

AUSTIN EXPLORATION

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



Third Quarter Report FY2012

For the three months ended
March 31, 2012

With Australian and USA
Activity updates through
April 15, 2012

OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” 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 operationally cash-flow positive. Austin’s primary assets are the potential growth opportunities of exploration tenements in the Eagle Ford Shale and Niobrara Shale basins in the US and Australia’s Cooper Basin.

The beginning of 2012 marked the transformation of Austin Exploration into a fully funded oil and gas explorer and producer. Key elements in this transformation include the announcement of the appointment of Mr Richard Cottee as Chairman of the Board from 22nd of March 2012. Mr Cottee, a recognised leader in the development of non-conventional energy resources having developed Australia’s Queensland Gas into a A\$5.7 billion enterprise acquired by BG Group. The new Chairman oversaw a streamlining of senior management with Dr Mark Hart appointed to President & Chief Executive Officer, Guy Goudy as Deputy President and Chief Commercial Officer and Mr Lonny Haugen to the Chief Financial Officer position.

With the initial phase of the Company’s asset acquisition phase completed in 2011 the Company successfully raised AUD\$25mil to fund its 2012 Exploration Program in the United States and Australia. The positive investor response infers market confidence in the assets and endorsement of the Board and management’s strategy for corporate development and growth.

The incoming Chairman also launched a corporate project called the “500 Squared” program. The first stream of this program is to reduce non operational costs by \$500,000 on an annualized basis by June 30 2012. The aim is to ensure that the company invests every possible dollar into exploration and to maximize shareholder value and returns. The second stream of the “500 Squared” program is a goal of increasing oil production to 500 barrels per day by June 30 2013. The intention of the two objectives of the “500 Squared” program is to place Austin on a self-sustaining growth trajectory with revenue from oil production funding future growth and development. The Company has the internal resources of world class engineering and technical teams, under the leadership of the CEO, Dr W. Mark Hart.

To ensure shareholders and investor markets are well informed of Austin’s progress the Company has reorganised its website to increase information transparency. As of this report, the Company will outline its forward drilling program in its quarterly operations report and will continue to provide continuous disclosure of material reporting via ASX announcements. Additional information on the company’s day to day progress on production and exploration will be available on our upgraded website at www.austinexploration.com

SCHEDULED ACTIVITY- FISCAL QUARTER FOUR:

1. Birch 1 Krueger Well. Texas: **COMPLETE AND PRODUCE** Eagle Ford Oil formation & Taylor Sands gas formation
2. Birch 2, Stern Well. Texas: **DRILL** to a proposed Depth of 9300 FT and will target the Eagle Ford Shale / Austin Chalk. Frac job planned. Forecasted to commence production in the first fiscal quarter of 2012

3. Birch 3, Bennett Well. Texas. **COMMENCE** site work and preparations to drill third well targeting the Eagle Ford Shale/ Austin Chalk. Forecasted to commence production in the second fiscal quarter of 2012
4. Bourke #4 well Mississippi USA: **DRILL** to a depth of 6,400 feet. Targeting the Campbell and Parker Sands formations
5. Pathfinder #1 Well, Colorado USA: **DRILL** 4000ft horizontal (Total 9900ft Measured Depth) well into the Niobrara Shale. Multi stage frac planned.
6. Kentucky: Complete WWA5, WWA6, Russel #4 and Russell number #8.

MATERIAL RESULTS WILL BE COMMUNICATED TO THE MARKET AS SOON AS AVAILABLE

North American Assets (Aus-Tex Exploration Inc)

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
- › Krueger Unit #1 well drilled to TD of 9325 ft
 - Initial 24 hour test flows at 95 BOEPD
 - Well currently being flow tested
 - Gas infrastructure nearing completion
 - 7 Hydrocarbon shows on mud logging analysis
 - Unconventional analysis shows high TOC, (total organic content), mature Kerogen, and brittle zones
 - Wet gas potential
- › Initial vertical well programme designed to extensively analyse formation characteristics
- › 160 acre spacing allows for 32 horizontal wells to be drilled
- › Independent reserve estimates of approx 179,000 – 810,000 BO per horizontal well
- › Secondary Objectives: Taylor, Austin Chalk, Buda & Georgetown formations

