



Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)
ACN 114 198 471

Third Quarter Report FY2014

For the three months ended

March 31st, 2014

with additional information on subsequently completed activities



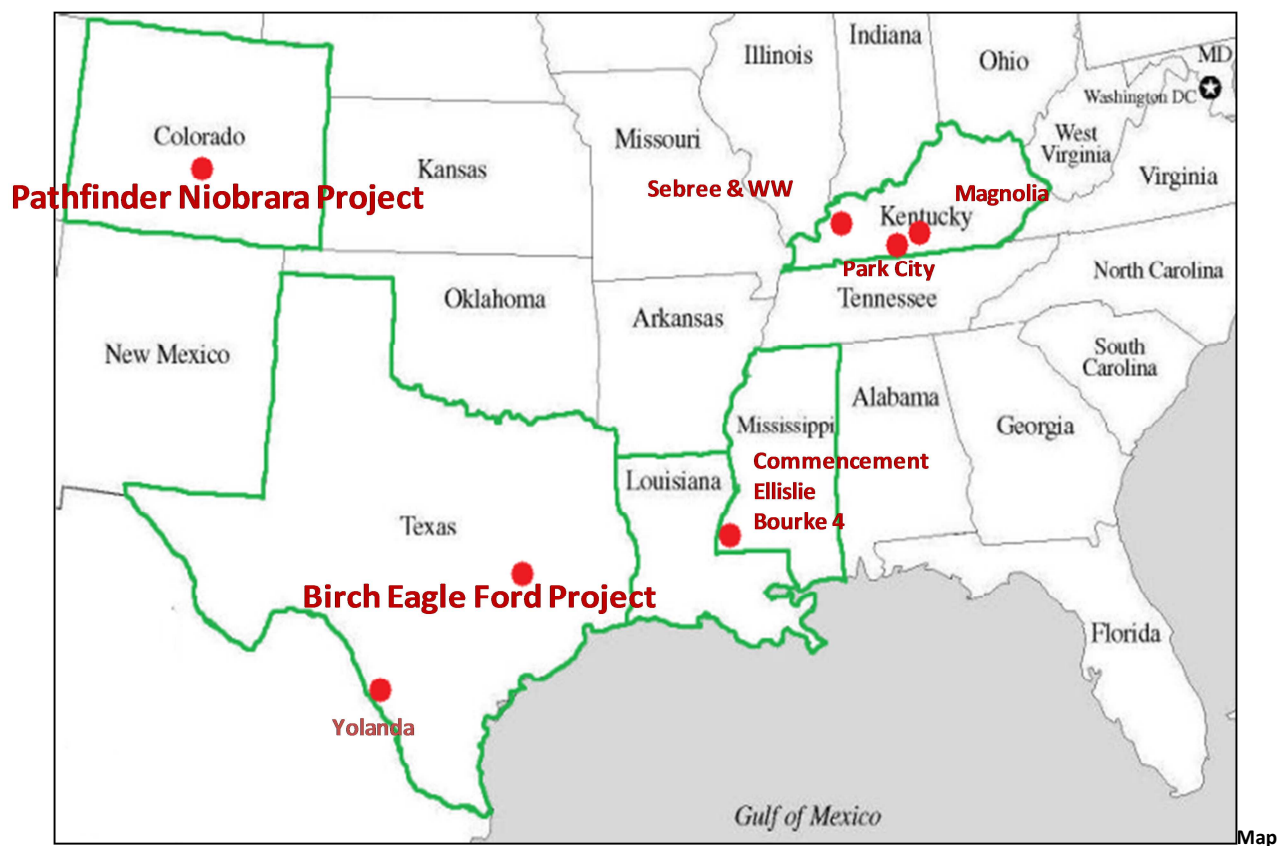
Mississippi Bourke #5 Well

OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) is an oil and gas explorer 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.

During the past quarter, Austin has implemented its low cost production enhancement program to increase production and cash flow across all three business units; Colorado, Kentucky, and Texas/Mississippi.

