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ACN 114 198 471



C18#3 Pierre Exploration Well: PATHFINDER PROJECT. FREMONT COUNTY, COLORADO, USA.

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2014

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Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014.

DIRECTORS

The names of each person who has been a Director during the half-year and to the date of this report are:

Mr Richard Cottee
Mr Guy Thomas Goudy
Dr William Mark Hart
Mr Dominic Pellicano

COMPANY SECRETARY

Mr David J Nairn is the Company Secretary.

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 oil and gas provinces in the United States in Texas, Colorado, Kentucky & Mississippi. Austin is the operator of its Colorado and Kentucky operations and its pre farm-out assets in Texas.

Austin maintains and is proud of its outstanding safety and environmental record, with no lost time accidents or environmental incidents occurring in the history of the Company.

The first half of FY 2015 was a challenging period for the oil industry, with the WTI oil price falling from \$106.06 per barrel on 1 July 2014 to \$44.12 on 28 January 2015 representing a 58% decline in a period of less than 7 months.

The Company was pleased to have reported its first cash-flow positive quarter, ending 31 December 2014. Even with the sharp decline in the price of oil Austin had its best ever quarter.

Austin has been built on solid economic fundamentals of cash flow growth, maximising oil production, and de-risking and proving up its properties through raising equity. Fortunately, Austin entered this downturn with no major debt facilities in place. These fundamentals have meant that the Company was able to implement rapid company-wide cost-cutting measures and, as such, allow cash flows from oil production to cover its overheads.

Overhead expenses have been reduced by more than USD\$1.2 million per annum, representing a 60% reduction in overhead costs. Directors’ fees have been reduced by more than 60%, and all US-based management salaries have been substantially reduced. The Company’s cost base is geared towards an oil price of circa US\$45-50 per barrel, with flexibility should the price of oil continue to decline.

All of Austin’s North American assets are now in production. The Company is positioned for this low oil price environment and is in a strong position to capitalise when oil prices stabilise.

Particularly pleasing were the record levels of production achieved in Kentucky with the Company achieving its goal of reaching 40 BOPD, which provides an essential low-risk boost to cash flows.

Exploration work continues at Austin’s Pathfinder property in Colorado. The Company intersected oil whilst drilling through the Pierre Shale & Niobrara shale on its C18#1 well, and gained critical engineering and geologic data. This adds significant value to the overall property and de-risks future development of this section of the property. Drilling of two further Pierre exploration wells began and was subsequently halted due to Colorado State wildlife regulations. Operations are expected to recommence in April. Contractual drilling obligations required to retain the 11,560 acre property have been met.

The Company experienced continued success in the Eagle Ford in Texas where six out of six wells drilled struck oil and are now in production. This drilling program has been idled for the short term due to low oil prices and is expected to resume Q3/Q4 this calendar year. These results were precluded by the three successful exploratory wells that Austin drilled.

The Company is fortunate to have oil and gas assets in some of the most hydrocarbon rich basins in North America with multiple pay zones at varying depths that contain both conventional and unconventional targets.

Austin's wells in Kentucky & Mississippi are currently producing from conventional reservoirs and are large enough to accommodate many additional wells. The Company is pursuing non-dilutive funding strategies to further develop these areas to **continue to drive growth in the near term**. Recent communication with shareholders, banks and the investment community confirms a general appreciation that the Company has now achieved a position where it can create cash flow without major capital investment. The Company's prospects in Mississippi, Kentucky and the Pierre formation in Colorado can all be drilled for less than \$1 million per well.

The Company was pleased to announce in December that it had secured a long term contractual cornerstone investor in Lanstead Investments, a private equity firm based out of the UK, with offices in the US and Australia. This is the first time Austin has been able to secure a strategic investor who has taken a longer term and supportive view of helping the Company grow, while providing on-going financial support.

The Company is firmly committed to the preservation of its capital, keeping costs to a minimum and driving growth through increasing in-ground reserves and production.

Austin is in a good position for a small-cap E & P company with solid cash flows, no bank debt apart from a small credit facility, world class assets, a highly dedicated Management team and a Board that is always looking at ways to grow shareholder value.