Colorado USA – Pathfinder Niobrara Shale Project

- › Pathfinder project is located in Fremont County and Custer County Colorado in the Canon City Embayment in the DJ Basin
- › AKK controls 85% of Fremont county leases:
 - 10,430.61 acres
 - 65.01% NRI
- › AKK controls 100% of Custer county leases:
 - 1,132.26 acres
 - 84% NRI
- › Primary Objective is the Niobrara Shale in the Denver-Julesburg (DJ) Basin
- › Secondary Objective: Pierre shale

- › 1st Horizontal well to commence 1st half of 2012
 - Vertical pilot hole 5,900 ft deep
 - Log , pull cores and shoot 3D seismic to decide the direction of horizontal leg
 - Drill a 3,000- 4,000 lateral with multistage hydraulic fracturing treatment
- › Independent reserve estimates of approx 200,000 – 500,000 BO per horizontal well
- › First phase environmental report showed no major environmental issues
- › Core data confirms the prospectively of this opportunity:
 - High TOC content average 2-4.4% that is mature organic content
 - Low clay content less than 25% and high calcite and quartz content which indicates brittle formation that make it attractive candidate for enhancement by hydraulic fracturing

Aus-Tex Exploration Inc: 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 31st March 2012 the well has flowed **24,541** barrels of crude oil. Well is currently producing 20 BOPD on average
- › The highest daily production rate to date was 229.6 BOPD
- › All Oil being produced is being sold to the local refinery

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 31st March 2012 the well had flowed **approx 28,461** barrels of crude oil. Well is currently producing 25 BOPD on average
- › The highest daily production rate to date was 125.6 BOPD
- › All Oil being produced is being sold to the local refinery

Kentucky Exploration LLC

Since drilling began in August of this 2011, Kentucky Exploration, LLC, a wholly-owned subsidiary of Austin Exploration and Newtac its Joint venture partner, has experienced a stabilized production rate of approx 25-30 barrels of oil per day. The drilling is currently taking place in Webster County. An attempt was made to buy out the land owners 12.5% overriding royalty in this County to increase Company's profit margins and cash flow. The Company was unable to reach an agreement with the land owners who wanted in excess of USD \$100,000. Properties with oil production in this region of Kentucky are being sold for \$80,000 per barrel for a 7 – 10 year projected return.

Onsite manager Mr Jaime Garcia, who is Austin Exploration's General Manager for Kentucky, 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.

Webster County, Kentucky, USA – Russell Lease

- › Kentucky Exploration holds a 75% NRI and 100% WI of a total of 68 acres
- › Primary Objective is the Tar Springs formation
- › Secondary Objectives: Pennsylvania sand formation
- › 20-acre spacing
- › Currently three wells producing and one injection well
- › Vertical wells drilled up to 2900 feet
- › Possibilities to drill a side-tracked well to the Tar Spring formation

Webster County, Kentucky, USA – Ted Majors and Ralph Major Leases

- › Kentucky Exploration holds a 75% NRI and 100% WI of a total of 95 acres
- › Primary Objective is the Tar Spring and the McClosky formation
- › Secondary Objectives: Pennsylvania sand formation
- › 20-acre spacing
- › Two wells currently drilled: TMs#1 and RM#1
- › Vertical wells drilled up to 2800 feet

Webster County, Kentucky, USA – WW-Dacy lease

- › Kentucky Exploration holds a 75% NRI and 100% WI of a total of 136 acres
- › Primary Objective is the Waltersburg formation
- › Secondary Objectives: Palestine formation
- › 20-acre spacing to a depth up to 2800 feet
- › Four producing wells and one injection well

Webster County, Kentucky, USA – WW-Aldrich Lease

- › Kentucky Exploration holds a 75% NRI and 100% WI of a total of 90 acres
- › Primary Objective is the O'Hara and McClosky formation
- › Secondary Objectives: Tar Springs and Hardinsburg formation
- › 20-acre spacing
- › Two wells currently drilled: WWA#6 (producing well), and WWA#5 (possible an injection well)
- › Vertical wells drilled up to 2800 feet

