

# **AUSTIN EXPLORATION LIMITED**

ABN 98 114 198 471



## **Third Quarter Report FY2011**

**For the three months ended**  
March 31, 2011

**With Australian and USA**  
**Activity updates through**  
April 29, 2011

## **OVERVIEW OF OPERATIONS AND ACTIVITIES**

### **AUSTRALIAN OPERATIONS (Austin Exploration Limited)**

#### **PEL 105, COOPER Basin. South Australia**

Austin Exploration holds a 50% working interest in joint venture with Adelaide Energy in PEL 105 - an area of 437 square kilometers, located approximately 60 kilometers north of Moomba in South Australia.

Estimated recovery is calculated at 1 Million barrels of oil per well with an estimated well life of nine years. Spacing on the license area allows for five additional wells.

Due to an unprecedented amount of flooding in the area, access to the drill site has not been possible. Until the area dries out sufficiently to allow access, the company is unable to finalize exploration programs in conjunction with our JV partner. The Department of Primary Industries and Resources of South Australia (PIRSA) has granted an indefinite suspension over the license whilst flooding restricts access to the area. 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 mid-to-late 2011.

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

Operational and exploration activity continued across the Company's expanding USA operations during the March quarter. As well as ongoing oil production from existing wells, production is expected to commence from other fields during the current June quarter and in the September quarter.

Since the end of the March quarter, a highlight has been the significant oil discovery made from drilling of the Armstrong #1 well on the newly-acquired Commencement prospect in Adams County, Mississippi.

Austin is providing the market with separate update reports on the progress with this discovery which was announced on 4 April 2011

### **Park City Field, Kentucky USA**

Two wells will be in full production during April and May after being tested and completed during March.

During January and February permitting suppliers for rigs, nitrogen equipment, tanks, separators, solar panels, pump jacks, production tubing, electrics and other needs were arranged. Testing of the site was also conducted.

The Spillman Farm was tested and completed during March and will be in full production by April 2011. The Harlin Tarter farm was also tested and completed during March and will be in full production during May of 2011. These wells are expected to stabilize at approximately 2 Bbl/d. The Tarter wells are producing water and may need to have a salt water injection well installed. Aus-Tex Engineering staff are evaluating a plan to water flood this portion of the Park City field. Weather conditions hampered operations due to freezing and snow.

### **Sebree Field, Kentucky USA**

The Salt Water Injection well was problematic during January due to scaling of Iron Sulfide which plugged the formation and the well would not accept water. During February a chemical treatment was applied to this SWI well. This chemical treatment was successful. The problem was the iron sulfide which was treated with chemicals. This opened the pores of the formation and the well again accepted water. This chemical treatment cost is about \$2/day. Russell 2 testing was completed and this well will be in full production in May 2011.

Applications for permits to complete wells Russell 7, Russell 6 and Majors 3 have been lodged.

Testing and completion work continue on all of these wells.

Russell 5 is being tested and will be completed and ready for production in July 2011.

Russell 6 will be started during June and ready for production in August 2011.

Majors 3 will be started and tested during June. It will be completed and in production during August of 2011.

### **ATMOS Gas Company**

The Legal appeal process continues between ATMOS and the landowners and this activity has the gas gathering system and the processing plant idle and therefore Kentucky Park City gas is in an idle state at this time. This legal process is projected to take approximately one year.

### **North Carrizo, Texas USA**

This Yolanda Villareal #1 well has been very erratic throughout this quarter, with well production influenced with high gas pressure which has caused low production and high production at various times. The well has been naturally flowing through most of this quarter and since it went into production on July 31, 2010. During March the pressure did drop to a low of 20 psi from pressures of approximately 100 psi and an attempt was made to place the well on pump during the last 2 weeks of February and the first week of March. The well had initial production on pump of up to 113.56 BOPD but resumed natural flow shortly thereafter. The well continues to produce erratically. Technical discussions continue with the operator to separate the B and E sections of the Austin Chalk and produce the B section up the annulus side of the well and produce the E section up the production tube. As at the 27th April the well has produced 16,032 barrels of crude oil.

The NRI for AusTex is 27.36%.

### **Texas Birch**

Board approval was provided to acquire an option over the 5000 acre prospect located in Burleson County Texas. This Birch property, which will be the largest acreage property in the AusTex portfolio, will be 5000 acres with a 25% ORR and Aus-Tex will have a 70.125% NRI with a 93.5% WI. It is planned that 3 verticals wells will be drilled by the end of 2011. This total acreage is projected to cost \$400/acre or \$2 million. It is also planned to drill horizontal wells on the Birch property during 2012.

### **Mississippi Ellislie Well**

The Ellislie well is performing satisfactorily and at projected production levels. The production levels during January, February and March averaged 51 BOPD, 52 BOPD and 55 BOPD respectively. As at the 27th April the well has produced approximately 14,739 barrels of oil.

This well has a 50% WI with a 37.5% NRI.

### **Mississippi Commencement Well**

Drilling operations began on March 25 and total depth, (6670 ft), was reached on March 29. Logging began the following day, with the e-logs revealing high levels of hydrocarbons with a pay zone of 26 feet. The Austin Board of directors authorized \$500,000 for drilling and completion of this well which is projected to be in operation during May of 2011.

This well has a 50% WI with a 37.5% NRI.

### **Louisiana Bombing Range Well**

This was a wildcat well that Aus-Tex had a NRI of 25.5% interest with a WI of 34%. The well was drilled at a cost of approximately \$203,000. This prospect has limited windows of time where activity may occur due to it being on an active US military base. The window only had one day remaining and the crews had to pull off the job. Aus-Tex in conjunction with the operator continues to evaluate the logs in order to determine if an economical horizontal drilling program can be achieved.