Map Showing Austin's North American Oil and Gas assets

BUSINESS UNIT REPORTS

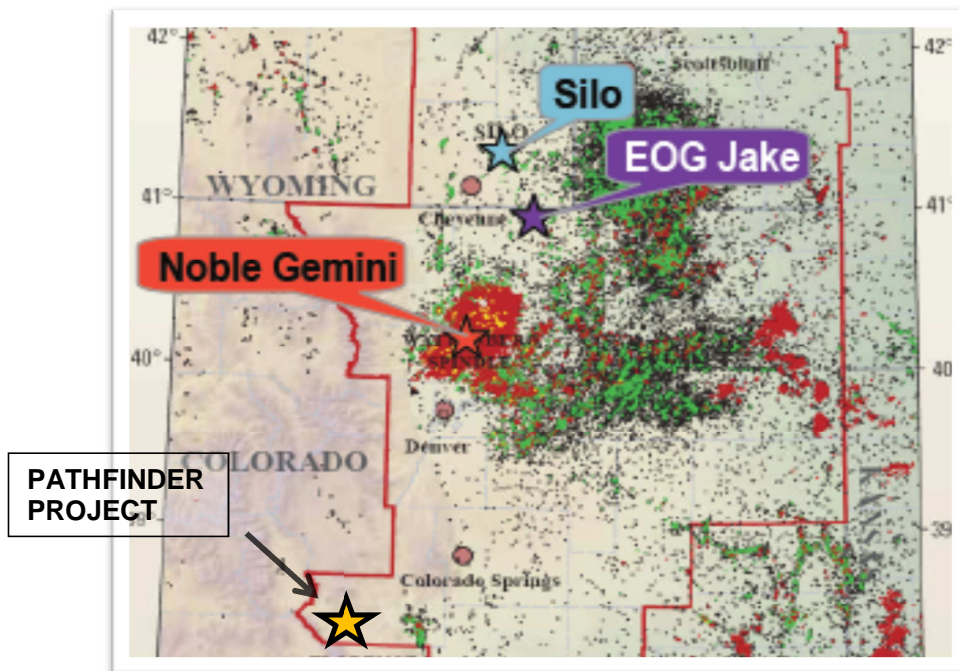
COLORADO BUSINESS UNIT

VP & General Manager:

Mrs. Ola Akrad

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 Update:

- Two Pierre shale wells spudded in Colorado, which satisfy lease commitments for acreage retention
- Austin's property neighbours Florence oil field which has produced more than 15 million barrels of oil from the Pierre formation
- Pierre wells remain economic in 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.
- The Company successfully completed the first phase of drilling for these wells vertically, and set conductor and surface casings on one well and the conductor casing on the second well.
- Operations halted in December in observance of Colorado State wildlife regulations that prohibit drilling in this field until April 2015. Drilling will recommence in April and progress to completion, and if successful, move into production shortly thereafter.

TEXAS BUSINESS UNIT

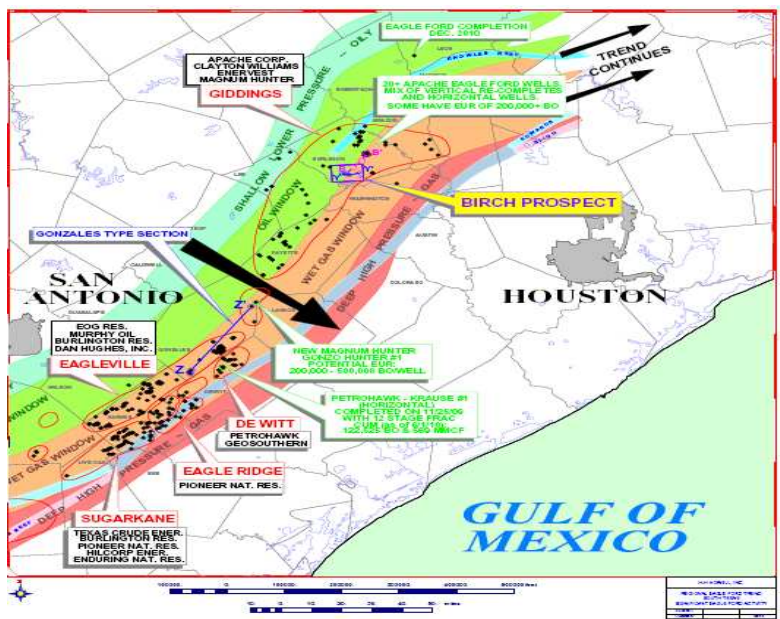
VP & General Manager:

