



AUSTIN
EXPLORATION

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



First Quarter Report FY2014

For the three months ended September 30, 2014

with additional information on subsequently completed activities

REVIEW OF OPERATIONS AND ACTIVITIES

Progress at principal North American oil and gas projects

OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) is an oil and gas explorer and producer with working interests and net revenue interests in four proven oil and gas provinces in the United States. Austin is the operator of its Colorado and Kentucky operations.

Austin maintains and is proud of its outstanding safety and environmental record, with no lost time accidents or environmental incidents occurring during the past quarter.

The past quarter has continued Austin’s successful 2014 with further significant oil discoveries in the United States.

The Company is very pleased to report that it is on track to turn cash-flow positive in November. Management has been successful in executing its drive to profitability through maximizing production, continually stripping out unessential costs and maximizing asset values.

It was another successful quarter at the Company’s Texas Business Unit. Four wells are now production in Texas which combined have produced more than 206,000 BOE. Two more wells are expected to be in production this year.

The results from Austin’s strategic exploration and production program have enabled Austin to pursue debt finance for the longer-term development of its properties. Negotiations are ongoing and the Board is committed to securing a high quality, low-cost debt solution for the ongoing development of its assets.

Austin is very well placed to significantly ramp up production from its diverse portfolio of oil and gas assets in Texas, Colorado, Mississippi and Kentucky. The Company has significant untapped potential in its portfolio and will shortly have the financial flexibility to better exploit these opportunities.

Austin’s Board and US-based Management team are focused on, and committed to, driving shareholder value and looks forward to further success in the coming quarter.



Map Showing Austin’s North American Oil and Gas assets

BUSINESS UNIT REPORTS

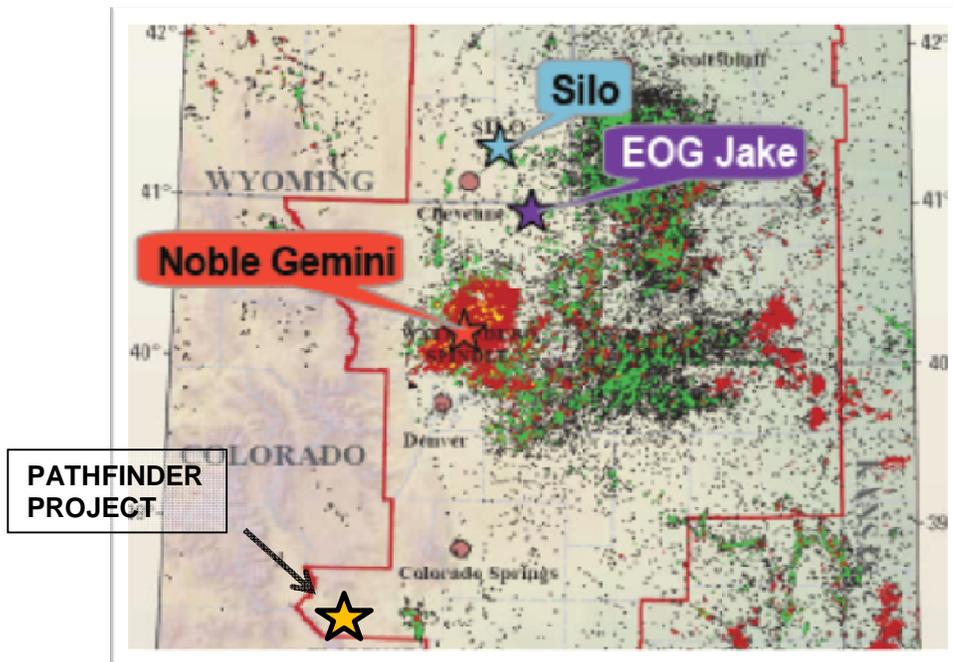
COLORADO BUSINESS UNIT

General Manager:

