AUSTIN
EXPLORATION

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

INTERIM FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2015

CONTENTS

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2015.

DIRECTORS

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

Dr. William Mark Hart
Mr Guy Thomas Goudy
Mr Dominic Pellicano
Mr Stuart Middleton
Mr Phil McCarthy (Resigned on January 18 2016)

COMPANY SECRETARY

Mr Robert Lees is the Company Secretary.

OPERATIONS AND ACTIVITIES

Half-Yearly Highlights

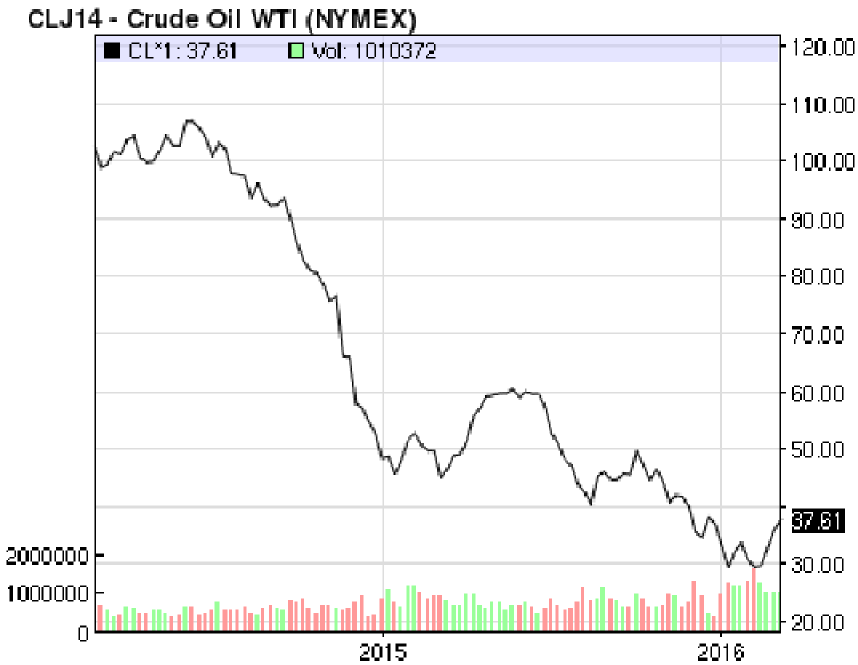
- **Austin secured AUD$1.9mil (USD$1.35mil) financing facility from US based investment firm, Magna, in an extremely difficult market – major vote of confidence in Austin's Management, strategy & assets** (Occurred in February 2016 – subsequent to Dec 31 period)
- **Austin will shortly be debt free – remaining debt of USD$350k to be fully extinguished upon closing on the sale of Mississippi wells**
- **The Company successfully executed on its divesture strategy by selling minority interests in property in Texas and agreeing to sale of Mississippi where it is not the operator and has no control over operating expenses** (Occurred subsequent to Dec 31 period)
- **Company completed all cash sale of its Texas Birch property for AUD$1.5mil (USD$1.05mil)** (Occurred subsequent to Dec 31 period)
- **Company agreed to the sale of Mississippi wells in all cash deal for $1.28mil (USD$925k) with closing expected in April 2016** (Occurred subsequent to Dec 31 period)
- **Financing package and asset sales significantly strengthen the Company's cash position and balance sheet – Austin well placed to leverage low cost advantage**

- **Austin significantly expanded Colorado Pathfinder in July 2017 project by acquiring an additional 3,721 adjacent acres – now controls 100% of over 15,000 acres in the oil rich DJ Basin**
- **Company identified a series of high impact oil exploration targets in the Pierre formation at 15,282 acre flagship Pathfinder project in Colorado**
- **Austin spudded high impact C18#2 well targeting oil production from the Pierre formation in Colorado**
- **Company secured Atlas Copco RD20 Drill Rig and all associated machinery through a strategic low cost Drilling Rig rental agreement**
- **Dedicated Drilling Rig rental agreement at flagship Pathfinder property significantly reduced ongoing development costs and increases operational efficiencies**
- **Company continues to aggressively strip out costs in response to falling oil prices which fell below USD$30 per barrel in January**
- **A 2 for 3 Rights Issue was offered to existing shareholders to strengthen the Company's balance sheet and to progress further exploration and growth**
- **The Rights Issue had a 19.6% take-up from existing shareholders and raised AUD$635,573.47(before costs)**

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 US oil and gas provinces, being Colorado, Kentucky, Mississippi and Texas. Austin is the operator of its Colorado and Kentucky projects.

Austin maintains, and is proud of, its outstanding safety and environmental record, with no lost time accidents or environmental incidents ever.

The first fiscal half of 2016 has continued to be an extremely difficult period for all companies in the oil industry with the price of oil hitting 13 year lows and selling at $26 per barrel (WTI) in January 2016.