Austin Exploration is pleased to confirm the Company’s unblemished safety and environmental record remains intact, with no lost time accidents or environmental incidents occurred during the last quarter.



Showing Austin Exploration’s Assets in the USA

Quarterly Highlights

1. First well in the Eagle Ford with Halcón records initial production of 1,066 BOEPD:

Austin's first well drilled with Halcón Resources Corporation in the Eagle Ford, Stifflemire #1H well, recorded an initial production rate of 1066 BOEPD with an 87% oil cut. The well was drilled to a total measured depth of approximately 17,000 ft with an 8000 ft horizontal leg into the Eagle Ford Shale. The well was also vertically drilled and cored.

Austin expects this result will lead to a marked increase of the proved oil and gas reserves contained within the Birch project. Importantly, the Company believes these reserves will be bankable and allow Austin to access debt capital for the future development of the property. Stifflemire #1H is the first well of a three well farm-out program with Halcón, whereby Halcón will free-carry Austin for the cost of three horizontal wells to earn a 70% interest of the Birch Project. The cost to drill these wells is approximately USD \$8-10 million per well.

2. Drilling of second and third Eagle Ford Wells with Halcón is underway:

As announced to the ASX on 23 April, 2014, drilling of the second and third free carried Birch horizontal wells has commenced.

The Kaiser 2H well and the Nemo 1H well are the second and third wells, respectively, of the three-well Halcón Resources program. Each horizontal Eagle Ford well will be drilled to a planned total measured depth of approximately 17,500 feet with an 8,000 to 10,000 foot lateral. Under the terms of the farm-out agreement, Halcón Resources will earn 70% of 4,255 acres by drilling three wells into the Eagle Ford Shale formation. The total cost of the three wells is expected to be approximately USD \$27-30 million, and Austin is to be carried on these costs.

3. Seismic program completed at Austin's Pathfinder Project in Colorado:

The Company was successful in completing an advanced exploration program at its 11,560 acre Pathfinder Project in Fremont County, Colorado. The results of the Company's three-stage approach, which comprised satellite imaging, surface geochemical studies and 2D seismic, confirmed significant hydrocarbon seepage and extensive fracture networks on Austin's leases and identified 5-10 primary targets for drilling in 2014.

4. Final preparations are underway to drill Austin's first Pierre Shale well in Colorado

Final preparations to drill the Company's first Pierre Shale Well at its Pathfinder project in Fremont County, Colorado are underway. Drilling is expected to commence in coming days and the spud will be reported to the market when it occurs.

The Florence Field has produced more than 15 million barrels of oil since production was first recorded in 1862. Austin's Pathfinder property is located immediately adjacent to this field and was held by mining companies until Austin was able to acquire the oil and gas rights in late 2011. As such, this portion of the field has not been drilled for oil and therefore the Company believes the oil reserves are in virgin territory.

Notably, ASX-listed Comet Ridge Resources (ASX: COI) drilled 25 wells in the adjoining field from 2008 - 2012. Of these 25 wells, 22 were commercial producers and the average production from these 22 wells has been approximately 31,700 barrels of oil per well. The best well had a 30 day average initial production rate of 523 bopd, has produced over 180,000 barrels of oil, and is still producing. The 22 wells averaged 112 bopd for an initial 30 day period. This data is publicly available. The Pierre formation is a naturally highly fractured shale that is found at shallow depths of approximately 4000ft. These wells are drilled tangentially into the formation and do not require hydraulic fracturing or horizontal drilling, therefore the cost to drill and complete these wells is generally less than \$1 million per well.

5. Pathfinder Gas Infrastructure Agreement Completed:

The Company executed a Gas Processing Agreement with Gas Processing of America, Inc. (GPA) for the development of infrastructure and sale of heavy gases at the Austin's Pathfinder property in Colorado. The new infrastructure will allow for maximum long term economic benefit over the entire 11,560 acre property. The Pathfinder property is capable of more than 200 wells. Importantly, this program will provide for near-term cash flows and will convert the majority of the gas being produced by the well into pipeline quality. Over time this will eliminate the need for uneconomic and prolonged flaring when a new well is brought into production.