Mr. Aaron J. Goss

- Birch Eagle Ford Project, Burleson County, Texas
- Primary hydrocarbon targets: Eagle Ford Shale & Austin Chalk
- ~30% Working Interest in approximately 5000 acres
- Acreage is large enough to accommodate more than 50 horizontal wells at 80 acre spacing, or more than 100 wells at 40 acre spacing, in its partnership with Halcon Resources Corporation.

Well Name	Working Interest	Net Revenue Interest	Well Started Producing	Total BOE as of Dec 31, 2014
Stifflemire #1H	30.00%	22.5%	March-14	109,362.41
Kaiser #2H	30.00%	22.5%	July-14	86,762.86
Nemo #1H	30.00%	22.5%	July-14	68,463.70
Redbud #1H	20.15%	15.20%	July-14	61,502.17
Curington "A" #1H	6.19%	4.60%	October-14	41,322.61
Seaducer #2H	3.59%	2.69%	December-14	10,227.55

- Yolanda Dual Austin Chalk Well. Dimmitt County, Texas
- Working Interest 36%, NRI = 27.6%
- Well drilled and completed in 2010
- Total production to date is approximately 38,000 BO



Birch Eagle Ford Project

Texas Business Unit Update:

- Six Eagle Ford wells drilled in 2014 in Austin's farm-out program with Halcon Resources Corporation.
- All six wells have been successful and are now producing substantial quantities of oil and gas.
- Drilling has been idled due to low oil prices and the operator is closely monitoring oil prices. Current expectations are for drilling to commence in Q3/Q4 2015 (Calendar).
- Two further wells brought into production following successful drilling and completions:
 1. Curington 1A. 24hr IP = 996Boepd/ 30 day IP = 19,600 BOE (approx. 90% oil).
 2. Seaducer 1H. 24hr IP = 960 Boepd/ 30 day IP not yet established (approx. 90% oil).

KENTUCKY & MISSISSIPPI BUSINESS UNIT

VP & General Manager

Mr. Timothy B. Hart

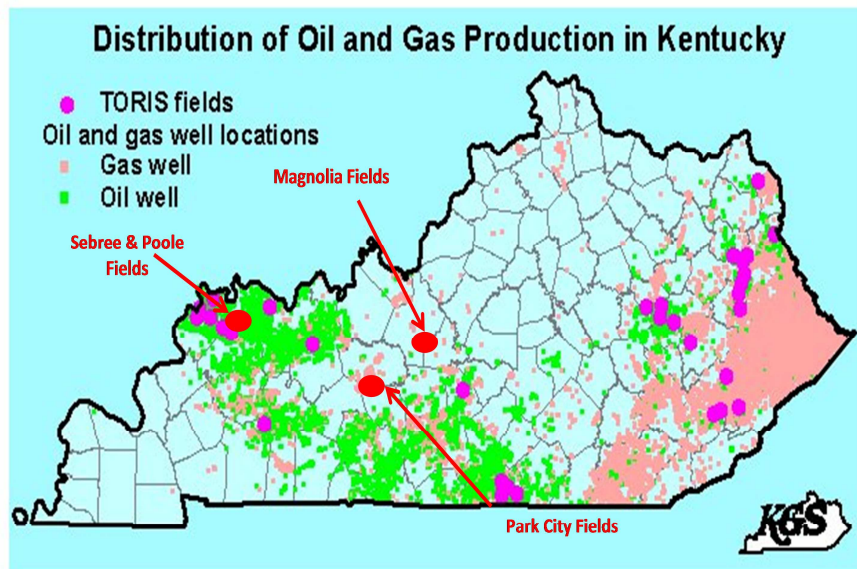
Austin is the Operator

- 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 Austin.
- 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 Dec 31, 2014
Ellislie	50.00%	37.50%	August-12	43,571.60
Commencement	50.00%	37.50%	May-11	63,526.81
Bourke 4	50.00%	36.00%	November-12	28,755.54
Bourke 5	50.00%	36.00%	April-14	2,610.09