Mrs. Liz Harkins

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



Pathfinder Project

- **C18 #1 exploratory well drilled, with oil discovered in section 18 of the property.**
- Crude oil flowed to the surface under natural pressure stemming from a pressured reservoir.
- Austin believes it has intersected two large oil-filled natural fractures in the transitional zone between the Pierre and Niobrara formations, and another between the B & C benches of the Niobrara.
- A Pierre shale well in Colorado is planned to be drilled in the coming quarter
- The Colorado Pathfinder Processing plant continues to produce and add cash flow. This plant extracts heavy liquids from the gaseous product and ready the wells to produce pipeline quality methane gas. The Niobrara #1 Horizontal well produces approximately 8% to 10% heavy gases.
- Gas Processing Of America, Inc. is the owner/operator of the plant, gather and transport the gas, maintain the plant, and market and sell the gas. Austin receives a share of the monthly sales.
- This has allowed planning and implementation for the North-South pipeline to proceed.



Austin's Pathfinder Gas Processing Plant. Fremont County, Colorado

TEXAS BUSINESS UNIT

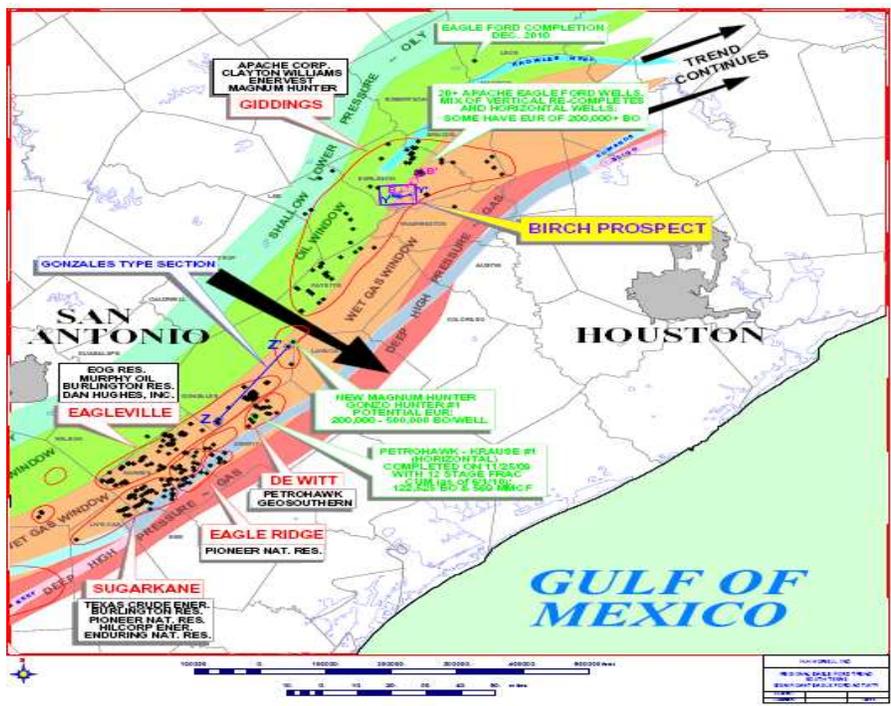
VP & General Manager:

Mr. Aaron J. Goss

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

Texas Birch Project Ownership

Well Name	Working Interest
Stifflemire #1H	30%
Kaiser #2H	30%
Nemo #1H	30%
Redbud #1H	20.15%
Curington "A" #1H	6.19%
Seaducer #2H	3.59%