Work has begun on the construction of the gas processing plant and the Company expects this to be in operation in June, with first revenues being received shortly thereafter.

6. Mississippi – M#4 well: Oil flowing back in early flow-back operations:

Austin is pleased to report that its M#4 well in Mississippi is flowing back oil. The well is located in a low lying area that is prone to flooding. As such the Company constructed a 40FT high steel structure to elevate the pump-jack to levels high enough to avoid any possible flood damage and associated operational issues.

The Company announced in February that it was successful in drilling the M4 well, to a target depth of 6,400 ft. Log and sidewall core data were analyzed in order to determine the best zone for initial production. Crude oil was discovered in the Campbell and Parker Sand Formations which were the primary targets of this initial drilling program.

This will be the Company's fourth successful well in Mississippi, representing a 100% success rate for Austin's Mississippi Operations. The Company looks forward to reporting flow rates once the well has stabilized and a consistent initial production rate can be reported.

7. Austin Exploration came in second place for Exploration and Production Company of the year to Anadarko Petroleum Corp

Austin was the runner-up for the Teemco Exploration and Production Company of the Year, behind NYSE-listed oil and gas major Anadarko Petroleum Corporation at the annual Rocky Mountain Oil and Gas Awards. These prestigious annual awards recognise outstanding achievements made within the Upstream and Midstream sectors of the Oil and Gas Industry in the United States.

The judges noted Austin’s exploration success, having uncovered new productive regions of the Eagle Ford and Niobrara formations, and intersected hydrocarbons in all 11 wells drilled across the United States with over 70,000 feet of drilling.

8. Kentucky Business Unit:

The Company was successful in completing the drilling of 5 vertical wells on its leases in Kentucky. The wells are; A3, A4, and B5 on the Tapp lease, Fulcher #2 on the Fulcher lease, and A7 on the Aldridge lease. The logs obtained from all of these wells confirmed the presence of oil in the Jackson Sandstone, Cypress sandstone, Penn Sand, and/or Tar Springs Formation. Austin Exploration’s technical team is working on a detailed well stimulation program in order to optimize production from these wells. Once this detailed analysis is completed the Company will embark on a “campaign frac” program where these 5 wells will be fraced back-to -back in order to achieve maximum cost efficiencies and maximum oil liberation. The completion of this low-cost, high-impact stimulation project is expected to increase levels of production in order to achieve the 40+ BOPD goal set for Kentucky in 2014.