Eastern Business Unit Update

- **Achieved record production levels of 48 BOPD in Kentucky Business unit in first quarter.**
- **Current daily production at 30-40 BOPD (5 high cost leases have been idled).**
- **Four Mississippi wells continue to produce at approximately 75 BOPD (Net).**
- **Continual engineering program underway designed to maximise production and operating efficiencies.**
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk, long life production and cash flow.
- 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 with high water haulage, electricity and chemical programs have been idled 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 summary of the Company's oil and gas reserves and resources, updated by Independent oil and gas consulting firm Gustavson Associates in December 2014, is listed below:

Austin Exploration's Net Contingent Resources						
Projects	Oil Resources			Solution Gas Resources		
	MMBbl (Million Barrels)			BSCF(Billion cubic feet)		
	P ₉₀	P ₅₀	P ₁₀	P ₉₀	P ₅₀	P ₁₀
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	-	-	-	-	-	-
TOTAL –Contingent Resources	16.371	22.071	30.169	19.603	28.927	44.695

Austin Exploration's Net Reserves			
Reserve Category	Area	Net Oil Reserves (BBL)	Net Gas Reserves (Mscf)
Proved Developed Producing	Colorado-Niobrara	5,060	-
	Kentucky	38,737	-
	Mississippi	34,577	-
	Texas EF and Yolanda	191,470	116,420
Proved Developed Non-Producing	Mississippi	78,629	-
Proved Undeveloped	Texas EF	1,533,200	633,600
Probable Undeveloped	Texas EF	3,553,200	1,468,300
	Colorado-Pierre	31,100	6,700
Possible Undeveloped	Texas EF	5,271,100	2,178,300
	Colorado-Pierre	311,010	66,960
Austin Exploration's Total Net Reserves		11,048,083	4,470,280

AUDITOR'S DECLARATION

The auditor's independence declaration as required under section 307C of the corporations Act 2001 is set out on page 10 of the financial report.

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, appearing to read 'D. Pellicano', with a horizontal line extending to the right.

Dominic Pellicano
Director

Dated this 12th day of March 2015



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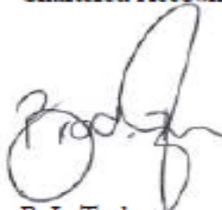
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**Auditor's Independence Declaration
To The Directors of Austin Exploration Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Austin Exploration Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.


GRANT THORNTON AUDIT PTY LTD
Chartered Accountants


B. L. Taylor
Partner - Audit & Assurance

Melbourne, 12 March 2015

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AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE
INCOME

For the half-year ended 31 December 2014

		Consolidated Group	
		31 Dec	31 Dec
	Note	2014	2013
		\$	\$
Revenues			
Revenue	2	1,299,903	749,858
Gain on disposal of exploration asset	3	-	1,731,574
		<u>1,299,903</u>	<u>2,481,432</u>
Expenses			
Lease operating expense		(216,661)	(309,660)
Employee benefits expense		(960,621)	(921,808)
Depreciation and amortisation expense		(1,016,449)	(961)
Professional fees		(447,357)	(341,522)
Other expenses		(464,015)	(285,507)
Travel and accommodation expense		(162,391)	(115,992)
Exploration expenditure written off		(8,980,779)	-
Impairment expense		(8,419,832)	-
		<u>(20,668,105)</u>	<u>(1,975,450)</u>
Joint venture contribution		<u>(1,416,898)</u>	35,230
Profit/(Loss) before income tax expense		(20,785,100)	541,212
Income tax expense		-	-
Profit/(Loss) from continuing operations		<u>(20,785,100)</u>	<u>541,212</u>
Profit/(Loss) for the period		<u>(20,785,100)</u>	<u>541,212</u>
Other comprehensive income:			
Items that may be reclassified subsequently			
To Profit or Loss			
Movement in fair value of available for sale financial assets		(1,775,856)	(247,023)
Exchange rate differences on translating foreign operations		5,195,325	1,159,909
Total comprehensive income profit/(loss) for the period		<u>(17,365,631)</u>	<u>1,454,098</u>
Basic earnings per share	14	(\$0.0761)	\$0.0003
Diluted earnings per share	14	(\$0.0761)	\$0.0003

