



AUSTIN  
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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Austin Management Team on location in Colorado –  
Chief Engineer Mr Hakan Corapcioglu, MD & CEO Dr W. Mark Hart, COO Mr Guy Goudy, Chief Geologist Mr Onur Congur

## Third Quarter Report FY2014

**For the three months ended 31 March 2015**

With additional information on subsequently completed activities

## REVIEW OF OPERATIONS AND ACTIVITIES

### Quarterly Highlights

- **Austin Exploration secures US\$1.5 million low cost, reserves-based loan with leading American bank.**
- **Company to focus on drilling low cost, high impact conventional wells to drive growth in 2015.**
- **Company forms JV with Pierre Energy Partners to develop Pierre Shale prospects at Pathfinder project in Colorado.**
- **State-of-the-art high Resolution 3D “Zig-Zag” seismic program underway to further de-risk Austin’s Niobrara and Pierre Shale prospects in Colorado.**
- **Austin runner-up behind US\$50 billion EOG Resources for E&P Company of the year at the 2015 Oil and Gas awards. Successful winterization program in 2014 in the Eastern Business unit enabled oil and gas production to continue throughout one of the most extreme US winters on record. Majority of operators were forced to shut down due to the extreme conditions in Central & Western Kentucky, and Mississippi.**
- **Significant cost reduction measures have been achieved:**
  - **Overhead expenses reduced by more than \$1.2 million p/a representing a circa 60% reduction in overhead costs**
  - **Directors Fees reduced by more than 60%**
  - **US-based Management salaries have been significantly reduced with already low salaries.**
- **The Company continues to pare administration costs and is idling high cost producing leases in Kentucky at current oil prices.**

### 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 US oil and gas provinces, in Texas, Colorado, Kentucky & Mississippi. Austin is the operator of its Colorado and Kentucky operations.

Austin maintains, and is proud of, its outstanding safety and environmental record, with no lost time accidents or environmental incidents ever.

The past quarter has been a challenging yet successful period for the Company. The dramatic fall in oil prices significantly changed the landscape for emerging oil and gas companies which required rapid and prudent adjustments to the 2015 plans. From last summer (US) oil prices have dropped from \$107 p/bbl to as low as \$43 p/bbl in the past quarter.

Austin’s focus for the past quarter was retaining 100% of its North American oil and gas acreage, sourcing non-dilutive financing options to continue a prudent and economic development plan, and implementing

strict cost control measures to keep cash flows strong. The Board of your Company is proud to report that Management was successful in its execution of these three main objectives and has aggressively stripped more than US\$1.2 million of costs out of the business. The Company was building up for a \$40 million loan in 2014 that was cancelled due to high costs and falling oil prices.

Management's disciplined approach to cost controls and driving cash flows, combined with its growing production profile, enabled the Company to secure a reserves based lending facility for the first time. As was announced to the ASX this week, the Company was successful in securing a US\$1.5 million loan with ANB Bank. To secure low cost, non-dilutive funding in this current oil price environment is a coup for the Company and positions Austin well for a year of continued growth.

Austin is in the strong position of having a diversified base of oil and gas assets in North America that have both conventional and non-conventional prospectivity. As such, the company will focus on the development of its conventional prospects in Colorado, Kentucky and Mississippi where the wells are drilled vertically and tangentially, and drilling costs are significantly lower. These wells remain economic at today's lower oil prices.

The Company was pleased to report the forming of a Joint Venture with Pierre Energy Partners (PEP) for the development of Pierre Shale prospects at Austin's 11,560 acre property in Fremont County, Colorado. The two companies entered into an agreement whereby PEP funds the costs of drilling on a two-well program that is currently underway. Should the well hit oil Austin will pay for the completion costs of putting the wells into production. Austin has worked with several companies on the Colorado Pathfinder project. Pierre Energy drilled the last Pierre well on our Colorado property and performed a safe, efficient, cost effective job which provides Austin with great confidence that they are a superior partner to other interested parties. This JV keeps the drilling partner on the most cost effective pattern for drilling and keeps Austin focused on the most cost effective completion program.

The Company is also pleased to advise that both companies, Austin and Pierre Energy, are in advanced negotiations for a long-term partnership with the objective of a continuous drilling program for the property. This next phase of this program would see Pierre Energy drilling ten wells in exchange for a 50% ownership of the Pierre formation over the 11,560 acre property. Pierre Energy would earn this 50% upon drilling completion of the tenth well and until then would earn 50% of Austin's NRI for each well bore.

Further development continues at the Pathfinder project in Colorado with a state-of-the-art 3D seismic program now underway. The Company looks forward to the completion of this program and believes it will add a significant amount of value to Austin's Pathfinder project through gaining further knowledge of the complex fracture systems that are believed to hold significant quantities of oil. There is only a road that separates Austin's property to the contiguous border of the property to the East that has produced more than 15 million barrels of oil.

