



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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## **Fourth Quarter Report FY2014**

**For the three months ended**

**June 30, 2014**

with additional information on subsequently completed activities



**Austin's Management – Operations & Engineering Team at quarterly SIX SIGMA training program in Denver, Colorado.**

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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

## **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 oil and gas provinces in the United States. Austin is the operator of its Colorado and Kentucky operations.

Total daily production for the quarter was 650 BOEPD (250 BOEPD net to Austin).

The past quarter has been a productive period for Austin. Continued exploration success has led to upgrades of the Company’s oil and gas reserves and resources. At a 50% probability (P50), Gustavson & Associates calculated that Austin’s properties in Colorado & Texas, combined, contain an estimated ultimate recovery (EUR) of more than 59 million barrels of oil equivalent (45 million barrels of oil). Austin estimates its total acreage could accommodate more than 300 horizontal wells.

Drilling success and production growth was achieved in all three of Austin’s business units - Texas, Colorado, Kentucky/Mississippi. Off the back of this, the Company advises that it is on track to be cash flow positive in the fourth (calendar) quarter of 2014.

Following strong oil and gas flows at the Stifflemire #1 Eagle Ford well, three further wells are being drilled and completed. More broadly, this has led to an escalation in land prices and the overall value of this property.

Austin’s acreage is large enough to accommodate more than 50 horizontal wells at 80 acre spacing, or more than 100 wells at 40 acre spacing, in its partnership with Halcon Resources Corporation in Texas.

The results from Austin’s strategic exploration and production program have enabled Austin to pursue debt finance for the longer-term development of its properties. Negotiations are continuing regarding the proposed \$40million debt raising, and material progress will be released to the market when it comes to hand.

Austin advises its unblemished safety and environmental record remains intact, with no lost time accidents or environmental incidents occurring during the quarter.

Austin’s SIX SIGMA Management program is continuing to have a significant impact on the Company through the continual implementation, enforcement, and monitoring of its projects and processes. All of our Employees are now in the Brown Belt phase of SIX SIGMA.

Austin Exploration is in a strong position to capitalise on the US shale-boom that is changing the global energy environment. The Company’s US-based Management team remains focused and committed to driving shareholder value.