Birch Eagle Ford Project

- An ongoing horizontal Eagle Ford drilling campaign is underway in Texas
- The first Eagle Ford horizontal well of this campaign, the Stifflemire 1H well, was successfully drilled to a total measured depth of approximately 17,000 ft (8000 ft lateral leg) and produced 25,890 BOE in its first 30 days. As of October 21st Stifflemire has produced 95,498.29 BOE. This was the first well of a three well farm out program where Halcon Resources carried Austin on the costs of three wells to earn a 70% in Austin's property.
- The second Eagle Ford horizontal well, the Kaiser #2H well, was successfully drilled to a total measured depth of approximately 18,057 ft (8000 ft lateral leg) and produced 20,550 BOE in its first 30 days. As of October 21st Kaiser has produced 52,087.95 BOE. This was the second earn-in well in the farm-out.
- The third Eagle Ford horizontal well, the Nemo 1H well, was successfully drilled to a total measured depth of approximately 16,635 ft (7089 ft lateral leg) and produced 18,330 BOE in its first 30 days. As of October 21st Nemo has produced 44,249.16 BOE. This was the third well earn-in well in the farm-out.
- The Fourth Eagle Ford horizontal well, the Redbud 1H well, was successfully drilled to a total measured depth of approximately 17,465 ft (7000 ft lateral leg). As of October 21st Redbud has produced 34,219.84 BOE.
- The fifth Eagle Ford horizontal well, the Currington "A" 1H well, was successfully drilled to a total measured depth of approximately 16,620 ft (7075 ft lateral leg). The well has been successfully fraced and is currently undergoing flow back.
- The sixth Eagle Ford horizontal well, the Seaducer 1H well, is currently being drilled.
- Austin's first Eagle Ford well with PetroMax is scheduled to begin early 2015.
- Additional wells are projected in the near future as the Seaducer and Currington wells are completed.
- Austin's Yolanda Villareal well in Dimmitt County Texas has now produced more than 35,000 barrels of oil from the Austin Chalk formation. The well is in production and Austin has a 27.6% N.R.I in this project.

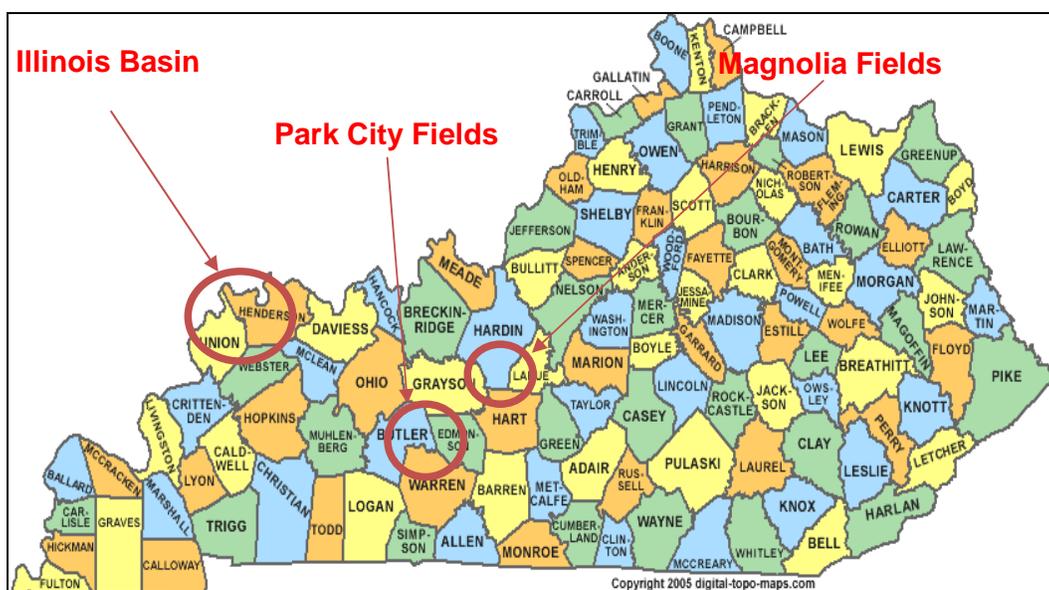
KENTUCKY & MISSISSIPPI BUSINESS UNIT

VP & General Manager

Mr. Timothy B. Hart

Austin is the Operator

- Kentucky Exploration LLC. Approx. 4000 acre 50/50 Joint Venture with private Australian Investment Company.
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production, and cash flow, for the Company.
- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, and McCloskey Formation.
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg.
- Mississippi project: Adams County, Mississippi.
- Primary hydrocarbon targets: Wilcox Formation (Conventional).