Operationally, the Company continues its focus on maximising production and cash flows from its four properties in Colorado, Kentucky, Mississippi and Texas. All of Austin's properties are now in production. The Eastern parts of the United States just experienced one of the most extreme winters in recent history, with record amounts of snow falling, freezing temperatures and now flooding. Inevitably this had an impact on production in the Company's Eastern Business unit in Kentucky and Mississippi. Fortunately, we have a dedicated VP/GM of our Eastern Business Unit in Mr. Timothy Hart and we are pleased to report that we were the only oil and gas operator in our part of Western & Central Kentucky who did not shut down operations due to the weather and kept up our production and cash flows, albeit reduced, for the past quarter.

Austin Exploration warmly welcomes Mr Phil McCarthy and Mr Stuart Middleton to Austin's Board of Directors. Both Phil and Stuart have had highly successful and esteemed careers in the global energy industry and will add further expertise and value for the Company's stakeholders. The Board thanks Mr Richard Cottee for his Chairmanship over the last 3 years. He retired from the position on his 60th birthday and the Austin Board and team wish him all the very best for the future.

Austin is in a good position for a small-cap E & P Company, with solid cash flows, world class assets, a highly dedicated Management team and a Board that is always looking at ways to add shareholder value.



Map Showing Austin's North American Oil and Gas assets

## **BUSINESS UNIT REPORTS**

### **COLORADO BUSINESS UNIT**

**VP & General Manager:**

**Mr. Aaron Goss**

**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

#### **Colorado Business Unit Quarterly Update:**

- Operations have recommenced on two Pierre shale wells in section 18 of Austin's Pathfinder property
- These wells satisfy lease commitments for full acreage retention
- The Company's Joint Venture with Pierre Energy Partners (PEP) was formed whereby PEP pays for the drilling costs and Austin pays for the Completion costs
- State-of-the-art "zig-zag" 3D seismic program is currently underway
- 3D Seismic work is being conducted with 703 receivers and 558 station sources respectively, in ground which is connected with 103 cables each measuring approximately 1,000' in length for over 100,000 feet of cables. The recording feedback is established with state-of-the-art vibe trucks, each with 60,000 pounds of force capacity
- Austin's property neighbours the Florence oil field which has produced more than 15 million barrels of oil from the Pierre formation

- Pierre wells remain highly economic in the current low oil price environment
- The Pierre formation is naturally fractured shale that is found at shallow depths of approximately 4000ft. These wells are drilled into the formation and do not require hydraulic fracturing, therefore the cost to drill and complete these wells is generally less than \$1 million per well.



Seismic Trucks on location for Austin's Pathfinder 3D Seismic Program

### TEXAS BUSINESS UNIT

**VP & General Manager:**  
**Mr. Aaron J. Goss**

- Birch Eagle Ford Project, Bureson County, Texas
- Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk
- ~30% Working Interest of approximately 5000 acres in its farm-out program with Halcon Resources
- 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.

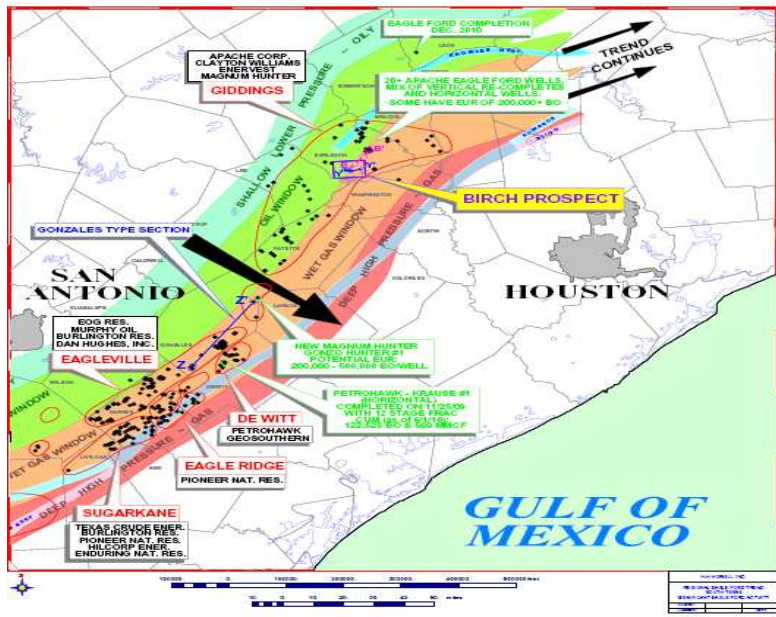
Well Name	Working Interest	Net Revenue Interest	Production start date	Gross BOE as of April 15
B1 Exploration well	100%	76.10%	Apr-12	9,336
#Stiffemire #1H	30.00%	22.50%	Mar-14	120,973
#Kaiser #2H	30.00%	22.50%	July-14	107,116
#Nemo #1H	30.00%	22.50%	July-14	83,549
Redbud #1H	20.15%	15.20%	July-14	75,852
Curington "A" #1H	6.19%	4.60%	Nov-14	66,444
Seaducer #2H	3.59%	2.69%	Dec-14	54,226

# Austin was carried on the drilling costs of these wells and per the farm-out agreement, pays its share of the drilling costs back through oil production.