# 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 2011

### Consolidated statement of cash flows

| Cash flows related to operating activities        |  | Current quarter<br>\$A | Year to date (9<br>months)<br>\$A |
|---|--|------------------------|-----------------------------------|
| 1.1   | Receipts from product sales and related debtors  | 245,689                | 707,147                           |
| 1.2   | Payments for (a) exploration & evaluation<br>(b) development<br>(c) production<br>(d) administration | (66,263)<br>(357,949)  | (173,188)<br>(1,903,234)          |
| 1.3   | Dividends received   |                        |                                   |
| 1.4   | Interest and other items of a similar nature<br>received   | 11,443                 | 48,262                            |
| 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>(167,080)</b>       | <b>(1,321,013)</b>                |
| <b>Cash flows related to investing activities</b> |  |                        |                                   |
| 1.8   | Payment for purchases of:<br>(a) prospects<br>(b) equity investments<br>(c) other fixed assets       | (911,923)              | (1,716,126)                       |
| 1.9   | Proceeds from sale of: (a) prospects<br>(b) equity investments<br>(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>(911,923)</b>       | <b>(1,716,126)</b>                |
| 1.13  | Total operating and investing cash flows<br>(carried forward)  | <b>(1,079,003)</b>     | <b>(3,037,139)</b>                |

|      |  |             |             |
|------|--|-------------|-------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,079,003) | (3,037,139) |
|      | <b>Cash flows related to financing activities</b>          |             |             |
| 1.14 | Proceeds from issues of shares, options, etc.              | 1,197,000   | 1,197,000   |
| 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)                        | (79,037)    | (79,037)    |
|      | <b>Net financing cash flows</b>                            | 1,117,963   | 1,117,963   |
|      | <b>Net increase (decrease) in cash held</b>                | 38,960      | (1,919,176) |
| 1.20 | Cash at beginning of quarter/year to date                  | 1,621,920   | 3,598,032   |
| 1.21 | Exchange rate adjustments to item 1.20                     | (54,162)    | (72,138)    |
| 1.22 | <b>Cash at end of quarter</b>                              | 1,606,718   | 1,606,718   |

### 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<br>\$A |
|------|--|------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 123,654                |
| 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<br>\$A | Amount used<br>\$A |
|-----|-----------------|-------------------------|--------------------|
| 3.1 | Loan facilities |                         |                    |

|     |                             |  |  |
|-----|-----------------------------|--|--|
| 3.2 | Credit standby arrangements |  |  |
|-----|-----------------------------|--|--|

**Estimated cash outflows for next quarter**

|              |                            | \$A            |
|--------------|----------------------------|----------------|
| 4.1          | Exploration and evaluation | 61,193         |
| 4.2          | Development                | 507,452        |
| 4.3          | Production                 | 59,700         |
| 4.4          | Administration             | 344,171        |
| <b>Total</b> |                            | <b>972,516</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<br>\$A | Previous quarter<br>\$A |
|---|--------------------------|------------------------|-------------------------|
| 5.1   | Cash on hand and at bank | 1,556,718              | 1,571,920               |
| 5.2   | Deposits at call         | 50,000                 | 50,000                  |
| 5.3   | Bank overdraft           |                        |                         |
| 5.4   | Other (provide details)  |                        |                         |
| <b>Total: cash at end of quarter (item 1.22)</b>  |                          | <b>1,606,718</b>       | <b>1,621,920</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<br/>*securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |   |  |
| 7.3 <b>*Ordinary securities</b>  | 296,051,718  | 296,051,718   |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 39,900,000   | 39,900,000    | \$0.03  |  |
| 7.5 <b>*Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |   |  |

| 7.7  | <b>Options</b><br>(description and conversion factor) | 5,400,000 "2011"<br>A Class Options     |  | <i>Exercise price</i> | <i>Expiry date</i> |
|------|---|---|--|-----------------------|--------------------|
|      |   |   |  | \$0.30                | 30/06/2011         |
|      |   | 12,600,000<br>"2011" B Class<br>Options |  | \$0.50                | 30/06/2011         |
|      |   | 12,600,000<br>"2011" C Class<br>Options |  | \$0.75                | 30/06/2011         |
|      |   | 541,667 "2012"<br>D Class Options       |  | \$0.24                | 28/02/2012         |
|      |   | 333,333 "2013"<br>E Class Options       |  | \$0.24                | 01/03/2013         |
|      |   | 500,000 "2011"<br>F Class Options       |  | \$0.20                | 15/10/2011         |
|      |   | 10,000,000<br>"2011" G Class<br>Options |  | \$0.10                | 30/11/2011         |
|      |   | 146,512,930<br>Listed Options           |  | \$0.10                | 19/11/2011         |
|      |   | 1,200,000<br>"2012" H Class<br>Options  |  | \$0.10                | 23/11/2012         |
| 7.8  | Issued during quarter                                 | 1,200,000                               |  | \$0.10                | 23/11/2012         |
| 7.9  | Exercised during quarter                              |   |  |                       |                    |
| 7.10 | Expired during quarter                                |   |  |                       |                    |
| 7.11 | <b>Debentures</b><br>(totals only)                    |   |  |                       |                    |
| 7.12 | <b>Unsecured notes</b> (totals only)                  |   |  |                       |                    |

## 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:

(Director/Company secretary)

Date: 29/04/2010

Print name: David Nairn