

AUSTIN EXPLORATION LIMITED

ABN 98 114 198 471



First Quarter Report FY2012

For the three months ended
September 30, 2011

With Australian and USA
Activity updates through
October 25, 2011

OVERVIEW OF OPERATIONS AND ACTIVITIES

AUSTRALIAN OPERATIONS (Austin Exploration Limited)

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

Through existing oil production in the US the Company’s wholly owned US Subsidiary, Aus-Tex Exploration Inc, continues to be cash flow positive.

2011 continues to be an exciting period of growth and opportunity for Austin Exploration and the Aus-Tex Exploration subsidiary. Following a dramatic expansion of its USA oil and gas assets in Texas and Colorado, the Company is excited to begin drilling its first major Eagle Ford well at its Birch Prospect in Bureson County, Texas which is expected to commence in October 2011. This will be the first well to be drilled on the Company’s newly acquired Eagle Ford Shale acreage. Austin Controls 93.5% of this 5000 project with the opportunity to drill 32 horizontal wells at 160 acre spacing.

By strengthening the Company’s Management team and Board, and in conjunction with the acquisition of two world class oil and gas assets, Austin has laid the foundations to build a world class energy Company well into the future.

AUSTRALIAN ASSETS (AUSTIN EXPLORATION LIMITED)

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
- › P10 reserves for the Pirie #1 well is estimated at 23 Million barrels of oil
- › Estimated recovery of 1 Million barrels of oil per well
- › Estimated well life of nine years
- › Estimated spacing allows for five additional wells on the license

- › Following a field trip to the site by Adelaide Energy in October 2011 the Company was pleased to announce that the licence area has dried out sufficiently from prolonged flooding to allow for rig access and the commencement of drilling
- › Adelaide Energy's Managing Director, Mr Carl Dorsch, returned from the site visit with the decision that the risks associated with flooding were sufficiently reduced such that the rig selection process should begin immediately. It is expected that drilling will commence 1st quarter 2012

USA OPERATIONS (*Aus-Tex Exploration, Inc.*)

North American Assets (*Aus-Tex Exploration Inc*)

Non-conventional oil and gas projects acquired in 2011

Texas USA - Birch Eagle Ford project Colorado

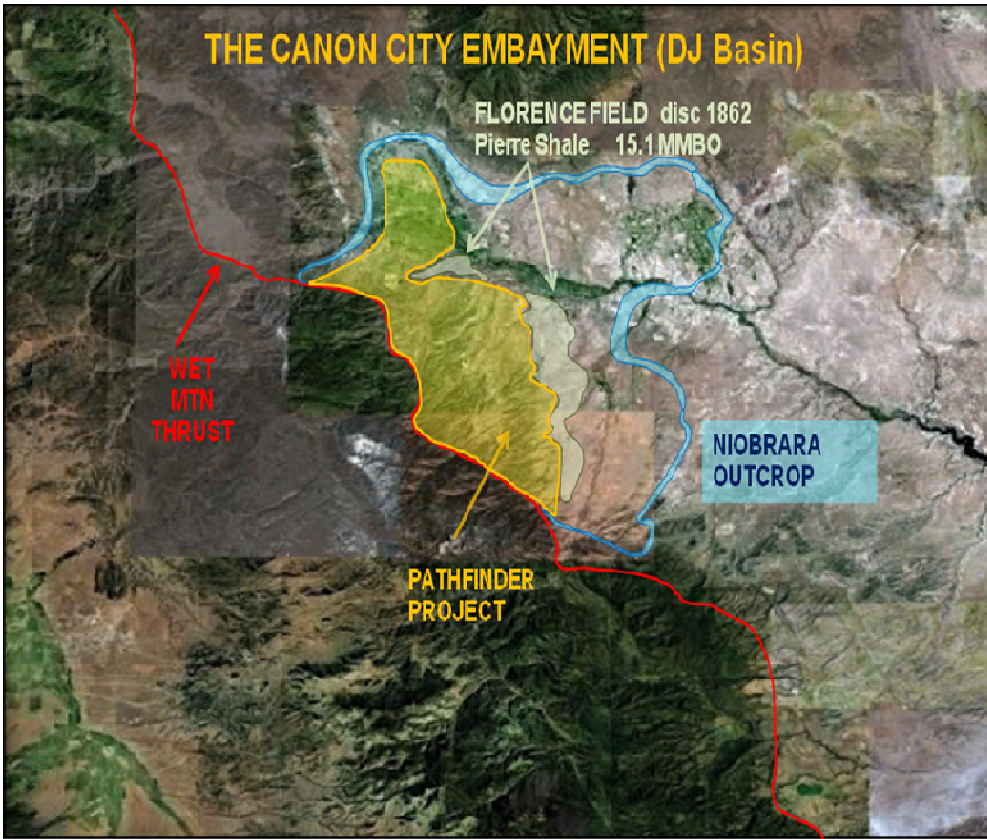
- › AKK holds a 93.5% Working Interest of a total of approx. 5000 acres
- › Primary Objective is the Eagle Ford Shale
- › Secondary Objectives: Austin Chalk, Buda & Georgetown formations
- › 160 acre spacing allows for 32 horizontal wells to be drilled
- › 3 vertical 9000 ft (approx.) well drills to be drilled initially to commence October 2011
- › Initial vertical well programme designed to extensively analyse formation characteristics
- › Horizontal drilling programme to commence early 2012
- › Independent reserve estimates of approx. 179,000 – 810,000 BO per horizontal well