Edmonson County, Kentucky, USA – Park City Leases

- › Kentucky Exploration holds a 85.7% Working Interest of a total of approx. 900 acres
- › Primary Objective is the Coniferous for oil and Ft Payne, Warsaw, and Devonian shale for gas
- › 10 – 40 acre spacing
- › 18 wells planned on location
- › 4 wells producing oil
- › Drilling depth up to 1500 feet
- › Nitrogen rejection plant and pipeline

Australian Assets (Austin Exploration Limited)

Cooper Basin - PEL 105 oil and gas project

- › AKK holds a 50% working interest
- › AKK's former JV Partner, Adelaide Energy, now owned by Beach Petroleum
- › Planning for 2012 drilling program underway
- › PEL 105 is an area of 437 square kilometres, located approximately 60 kilometres north of Moomba in South Australia
- › P10 reserves for the planned Pirie #1 well are estimated at 23 Million barrels of oil
- › Estimated recovery of one Million barrels of oil per well
- › Primary objectives are the Patchawarra and Tirrawarra formations
- › Estimated well life of nine years
- › Estimated spacing allows for five additional wells on the licence

Media Contact – Australia

Martin Debelle
Citadel
+61 2 9290 3033
+61 409 911 189
mdebelle@citadelpr.com.au

Media Contact – United States

Dan Peterson
JohnstonWells Public Relations
303.623.3366
dpeterson@johnstonwells.com

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 2012

Consolidated statement of cash flows

		Current quarter \$A	Year to date (9 months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	377,177	1,199,171
1.2	Payments for (a) exploration & evaluation	(1,435,476)	(2,308,160)
	(b) development	-	(1,155,187)
	(c) production	(160,827)	(467,228)
	(d) administration	(563,295)	(1,644,986)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	12,113	40,957
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		(1,770,308)	(4,335,433)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		(3,790,880)
	(b) equity investments		
	(c) other fixed assets	(41,509)	(114,077)
	(d) Kentucky Exploration LLC JV		(1,663,816)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		420,000
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
Net investing cash flows		(41,509)	(5,148,773)
1.13	Total operating and investing cash flows (carried forward)	(1,811,817)	(9,484,206)

1.13	Total operating and investing cash flows (brought forward)	(1,811,817)	(9,484,206)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	10,178,000	10,263,093
1.15	Proceeds from sale of forfeited shares		72,824
1.16	Proceeds from borrowings		(4,893)
1.17	Repayment of borrowings	(2,606)	
1.18	Dividends paid		
1.19	Other (Capital Raising Costs and OTCQX listing)	(817,456)	(1,451,446)
	Net financing cash flows	9,357,938	8,879,578
	Net increase (decrease) in cash held	7,546,121	(604,628)
1.20	Cash at beginning of quarter/year to date	1,564,158	9,713,369
1.21	Exchange rate adjustments to item 1.20	119,963	121,501
1.22	Cash at end of quarter	9,230,242	9,230,242

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	93,046
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	72,824	72,824
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	4,548,666
4.2 Development	2,240,874
4.3 Production	200,460
4.4 Administration	671,372
Total	7,661,372

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	9,180,242	1,514,158
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)	9,230,242	1,564,158

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			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	947,163,760	947,163760	
7.4	Changes during quarter	44,000,000	44,000,000	\$0.027
	(a) Increases through issues	310,000,000	310,000,000	\$0.029
	(b) Decreases through returns of capital, buy-backs			NIL
7.5	+Convertible debt securities			
	<i>(description)</i>			
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>
		1,200,000 "2012" H Class Options		\$0.10	23/11/2012
		438,250,000 "2013" I Class Listed Options		\$0.055	06/07/2013
		163,295,975 "2012" J Class Listed Options		\$0.055	06/07/2012
		2,000,000 "2013" K Class Options		\$0.055	12/12/2013
7.8	Issued during quarter	44,000,000 "2013" I Class Listed Options		\$0.055	06/07/2013
		155,000,000 "2013" I Class Listed Options		\$0.055	06/07/2013
		1,500,000 "2013" I Class Listed Options		\$0.055	06/07/2013
7.9	Exercised during quarter				
7.10	Expired during quarter	500,000 "2012" D Class Options		\$0.24	01/03/2012
		375,000 "2013" E Class Options		\$0.24	01/03/2012
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: 30/04/2012

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.