Notes to the financial statements are included on pages 15 -21

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

		Consolidated Group	
	Note	31 Dec 2014 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		1,542,872	3,328,397
Trade and other receivables		181,340	131,240
Available for sale financial assets	4	1,467,528	1,087,681
Other current assets		42,934	88,915
TOTAL CURRENT ASSETS		<u>3,234,674</u>	<u>4,636,233</u>
NON-CURRENT ASSETS			
Investments accounted for using the equity method		1,735,936	2,834,800
Property, plant and equipment		373,861	250,183
Development and producing assets	5	12,422,888	1,594,272
Exploration and evaluation assets	5	14,205,125	34,488,359
Other non-current assets		1,449,183	396,472
TOTAL NON-CURRENT ASSETS		<u>30,186,993</u>	<u>39,564,086</u>
TOTAL ASSETS		<u>33,421,667</u>	<u>44,200,319</u>
CURRENT LIABILITIES			
Trade and other payables		884,283	603,172
Financial liabilities		425,965	-
TOTAL CURRENT LIABILITIES		<u>1,310,248</u>	<u>603,172</u>
NON-CURRENT LIABILITIES			
Other long term liabilities		60,093	54,535
TOTAL NON-CURRENT LIABILITIES		<u>60,093</u>	<u>54,535</u>
TOTAL LIABILITIES		<u>1,370,341</u>	<u>657,707</u>
NET ASSETS		<u>32,051,326</u>	<u>43,542,612</u>
EQUITY			
Issued capital	8	68,944,481	63,070,136
Reserves		5,587,517	2,168,048
Retained earnings / (Accumulated Losses)		(42,480,672)	(21,695,572)
TOTAL EQUITY		<u>32,051,326</u>	<u>43,542,612</u>

Notes to the financial statements are included on pages 15 -21

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	Consolidated Group	
	31 Dec 2014	31 Dec 2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,225,541	817,524
Payments to suppliers and employees	(1,882,948)	(1,777,799)
Interest received	3,854	7,087
	<u>3,854</u>	<u>7,087</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(653,553)</u>	<u>(953,188)</u>
CASH USED IN INVESTING ACTIVITIES		
Cash received from Farm out agreements	-	1,667,381
Payments for JV Investment	(819,411)	(591,001)
Payments for fixed assets	(1,805)	(42,534)
Payments for exploration expenditure	(2,844,720)	(896,846)
Payments for development expenditure	(142,105)	(6,009)
	<u>(3,808,041)</u>	<u>130,991</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,808,041)</u>	<u>130,991</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,425,174	54,270
Repayment of borrowings	(1,034,306)	(54,270)
Proceeds from the issue of ordinary shares	2,394,915	1,700,000
Transactions Costs	(615,911)	(126,350)
	<u>2,169,872</u>	<u>1,573,650</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>2,169,872</u>	<u>1,573,650</u>
Net (decrease) increase in cash held	(2,291,722)	751,453
Cash at beginning of period	3,328,397	1,144,870
Foreign Currency movement	506,197	29,133
	<u>3,834,594</u>	<u>1,174,003</u>
Cash at end of period	<u>1,542,872</u>	<u>1,925,456</u>

Notes to the financial statements are included on pages 15 -21

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2014

	Issued Capital	Share Options Premium Reserve	AFS Financial Asset Reserve	Performance Rights Reserve	Foreign Currency Reserve	Retained Profits/ (losses)	Total
	\$	\$	\$		\$	\$	\$
BALANCE AT 1 JULY 2014	63,070,136	-	(662,319)	200,000	2,630,367	(21,695,572)	43,542,612
Issue of share capital	6,231,402	-	-	-	-	-	6,231,402
Transaction Costs	(357,057)	-	-	-	-	-	(357,057)
Profit or loss	-	-	-	-	-	(20,785,100)	(20,785,100)
Transferred to Profit and Loss	-	-	662,319	-	-	-	662,319
Other Comprehensive Income	-	-	(2,438,175)	-	5,195,325	-	2,757,150
BALANCE AT 31 DECEMBER 2014	68,944,481	-	(2,438,175)	200,000	7,825,692	(42,480,672)	32,051,326
BALANCE AT 1 JULY 2013	54,529,606	4,172,826	-	-	3,956,354	(23,846,455)	38,812,331
Issue of share capital	1,779,249	-	-	-	-	-	1,779,249
Transaction Costs	(126,350)	-	-	-	-	-	(126,350)
Share options expired during the period	-	(4,172,826)	-	-	-	4,172,826	-
Profit or loss	-	-	-	-	-	541,212	541,212
Other Comprehensive Income	-	-	(247,023)	-	1,159,909	-	912,886
BALANCE AT 31 DECEMBER 2013	56,182,505	-	(247,023)	-	5,116,263	(19,132,417)	41,919,328