The above chart illustrates the once in a generation fall in the price of oil from approximately $110 p/barrel in 2014 and falling to $26 p/bbl in March 2016 which has resulted in more than 100 oil and gas Companies in the US filing for bankruptcy and more than 300,000 jobs lost in the oil sector in North America alone.

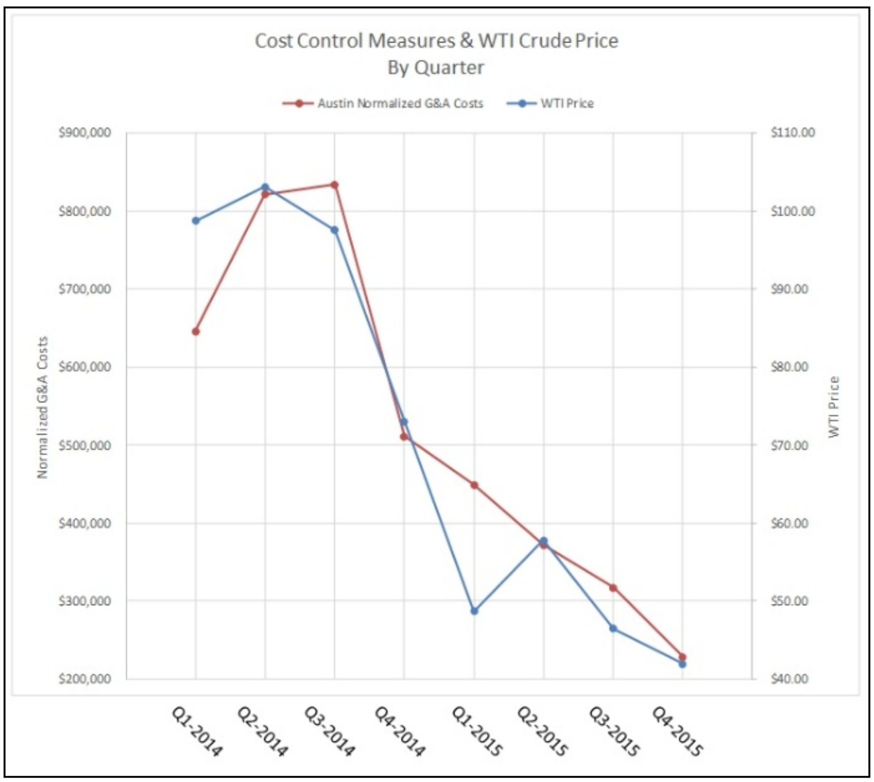
In response, the Board and Management of Austin have been judiciously putting the necessary steps in place to ensure that the Company is in the best possible position to navigate its way through this once in a generation downturn in the energy sector, and have implemented the following strategies in response:

- Plans to eliminate all debt
- Securing a AUD$1.9mil financing package in Feb 2016 through Magna, a US based institutional finance fund
- Divesture of non-core assets in Texas and Mississippi where the Company is not the sole operator
- Further significant Company-wide austerity measures to reduce all non-essential G&A costs which have been reduced by 75%
- Focus on low cost and high impact drilling of the Company's Pierre prospects in Colorado which remain highly economic in the current low oil price environment.

The Company was pleased to be able to secured an AUD$1.9 million (USD$1.35) convertible note facility term sheet in February 2016 with innovative and highly regarded New York Investment fund Magna Management LLC (Magna). To be able to secure funding in an extremely difficult market in the oil and gas sector, and even more so for an emerging company, was an extremely positive development and one that has enabled further growth and development to take place at Austin's world class oil and gas assets in North America.

As noted above, the Company made the decision to divest of its non-core assets where it is not the sole operator and as such has limited control over operational expenditures. Austin firmly believes that complete control over expenditures in the current environment is paramount.

The Company has successfully executed on this strategy with the sale of its Texas Birch property completed for AUD$1.9mil in an all cash deal, and by negotiating the sale of its interest in its Mississippi wells for AUD$1.28mil. Importantly, these asset sales will significantly strengthen the Company's balance sheet and eliminate the Company's debt, placing Austin in the most financially secure position possible during this period of low oil prices. The Board and Management of Austin consider this to be a key priority in the current climate.



The above chart illustrates Austin's aggressive response to the fall in the oil price.
The Company has reduced its G&A expenses in North America by 75% which is in-line with the fall in the price of oil

Down-turns in a sector can also lead to opportunities for well managed and progressive companies. Effective management and successful execution of the above mentioned strategies has enabled Austin

to capitalize on and pursue expansion opportunities at the Company's wholly owned and operated properties in Colorado and Kentucky.

The Company successfully expanded its acreage position in Colorado in July 2015, through the acquisition of a further 3,721 acres which sit directly adjacent to Austin's existing 11,560 acre Pathfinder property.