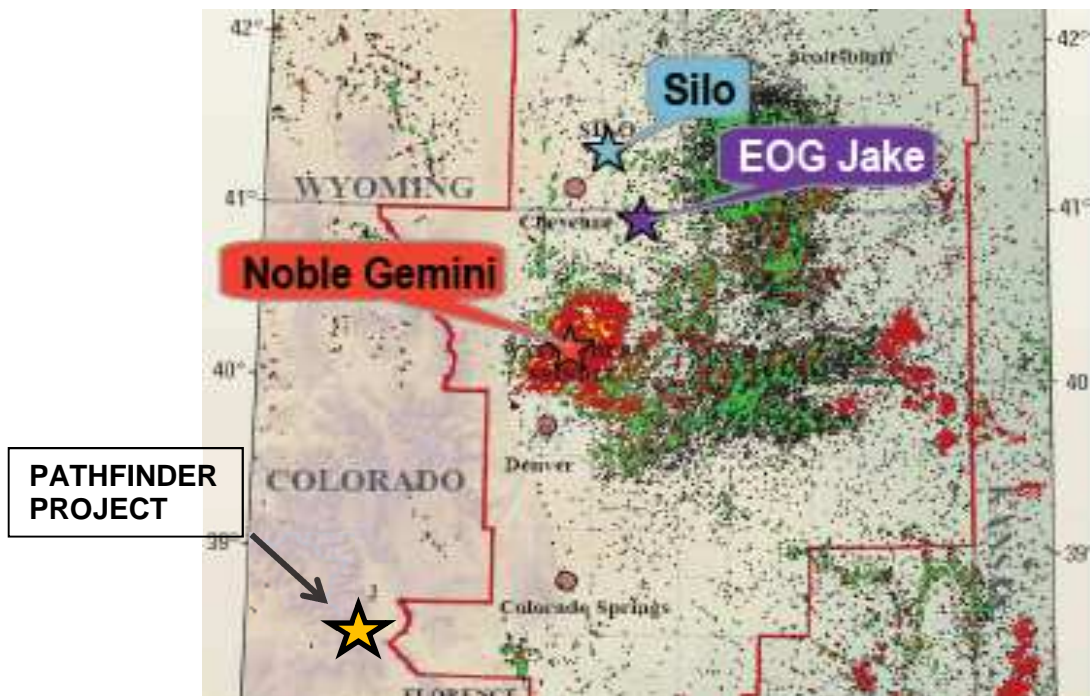
BUSINESS UNIT REPORTS

COLORADO BUSINESS UNIT

VP & General Manager:

Mr. Juan Carlos Carratu

- **Pathfinder Project, Fremont County, Colorado**
- **Spacing allows for more than 200 wells to be drilled**
- **Primary hydrocarbon targets: Niobrara Shale & Pierre Shale**
- **Secondary Targets: Codell, Greenhorn, Grenaros, and Dakota**



HIGHLIGHTS

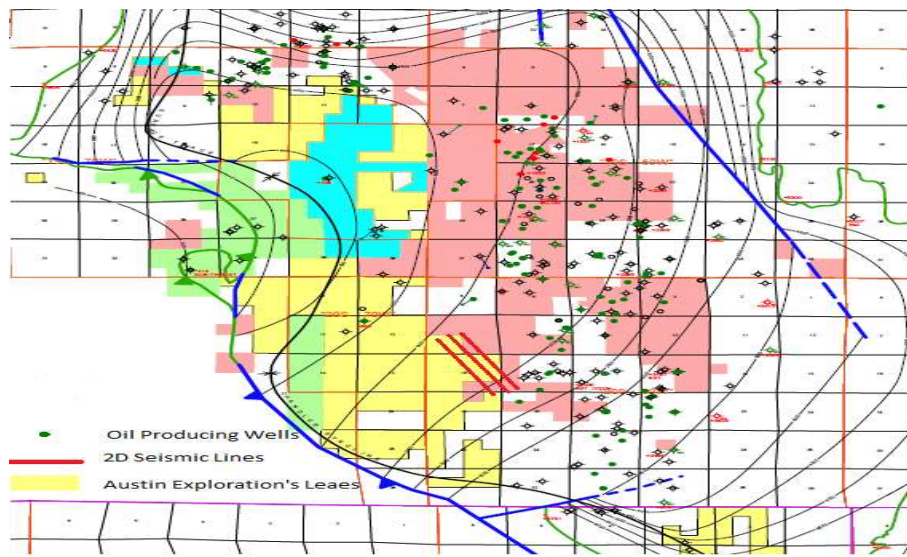
- **Austin's first Pierre shale well to be drilled in coming days**
- **Gas Processing Agreement executed. Gas Processing Of America to provide all capital for the construction and installation of a gas processing plant**
- **Completion of successful seismic program identified several high impact drilling targets for Austin's Pathfinder oil and gas project in Colorado**
- **Austin holds a 85% working interest in the project**

Pathfinder Project

- The Company has approximately 11,560 total acres in Fremont County and Custer County in Colorado.
- The Pathfinder C-11-12#1HZ well was the first ever well to be drilled horizontally, and produce, from the Niobrara in Fremont County, Colorado.
- The Pathfinder C-11-12#1HZ well produced at an initial production rate of 403 BOEPD. Austin's engineering team is producing the well intermittently whilst the gas gathering system is completed to keep uneconomic flaring to a minimum.
- The Company is currently working on a shallow Pierre formation drilling campaign.
- The Company shot 2D seismic in December, 2013 and completed surface geochemistry studies in order to select drilling locations. The company completed surface geochemistry tests in order to select the seismic and subsequent drilling locations.
- A gas gathering program is underway.