Map Showing Austin's North American Oil and Gas assets

## BUSINESS UNIT REPORTS

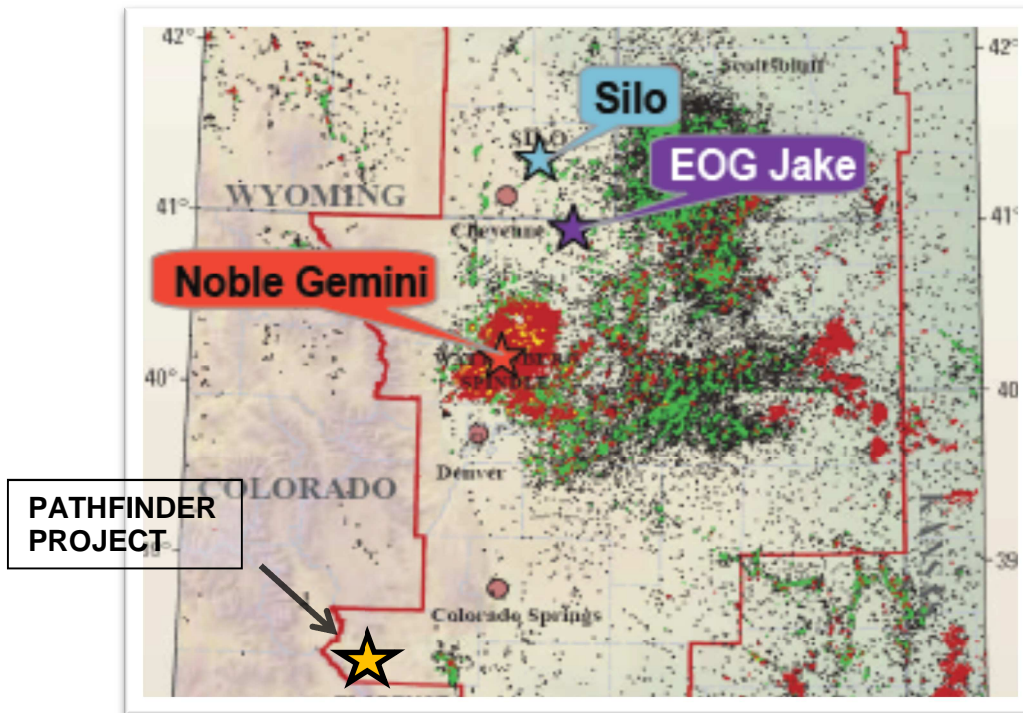
### COLORADO BUSINESS UNIT

#### VP & General Manager:

Mr. Juan Carlos Carratu

Austin is the Operator

- Pathfinder Project, Fremont County, Colorado
- 100% Working Interest in 11,560 acre property in the DJ Basin
- Spacing allows for more than 200 wells to be drilled
- Primary hydrocarbon targets: Niobrara Shale & Pierre Shale
- Secondary Targets: Codell, Greenhorn, Grenaros, and Dakota



### Pathfinder Project

- **C18 #1 exploratory well drilled, with oil discovered in section 18 of the property.**
- Crude oil flowed to the surface under natural pressure stemming from a pressured reservoir.
- Austin believes it has intersected two large oil-filled natural fractures in the transitional zone between the Pierre and Niobrara formations, and another between the B & C benches of the Niobrara.
- A detailed analytical study of the well results and mud-cuttings is currently being conducted by Weatherford Laboratories. Results and next steps will be communicated to the market when available.
- Austin will evaluate fracking this vertical well once debt funding is finalised.
- The Pathfinder Gas Processing facility is nearing completion, and ahead of schedule. This facility will process the heavy gases contained within the Niobrara formation, providing a boost to cash flows in the near term and the longer term, allowing for the gas produced is of pipeline quality.
- This will allow planning and implementation for the North-South pipeline to proceed.
- Successfully negotiated and acquired an additional 15% Interest in the project with no money exchanged. The Company now controls 100% of this project.
- Drilling additional Niobrara horizontal wells will commence once Austin's proposed debt facility is in place.

### TEXAS BUSINESS UNIT

#### VP & General Manager:

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 GPO Box 2850 • Melbourne, VIC 3001

### Mr. Aaron J. Goss

- Birch Eagle Ford Project, Burleson County, Texas
- Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk
- 30% of 5000 acres

### Birch Eagle Ford Project

- First Eagle Ford horizontal recorded an initial production rate of 1,066 BOEPD (87% Oil) and produced 25,890 BOE in its first 30 days and continues to produce to expectations.
- Three additional Eagle Ford horizontal wells with Halcon are currently underway:
  1. Kaiser #2H well - Successfully drilled and is being completed.
  2. Nemo #1H well - Successfully drilled and is being completed.
  3. Redbud #1H Well: Successfully drilled and is being completed.
- Results of these wells will be communicated when they come to hand.
- Austin's fifth Eagle Ford well is scheduled to commence in August.
- Austin's first Eagle Ford well with PetroMax is scheduled to begin towards the end of the 2014.
- Austin's Yolanda Villareal well in Dimmitt County Texas has now produced 34,600 barrels of oil from the Austin Chalk formation. The well is in production and Austin has a 27.6% N.R.I in this project.