Notes to the financial statements are included on pages 15 - 21

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Austin Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

Austin Exploration Limited is domiciled in Australia. The consolidated annual financial report of the consolidated entity for the year ended 30 June 2014 is available at www.austinexploration.com.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of or disclosure in, its half-year financial statements.

NOTE 2 – REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

	CONSOLIDATED GROUP	
	31 December 2014	31 December 2013
	\$	\$
Sale of oil and gas	1,296,049	743,996
Interest received	3,854	5,862
Total	1,299,903	749,858

NOTE 3 – GAIN ON DISPOSAL OF EXPLORATION ASSETS

	CONSOLIDATED GROUP	
	31 December 2014	31 December 2013
	\$	\$
Carrying Value – 50% Interest in PEL105	-	(18,426)
Shares received in Tellus Resources	-	1,750,000
Profit on sale of interest in PEL105	-	1,731,574

On 9th October 2013, the Group's interest in PEL105 was sold to Tellus Resources Limited. Austin Exploration Limited received 19,776,020 shares in Tellus Resources which were valued on the Australian Securities Exchange (ASX) at 0.088491, in consideration for its 50% interest in the license area in the Cooper Basin. These shares are held as an available for sale finance asset.

NOTES TO THE FINANCIAL STATEMENTS (contd.)
For the half-year ended 31 December 2014

NOTE 4 – AVAILABLE FOR SALE FINANCIAL ASSET

	CONSOLIDATED GROUP	
	31 December 2014 \$	30 June 2014 \$
<u>Tellus Resources Limited</u>		
Investment at acquisition date	1,750,000	1,750,000
Movement in fair value	-	(662,319)
Impairment Loss	<u>(1,680,784)</u>	-
Total	<u>69,216</u>	<u>1,087,681</u>
<u>Lanstead Capital LLC</u>		
Derivative swap	3,836,487	-
Movement in fair value	<u>(2,438,175)</u>	-
Total	<u>1,398,312</u>	<u>1,087,681</u>
Overall Total	<u>1,467,528</u>	<u>1,087,681</u>

Austin Exploration Limited received 19,776,020 shares in Tellus Resources which were valued on the Australian Securities Exchange (ASX) at \$0.088491, in consideration for its 50% interest in the license area in the Cooper Basin. These shares are held as an available for sale finance asset with subsequent movements in fair value recognised in a revaluation reserve. At 31 December 2014, Tellus Resources had a closing ASX share price of \$0.0035 per share.

The Group's investment in Tellus Resources Limited is valued using Level 1, being quoted prices from the ASX. Due to the significant devaluation of this investment as at 31st December 2014, the movement in value has been recognized as an impairment expense.

During the six month period to 31 December 2014, Austin Exploration Limited secured a cornerstone investor, Lanstead Capital LLC ("Lanstead"). Lanstead has acquired \$4,513,000 of shares in the Group by way of subscription for 59,000,000 new ordinary shares at a price of \$0.0765 per share. A value payment in lieu of a cash fee of 5,900,000 shares has also been issued to Lanstead for \$Nil consideration.

As consideration for these shares, Austin entered into an equity swap arrangement with Lanstead whereby they would receive both cash and equity instruments to be exchanged for cash over a 6 month period.