Birch Prospect, Krueger Lease Water Well



Colorado USA – Pathfinder Niobrara Shale Project

- › AKK controls 85% of the project
- › Primary Objective is the Niobrara Shale in the Denver-Julesburg (DJ) Basin
- › Secondary Objectives: Pierre shale and Codell sandstone
- › Spacing for approx. 70 horizontal wells at 160 acre spacing
- › 1st Horizontal well to commence 1st quarter 2012
- › Independent reserve estimates of approx. 200,000 – 500,000 BO per horizontal well



Aus-Tex producing assets

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

- › Aus-Tex holds 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 since that time. As at the 25th October 2011 the well has flowed 20,870 barrels of crude oil
- › All Oil being produced is being sold to the local refinery
- › The highest daily production rate to date was 256.7 BOPD

Armstrong, Ellislie Plantation # 1 oil well (Adams County Mississippi, USA)

- › Aus-Tex holds a 37.5% NRI
- › Producing formation is the Wilcox Formation
- › The well was completed and put on production on August 8, 2010 and has been producing oil since that time. As at the 25th October 2011 the well had flowed approx. 21,000 barrels of crude oil
- › All Oil being produced is being sold to the local refinery
- › The highest daily production rate to date was 82 BOPD

Armstrong, Commencement oil well (Adams County Mississippi, USA)

- › Aus-Tex holds a 37.5% NRI
- › Producing formation is the Wilcox Formation
- › The well was completed and put on production on May 6 2011 and has been producing oil since that time. As at the 25th October 2011 the well had flowed approx. 15,000 barrels of crude oil
- › All Oil being produced is being sold to the local refinery
- › The highest daily production rate to date was 140 BOPD

Kentucky Exploration LLC

Since drilling began in August of this year, Kentucky Exploration, LLC, a wholly-owned subsidiary of Austin Exploration and Newtak its Joint venture partner, has experienced a stabilized production rate of approx 20 barrels of oil per day. The stabilized production rate is expected to reach 40 barrels per day by December, with an ultimate goal of 80-100 barrels per day by the end of 2012. The drilling is taking place in the Sebree Field Project in Sebree, Kentucky.

Onsite manager Jaime Garcia, who is Austin Exploration's east unit business manager, instituted a number of research and development initiatives along with new technology to jump start the production. Garcia says that secondary recovery techniques such as saltwater injection procedures and bacterial elimination were implemented to extract the maximum amount of oil. New technology also has also played a significant role in the site's progress, as nitrogen foam, sand and slickwater fracking were all used to achieve the increased daily flow rates.

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 SEPTEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	470,011	470,011
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,108,400) (142,992) (586,812)	(1,108,400) (142,992) (586,812)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	22,947	22,947
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,345,246)	(1,345,246)
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	(3,790,881) (1,663,816)	(3,790,881) (1,663,816)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	420,000	420,000
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other		
Net investing cash flows	(5,034,697)	(5,034,697)
1.13 Total operating and investing cash flows (carried forward)	(6,379,943)	(6,379,943)

1.13	Total operating and investing cash flows (brought forward)	(6,379,943)	(6,379,943)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	85,093	85,093
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 (Capital Raising Costs in relation to share issue on 6 July 2011)	(583,000)	(583,000)
	Net financing cash flows	(497,907)	(497,907)
	Net increase (decrease) in cash held	(6,877,850)	(6,877,850)
1.20	Cash at beginning of quarter/year to date	9,713,369	9,713,369
1.21	Exchange rate adjustments to item 1.20	80,326	80,326
1.22	Cash at end of quarter	2,915,845	2,915,845

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	86,819
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	488,000
4.2 Development	190,000
4.3 Production	95,000
4.4 Administration	450,000
Total	1,223,000

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	2,865,845	9,663,369
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)	2,915,845	9,713,369

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	Seychelles Austin held a working interest of 4% and a NRI of 65%.	Working Interest of 4% and NRI of 65%	0%
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

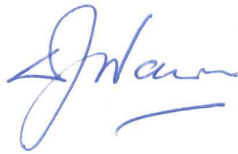
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	591,163,760	591,163,760		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
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>
		541,667 "2012" D Class Options		\$0.24	28/02/2012
		333,333 "2012" E Class Options		\$0.24	01/03/2012
		500,000 "2011" F Class Options		\$0.20	15/10/2011
		10,000,000 "2011" G Class Options		\$0.10	30/11/2011
		146,512,930 "2011" Listed Options		\$0.10	19/11/2011
		1,200,000 "2012" H Class Options		\$0.10	23/11/2012
		207,750,000 "2013" I Class Listed Options		\$0.055	06/07/2013
		163,295,975 "2012" J Class Listed Options		\$0.055	06/07/2012
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: 31/10/2011

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.