Shallow Pierre Shale Drilling Campaign and 2D Seismic

- Austin has conducted several studies to aid in the Pierre formation shallow drilling campaign. The studies conducted include satellite imaging, surface iodine studies, and 2D seismic to locate fracture networks in the lithology of Austin Exploration's Pathfinder project.
- This exploration technique utilized by Austin Exploration will help develop the prolific Pierre formation in Austin's Pathfinder project with an increased probability of exploration success.
- The results from these studies confirm significant fracture networks on Austin Exploration's leases.
- The complex natural fractures systems, particularly in the shallow Pierre shale formation, are critical for production in this gravity drainage drive reservoir. Those fractures are responsible for over 15,000,000 bbls of oil produced from the Pierre shale in the Florence field up-to-date.
- Austin Exploration's acreage lies directly adjacent to the 15 million barrel plus Florence oil field. The 11,560 acre Pathfinder project was previously held by mining companies and therefore the oil and gas reserves in ground remain largely untapped.
- The results from the 2D seismic data were highly encouraging and showed two anomalous areas that indicate the presence of natural fractures. Each of those anomalous areas covers approximately 200 acres and drilling targets can be identified on each of the anomalies.



Map showing Austin Exploration's Pathfinder project in Colorado, laying just left of the historic Florence field.

SOUTHERN BUSINESS UNIT

VP & General Manager:

Mr. Aaron J. Goss

- **Birch Eagle Ford Project, Burleson County, Texas**

- **Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk**
- **Mississippi project: Adams County, Mississippi**
- **Primary hydrocarbon targets: Wilcox Formation (Conventional)**

HIGHLIGHTS

- **First Eagle Ford horizontal recorded initial production rate of 1,066 BOEPD (87% Oil)**
- **4th Mississippi well flowing back oil**
- **Drilling of second and third free carried wells with Halcón underway**
- **Austin to be free carried on four horizontal Eagle Ford wells**

Eagle Ford Horizontal Drilling Program Underway in Texas

- Austin's Birch Project farm-out program (to Halcón Resources and PetroMax Operating) has begun.
- Under the terms of the agreement Halcón Resources will fund 100% of the cost of three horizontal wells, estimated at a cost of \$8-\$10 million per well, to earn a 70% interest in Austin's 5000 acre Birch property. PetroMax will fund the cost of one horizontal well for a 70% interest in the remaining acreage.
- The Stifflemire #1H was the first well under the Halcón farm-out agreement and was completed in March 2014.
- Kaiser #2H and the Nemo #1H, the second and third wells under the Halcón farm-out agreement, have been spud and are currently being drilled in tandem
- Austin retains a 30% working interest in the Birch project.

Drilling operations completed for Austin's 4th oil well in Adams County, Mississippi

- Mississippi #4 well flowing back oil
- Flow rates will be reported once the well has stabilized and a consistent initial production rate can be accurately reported
- Austin has confirmed oil in all 4 wells it has drilled in Mississippi
- Austin currently holds a 50% working interest in the Mississippi project. As with previous wells in Mississippi, Austin's partner and operator of the project holds the remaining 50% working interest.



