	\$0.10	30/11/2011
		146,512,930 Listed Options	\$0.10	19/11/2011
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <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: 29 October 2010

Print name: Graham Seppelt

## 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.

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