Austin's Texas Eagle Ford partners continue to indicate that drilling will not start up again until prices reach at least \$60per bbl (WTI) for a sustained period of 90 days or more.

- Yolanda Dual Austin Chalk Well. Dimmitt County, Texas
- Working Interest 36%, NRI = 27.6%
- Well drilled and completed in 2010

- Total production to date 38,251



**Birch Eagle Ford Project**

**KENTUCKY & MISSISSIPPI BUSINESS UNIT**

**VP & General Manager**  
**Mr. Timothy B. Hart**  
**Austin is the Operator**

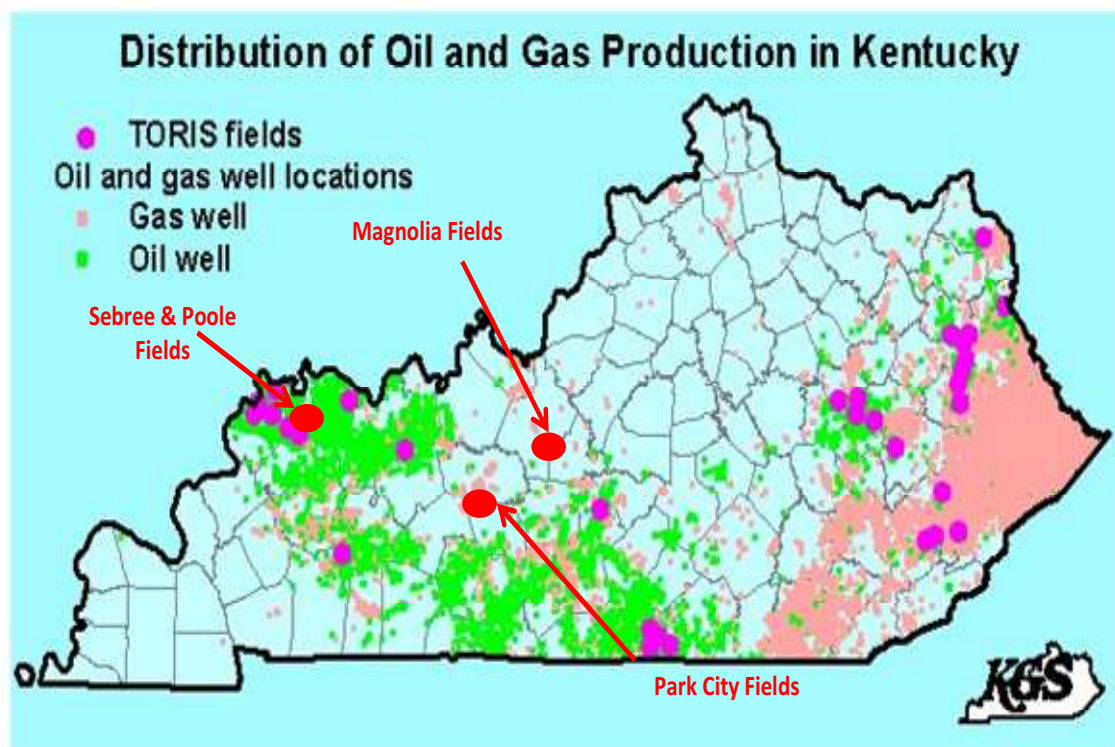
- Kentucky Exploration LLC. Approx. 5000 acre 50/50 Joint Venture with private Australian Investment Company.
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production, and cash flow, for the Company.
- Primary Hydrocarbon targets: 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).

Well Name	Working Interest	Net Revenue Interest	Well Started Producing	Total BOE as of April 15, 2015
Ellislie	50.00%	37.50%	August-10	44,566
Commencement	50.00%	37.50%	Jul -11	66,279
Bourke 4	50.00%	36.00%	November-12	31,816
Bourke 5	50.00%	36.00%	April-14	3,485

**Eastern Business Unit Quarterly Update**

- Achieved production levels of 40 BOPD+ in Kentucky Business unit in first quarter
- Current daily production at 30–40 BOPD (5 high cost leases have been idled due to low oil prices)
- Four Mississippi wells continue to produce at approximately 70-80 BOPD.
- Continual engineering program underway designed to maximise production and operating efficiencies.