The cash to be received by Austin is determined based on a five day volume weighted average price (VWAP) which is compared to the contractually agreed reference price of \$0.102 and the payment adjusted. The equity instruments are held as an available for sale financial asset. At 31 December 2014, the 5 day VWAP was \$0.0469 and the company has reduced the value of the asset by the difference to reference price with the movement recognized in the revaluation reserve

NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2014

NOTE 5 – EXPLORATION, DEVELOPMENT AND PRODUCING ASSETS

Movement in Exploration and Evaluation Expenditure capitalised

	CONSOLIDATED GROUP	
	31 December	30 June
	2014	2014
	\$	\$
Balance at beginning of year	34,488,359	32,614,713
Additions	1,479,129	4,531,716
Exchange rate difference	5,410,020	(908,665)
Disposals	-	(18,426)
Reclassification to Development and Producing Assets	(17,385,186)	-
Exploration expenditure written off	(9,787,197)	-
Proceeds from Farm Out Agreements	-	(1,730,979)
	14,205,125	34,488,359

Since 30 June 2014, a number of the wells have started producing oil and gas so the related exploration and evaluation expenditure has been reclassified to development and producing assets.

Movement in Development and Producing Assets

	CONSOLIDATED GROUP	
	31 December	30 June
	2014	2014
	\$	\$
Balance at beginning of year	1,594,272	1,634,584
Additions	1,592,843	368,318
Exchange rate difference	251,810	(50,670)
Amortisation expense	(1,057,051)	(357,960)
Disposals	-	-
Impairment reserve	(7,344,172)	-
Reclassification from Exploration and Evaluation Expenditure	17,385,186	-
	12,422,888	1,594,272

Management undertook an analysis of all its exploration, development and producing assets in view of the drop in the oil price to \$40-\$50 per barrel resulting in the write off of exploration expenditure of \$9,787,197 and impairing the development and producing assets by \$7,344,172.

NOTE 6 – IMPAIRMENT CHARGE

At December 31, 2014, the Directors' reviewed the carrying values of its development and producing assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at December 31, 2014, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

The Group has impaired its development and producing assets at 31 December 2014. Refer to Note 5.

At December 31, 2014, the Directors' also reviewed the carrying values of its available for sale financial assets to determine whether there is any indication that those assets have been impaired.

The Group has impaired its available for sale Financial Asset relating to Tellus Resource shares. Refer to Note 4.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2014

NOTE 7 – OPERATING SEGMENTS

Segment Information

(i) Segment Performance

	6 months to 31 December 2014	6 months to 31 December 2014	6 months to 31 December 2014	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	2,484	1,297,419	-	1,299,903
Joint Venture net revenue	-	-	-	-
Segment net (loss)/profit before tax	(2,208,378)	(17,159,824)	(1,416,898)	(20,785,100)

	6 months to 31 December 2013	6 months to 31 December 2013	6 months to 31 December 2013	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	1,735,618	745,813	-	2,481,431
Joint Venture net revenue	-	-	35,230	35,230
Segment net (loss)/profit before tax	1,205,700	(699,718)	35,230	541,212

(ii) Segment Assets

	Australia	USA	Total
	\$	\$	\$
Segment Assets	49,495,181	31,813,574	81,308,755
Inter segment elimination	(47,887,088)	-	(47,887,088)
	1,608,093	31,813,574	33,421,667

(iii) Segment Liabilities

	Australia	USA	Total
	\$	\$	\$
Segment Liabilities	49,182	49,208,247	49,257,429
Inter segment elimination	-	(47,887,088)	(47,887,088)
	49,182	1,321,159	1,370,341

NOTES TO THE FINANCIAL STATEMENTS (contd.)
For the half-year ended 31 December 2014

NOTE 8 – ISSUED CAPITAL

	Number	\$
6 months to 31 December 2014		
As at 1 July 2014	2,457,833,037	63,070,136
Issue of 171,790,241 shares @ 0.01 per share	171,790,241	1,717,902
10:1 Share Consolidation	(2,366,660,488)	-
Issue of 59,000,000 shares @ 0.0765 per share + 5,900,000 shares for nil consideration	64,900,000	4,513,500
Less: Costs of Capital Raising	-	(357,057)
	327,862,790	68,944,481
6 months to 31 December 2013		
As at 1 July 2013	1,613,195,471	54,529,606
Issue of 141,666,666 shares @ 0.012 per share	141,666,666	1,700,000
Issue of 7,925,000 shares @ 0.01 per share	7,925,000	79,249
Less: Costs of Capital Raising	-	(126,350)
	1,762,787,137	56,182,505

During the six month period to 31 December 2013, a total of 7,925,000 listed shares were issued to various staff of Austin Exploration Limited at no cost pursuant to the Executive Performance Rights Plan approved by the 28 November 2012 at the AGM.