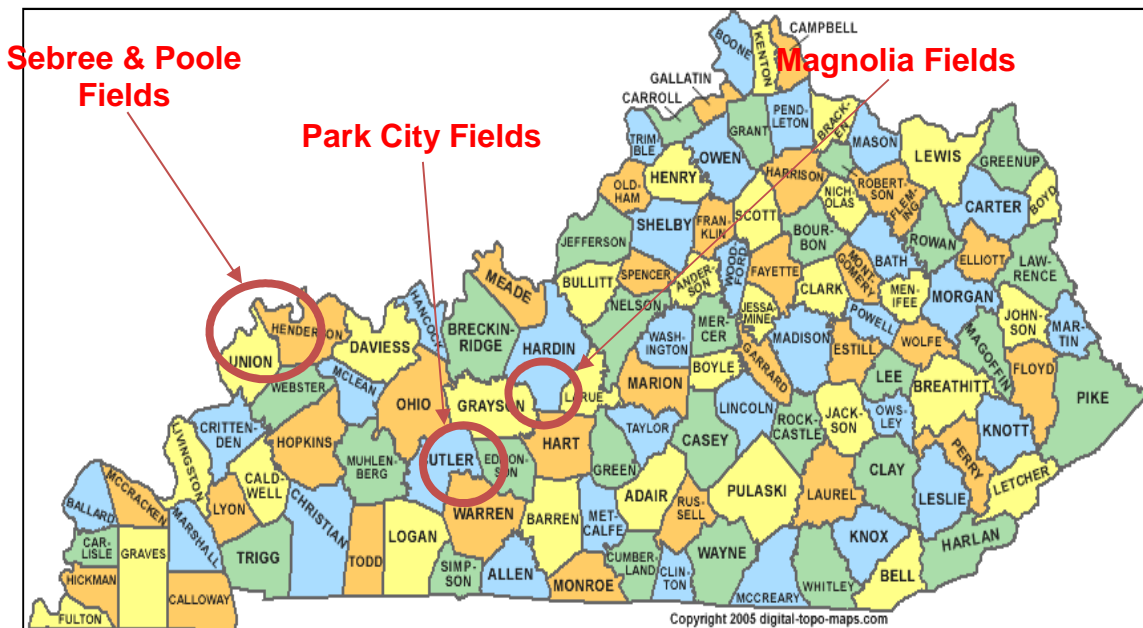
Image of MS#4 Elevated Pump Structure & Rig

KENTUCKY BUSINESS UNIT

VP & General Manager

Mr. Timothy B. Hart

- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production and cash flow
- Kentucky Exploration LLC. 50/50 Joint Venture with private Australian Investment Company
- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg



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 3000 acres in Kentucky.

HIGHLIGHTS

- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk, long life production and cash flow
- Austin Exploration started the implementation of its 5-well, low cost, high impact drilling and stimulation program in order to reach its 40 BOPD+ goal for the Kentucky Unit.
- Austin Exploration has successfully completed the drilling of all 5 wells.
- 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 expected to be completed and implemented starting fourth quarter 2014.
- The Company's low cost, high impact drilling program in Kentucky is expected to have a material impact on cash flow while minimizing the costs of operations.
- Two additional studies are in progress to optimize the sale of gas in Kentucky.

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")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (9 months) \$A
1.1	Receipts from product sales and related debtors	317,354	1,106,494
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(781,210) (96,666) (528,936)	(1,742,446) (199,646) (2,116,737)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3,055	10,141
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
	Net Operating Cash Flows	(1,086,403)	(1,264,068)
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	(39,696)	(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)	(209,809)	(801,522)
	Net investing cash flows	(249,505)	(883,500)
1.13	Total operating and investing cash flows (carried forward)	(1,335,908)	(2,147,568)

1.13	Total operating and investing cash flows (brought forward)	(1,335,908)	(2,147,568)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,860,000	4,560,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	54,619
1.17	Repayment of borrowings	-	(53,916)
1.18	Dividends paid		
1.19	Other (provide details if material)	(292,179)	(419,844)
	Net financing cash flows	2,567,821	4,140,859
	Net increase (decrease) in cash held	1,231,913	1,993,291
1.20	Cash at beginning of quarter/year to date	1,925,456	1,144,804
1.21	Exchange rate adjustments to item 1.20	(92,930)	(73,656)
1.22	Cash at end of quarter	3,064,439	3,064,439

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	177,319
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

--

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

--

Financing facilities available*Add notes as necessary for an understanding of the position.*

	Amount available \$A	Amount used \$A
3.1 Loan facilities	1,116,003	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	450,000
Total	1,550,000

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	3,064,439	1,875,456
5.2 Deposits at call	-	50,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,064,439	1,925,456

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 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	2,022,787,137	2,022,787,137		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	260,000,000	260,000,000	0.011	0.011
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

Appendix 5B

Mining exploration entity quarterly report

7.7 Options <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 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: 
(Chief Financial Officer)

Date: 30/04/2014

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.