## KENTUCKY & MISSISSIPPI BUSINESS UNIT

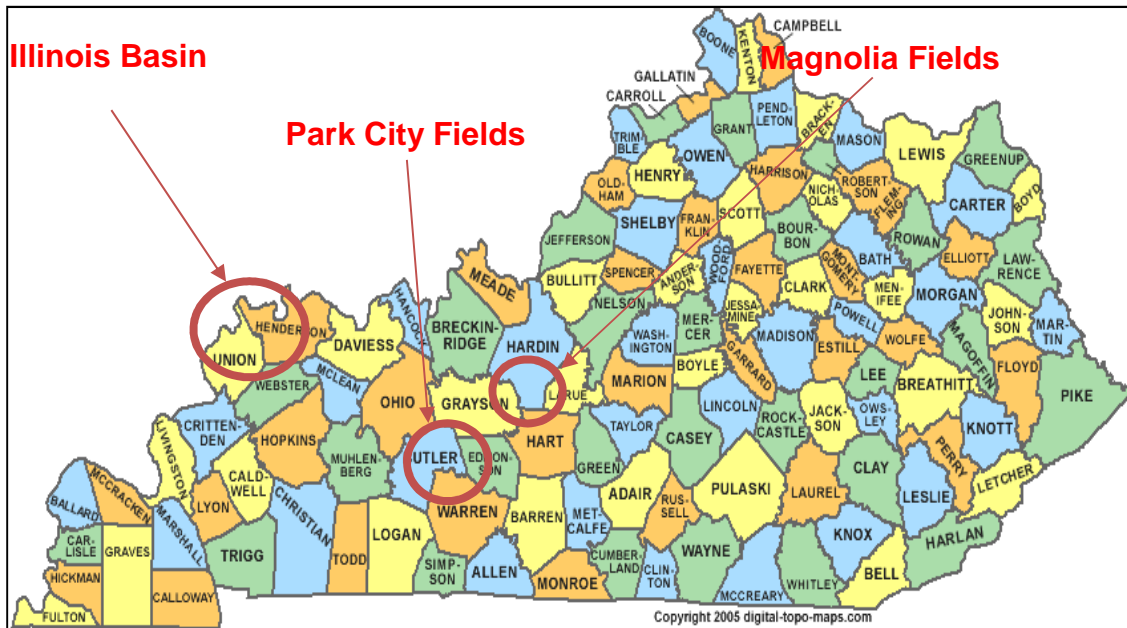
### VP & General Manager

#### Mr. Timothy B. Hart

#### Austin is the Operator

- Kentucky Exploration LLC. Approx. 4000 acre 50/50 Joint Venture with private Australian Investment Company.
- 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.
- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation.
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg.
  
- Mississippi project: Adams County, Mississippi.
- Primary hydrocarbon targets: Wilcox Formation (Conventional).
- 4 wells are currently in production at approx. 85 BOPD.





**A map showing Austin Exploration’s Leases in Kentucky. Kentucky Exploration LLC (Austin Exploration’s wholly owned subsidiary) is operating 4 oil fields, 20 leases and approximately 4000 acres in Kentucky.**

**Kentucky & Mississippi**

- **Record production of levels of 35 BOPD achieved in July. On track to achieve 40 BOPD target in 2014.**
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk, long life production and cash flow.
- The Kentucky Business Unit’s 5-well, low cost, high impact drilling and stimulation program is underway.
- Following a successful drilling program, a series of logs have been obtained and examined in order to develop the best stimulation design and optimize production in Kentucky.
- The stimulation designs are completed and being implemented and production is expected during the next quarter.
- The Company’s low cost, high impact drilling program in Kentucky and Mississippi continues to have a material impact on cash flow while minimizing the costs of all of Austin’s operations.
- A study of the Park City and Magnolia properties is underway

**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")

30 June 2014

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (12 months) \$A
1.1	Receipts from product sales and related debtors	286,149	1,392,643
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(3,032,994)	(4,775,440)
1.3	Dividends received		
1.4.	Interest and other items of a similar nature received	1,741	11,882
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Income received from Farm Out Agreements)	-	1,678,126
<b>Net Operating Cash Flows</b>		<b>(3,740,756)</b>	<b>(5,004,825)</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		(81,978)
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)	(246,510)	(1,048,032)
<b>Net investing cash flows</b>		<b>(246,510)</b>	<b>(1,130,010)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(3,987,266)</b>	<b>(6,134,835)</b>

1.13	Total operating and investing cash flows (brought forward)	(3,987,266)	(6,134,835)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,350,459	8,910,459
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	54,620
1.17	Repayment of borrowings	-	(53,916)
1.18	Dividends paid		
1.19	Other (provide details if material)	(55,919)	(475,763)
	<b>Net financing cash flows</b>	<b>4,294,540</b>	<b>8,435,400</b>
	<b>Net increase (decrease) in cash held</b>	<b>307,274</b>	<b>2,300,565</b>
1.20	Cash at beginning of quarter/year to date	3,064,439	1,144,804
1.21	Exchange rate adjustments to item 1.20	(43,316)	(116,973)
1.22	<b>Cash at end of quarter</b>	<b>3,328,397</b>	<b>3,328,397</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	268,248
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	1,071,783	0
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A
4.1 Exploration and evaluation	1,000,000
4.2 Development	-
4.3 Production	100,000
4.4 Administration	650,000
<b>Total</b>	<b>1,750,000</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	3,328,397	3,064,439
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,328,397</b>	<b>3,064,439</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	Colorado	85%	100%

**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</b>			
	<b>+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>	2,457,833,037	2,457,833,037	
7.4	Changes during quarter			
	(a) Increases through issues	435,045,900	435,045,900	0.01
	(b) Decreases through returns of capital, buy-backs			0.01
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			

**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				
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:



(Chief Financial Officer)

Date: 31/07/2014

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.