During the six month period to 31 December 2014, Austin Exploration Limited secured a cornerstone investor, Lanstead Capital LLC ("Lanstead"). Lanstead has acquired \$4,513,000 of shares in the Group by way of subscription for 59,000,000 new ordinary shares at a price of \$0.0765 per share. A value payment in lieu of a cash fee of 5,900,000 shares has been issued to Lanstead for \$Nil consideration.

NOTE 9 – OPTION ISSUE

No new options were issued during the period.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2014

NOTE 10– RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with Director-related Entities

During the period the Group utilised the services of Math Energy 1 LLC for the provision of building rent below commercial rates. To the reporting date the costs of these services was \$6,749. Dr. Mark Hart is a director of Math Energy 1 LLC.

During the year the Group utilised the services of HLB Mann Judd for the provision of accounting, secretarial and taxation services at commercial rates. To the reporting date the costs of these services was \$58,976 (excluding GST). Mr David Nairn is a partner at HLB Mann Judd.

During the period the Group utilised the services of CFO Colorado Accounting & Tax Services for the provision of accounting and taxation services at commercial rates. To the reporting date the costs of these services was \$2,581 (excluding GST). Mr Lonny Haugen is the President of CFO Colorado Accounting & Tax Services.

NOTE 11 – CONTINGENT LIABILITIES

There has been no material change to contingent liabilities since the last annual reporting date.

NOTE 12 – EVENTS OCCURRING AFTER THE REPORTING DATE

The following significant non-adjusting events have occurred between the reporting date and the date of authorization:-

1. On 14 January 2015, the Group issued 4,745,000 Listed Ordinary shares to directors and management for nil consideration in accordance with the performance plan approved by Shareholders at the AGM on the 28th November 2013. The allocation to Directors under the Performance Plan was approved by Shareholders at the AGM on the 7th November 2014.
2. On 2 January 2015, Austin received \$229,886.23 in relation the first swap from Lanstead Capital LLC. The payment was based on the 5 day VWAP at this date of \$0.0469 which is resulted in an adjustment to the contractually agreed reference price of \$0.102.
3. On 16 January 2015, Austin received \$198,048.60 in relation the second swap from Lanstead Capital LLC. The payment was based on the 5 day VWAP at this date of \$0.0423 which is resulted in an adjustment to the contractually agreed reference price of \$0.102.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

For the half-year ended 31 December 2014

NOTE 13 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's holdings in Tellus Resources Limited and the Lanstead equity swap instruments are valued using Level 1, being quoted prices from the ASX.

NOTE 14: EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	31 December 2014	31 December 2013
Net loss attributed to ordinary equity holders	(20,785,100)	541,212
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	272,965,858	1,624,885,402
Basic Earnings per share	(\$0.0761)	\$0.0003
Diluted Earnings per share	(\$0.0761)	\$0.0003

During the half-year ended 31 December 2014, there was a 10:1 share consolidation which resulted in shares decreasing from 2,629,623,278 to 262,962,790. Please note that no adjustment was made to the previous years EPS calculation.

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial Statements and Notes, as set out on pages 11 to 21 are in accordance with the Corporations Act 2001,
 - a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014, and of its performance for the half year ended on that date; and
 - b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting"; and
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Dominic Pellicano
Director

Dated this 12th day of March 2015



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Independent Auditor's Review Report

To the Members of Austin Exploration Limited

We have reviewed the accompanying half-year financial report of Austin Exploration Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Austin Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Austin Exploration Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Austin Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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INDEPENDENT AUDITOR'S REVIEW REPORT



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read "Grant Thornton", written over a light blue horizontal line.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "B. L. Taylor", written over a light blue horizontal line.

B. L. Taylor
Partner - Audit & Assurance

Melbourne, 12 March 2015