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 4000 acres in Kentucky.

Kentucky & Mississippi

- Achieved record production levels of 48 BOPD in Kentucky Business unit.
- Four Mississippi wells continue to produce well at approx. 80 BOPD.
- 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 Kentucky Business Unit's 5-well, low cost, high impact drilling and stimulation program is underway.
- The stimulation designs are completed and frac jobs will be funded through cash flows
- 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.
- A study of the Park City and Magnolia properties is underway.

WORKPLACE AND ENVIRONMENTAL SAFETY

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

RESERVES & RESOURCES - INDEPENDENT CONSULTANT'S ANALYSIS

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

A summary of the Company's oil and gas reserves and resources is listed below:

Austin Exploration's Gross Contingent Resources						
Projects	Oil Resources,			Solution Gas Resources, BSCF		
	MMBbl (Million Barrels)			BSCF(Billion cubic feet)		
	P₉₀	P₅₀	P₁₀	P₉₀	P₅₀	P₁₀
Texas-Birch Prospect (Austin Chalk)	3.480	7.080	14.450	19.870	40.490	82.630
Colorado-Pathfinder Prospect (Niobrara)	16.940	21.760	28.360	19.090	24.520	31.960
Yolanda Villarreal	-	0.058	-	-	0.361	-
Kentucky	0.340	0.517	0.755	0.513	1.104	2.264
TOTAL –Contingent Resource	20.760	29.415	43.565	39.473	66.475	116.854

Austin Exploration's Net Reserves			
	Area	Net Oil Reserves (BBL)	Net Gas Reserves (Mscf)
	Texas-Birch-Eagleford	43,368	36,600
	Kentucky	51,931	
Proved Developed Producing	Mississippi	27,834	
Proved Developed Non-Producing	Mississippi	209,976	
Proved Undeveloped	Texas-Birch	1,533,245	633,600
Probable Undeveloped	Texas-Birch	3,553,200	1,468,300
Possible Undeveloped	Texas-Birch	5,271,100	2,178,300
Austin Exploration's Total Net Reserves		10,690,654	4,316,800

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")

30 September 2014

Consolidated statement of cash flows

		Current quarter \$A	Year to date (3 months) \$A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	292,689	292,689
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,488,167) (45,213) (966,957)	(1,488,167) (45,213) (966,957)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2,836	2,836
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Income received from Farm Out Agreements)	-	-
Net Operating Cash Flows		(2,204,812)	(2,204,812)
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		
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)	(442,884)	(442,884)
Net investing cash flows		(442,884)	(442,884)
1.13	Total operating and investing cash flows (carried forward)	(2,647,696)	(2,647,696)

1.13	Total operating and investing cash flows (brought forward)	(2,647,696)	(2,647,696)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,717,902	1,717,902
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)	(110,153)	(110,153)
	Net financing cash flows	1,607,749	1,607,749
	Net increase (decrease) in cash held	(1,039,947)	(1,039,947)
1.20	Cash at beginning of quarter/year to date	3,328,397	3,328,397
1.21	Exchange rate adjustments to item 1.20	201,583	201,583
1.22	Cash at end of quarter	2,490,033	2,490,033

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	206,371
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	CONTRACT FEES TO DIRECTORS AND OFFICERS INCLUDING SUPERANNUATION	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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

	Amount available \$A	Amount used \$A
3.1 Loan facilities	1,080,205	0
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	500,000
4.2 Development	-
4.3 Production	50,000
4.4 Administration	750,000
Total	1,300,000

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	2,490,033	3,328,397
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,490,033	3,328,397

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	2,629,623,278	2,629,623,278	
7.4	Changes during quarter			
	(a) Increases through issues	171,790,241	171,790,241	0.01
	(b) Decreases through returns of capital, buy-backs			0.01
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>
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:  Date: 31/10/2014
(Chief Financial Officer)

Print name: Lonny Haugen

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.