- The Company's low cost, high impact drilling program in Kentucky and Mississippi continues to have a material impact on cash flow while minimising the costs of all of Austin's operations.
- Leases with high operational expenses and high water haulage, electricity and chemical programs have been put on idle until the price of oil recovers.



A map showing Austin Exploration's Leases in Kentucky. Kentucky Exploration LLC (Austin Exploration's wholly owned subsidiary) is operating 5 oil fields, 20 leases and approximately 5000 acres in Kentucky.

## WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is pleased to report that there were no safety or phase one environmental incidents over the past year. With continual drilling operations taking place in the US, the Board commends its US team on this achievement. The Company places a large emphasis on the safety of all people, from its own employees to external contractors at its well sites. It is mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Denver Colorado as well as several OSHA safety programs that are held throughout the year.

## RESERVES & RESOURCES - INDEPENDENT CONSULTANT'S ANALYSIS

Following Austin's successful exploration program in the United States, the Company received its most significant upgrade to date of its resources and reserve base for its US oil and gas properties in Texas, Colorado, Kentucky and Mississippi. The Independent report was completed by Gustavson Associates., Inc. a worldwide leader in independent oil and gas reserve and resource evaluations.

A summary of the Company's oil and gas reserves and resources was updated by Austin's Independent Oil and gas consulting firm Gustavson Associates in December 2014 and is listed below:

Austin Exploration's Net Contingent Resources						
Projects	Oil Resources			Solution Gas Resources		
	MMBbl (Million Barrels)			BSCF(Billion cubic feet)		
	P <sub>90</sub>	P <sub>50</sub>	P <sub>10</sub>	P <sub>90</sub>	P <sub>50</sub>	P <sub>10</sub>
Texas	0.780	1.606	3.250	4.470	9.209	18.590
Colorado	15.453	20.255	26.614	14.909	19.236	25.124
Kentucky	0.138	0.210	0.305	0.224	0.482	0.981
Mississippi	-	-	-	-	-	-
<b>TOTAL –Contingent Resources</b>	<b>16.371</b>	<b>22.071</b>	<b>30.169</b>	<b>19.603</b>	<b>28.927</b>	<b>44.695</b>



# 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 2015

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	516,872	1,767,402
1.2 Payments for (a) exploration & evaluation	(669,924)	(3,504,529)
(b) development		
(c) production	(120,922)	(264,926)
(d) administration	(543,747)	(2,354,884)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	843	4,670
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Income received from Farm Out Agreements)	-	-
<b>Net Operating Cash Flows</b>	<b>(816,878)</b>	<b>(4,352,267)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	(1,877)
(d) Kentucky Exploration LLC JV		
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)	(52,246)	(867,569)
<b>Net investing cash flows</b>	<b>(52,246)</b>	<b>(869,446)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(869,124)</b>	<b>(5,221,713)</b>

1.13	Total operating and investing cash flows (brought forward)	(869,124)	(5,221,713)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	557,616	2,952,531
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,442,023
1.17	Repayment of borrowings	(87,258)	(1,122,924)
1.18	Dividends paid		
1.19	Other (provide details if material)	(30,234)	(576,311)
	<b>Net financing cash flows</b>	<b>440,124</b>	<b>2,695,319</b>
	<b>Net increase (decrease) in cash held</b>	<b>(429,000)</b>	<b>(2,526,394)</b>
1.20	Cash at beginning of quarter/year to date	1,542,872	3,328,397
1.21	Exchange rate adjustments to item 1.20	85,551	397,420
1.22	<b>Cash at end of quarter</b>	<b>1,199,423</b>	<b>1,199,423</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	175,341
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 INCLUDING SUPERANNUATION

### 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	650,100	354,655
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A
4.1 Exploration and evaluation	200,000
4.2 Development	-
4.3 Production	130,000
4.4 Administration	530,000
<b>Total</b>	<b>860,000</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	1,199,423	1,542,872
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>1,199,423</b>	<b>1,542,872</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</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>	332,607,790	332,607,790	
7.4	Changes during quarter			
	(a) Increases through issues	4,745,000	4,745,000	Nil
	(b) Decreases through returns of capital, buy-backs			Nil
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			

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.

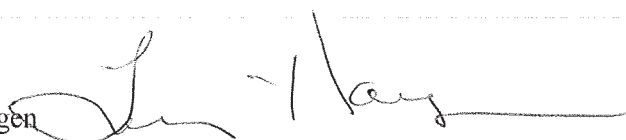
Sign here:

Date: 30/04/2015

(Chief Financial Officer)

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.