This acquisition was completed in July 2015 with no cash outlaid for the acquisition and no impact to liquidity nor dilution to shareholders. The acquisition was made possible as the mineral owners, who are native to the Florence area, were impressed by the Company's development of its existing 11,560 acre Pathfinder property, and the value that it has added to this asset. This value was added through the Company's strong safety and environment culture, along with the extensive engineering and drilling, 3D seismic, surface geochemistry and geologic and geophysics work undertaken.

This was a significant development for the Company as it now controls 100% of 15,281 acres with no depth limitations in the DJ Basin, a region that is recognized as one of the top three oil producing basins in North America.

Further, Austin is pleased to report that it is pursuing several potential opportunities to expand its acreage position at its Kentucky business unit, at no-cost, where local land and mineral owners have once again been impressed by the Company's management of its existing operations.

Austin was very pleased to announce that drilling operations had commenced in Colorado at the Company's C18#2 well at Pathfinder. This well is targeting the oil rich Pierre Shale formation, following an extensive high definition geophysical 3D seismic survey undertaken by Austin in section 18 of this highly prospective project. The property, consisting of 15,282 acres sits directly over the DJ Basin (one of North America's most prolific oil and gas producing basins), is large enough to accommodate more than 350 wells in the Pierre formation.

Austin's strategic low cost drilling program at Pathfinder was considerably advanced through the Company recently securing a low cost comprehensive drill rig fleet agreement from Math Energy Drilling LLC (ASX 9 November 2015). Under this ongoing agreement, Austin has exclusive use of a comprehensive range of equipment, including an Atlas Copco RD20 Range 3 drill rig, for a flat monthly rate for an initial 12 month period.

With this agreement in place, Austin is in the unique position of being able to economically drill and complete a Pierre well for approximately $500k. A commercial oil discovery in the Pierre formation would provide a significant boost to cash flows and unlock a significant amount of untapped value in this world class oil and gas property, while considerably further de-risking Austin's strategic investment.

The Board and Management of Austin remain more committed than ever to ensuring prudent and disciplined management and guidance of the Company through the development of its low cost properties in Colorado and Kentucky. The Company is in a unique position of having low cost and high impact oil and gas prospects that remain highly economic in a low oil price environment.

BUSINESS UNIT REPORTS

COLORADO BUSINESS UNIT

VP & General Manager
Mr. Aaron Goss
Austin is the Operator

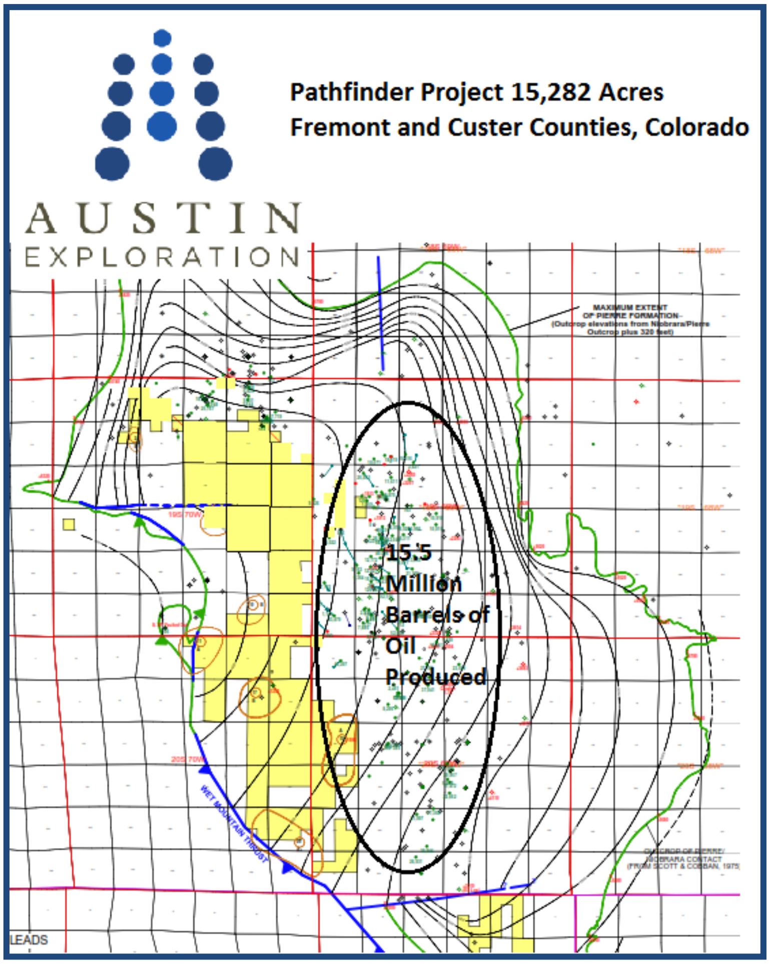
- **Pathfinder Project, Fremont County, Colorado**
- **100% Working Interest in 15,282 acre property in the DJ Basin**
- **Primary hydrocarbon targets: Niobrara Shale & Pierre Shale**
- **Secondary Targets: Codell, Greenhorn, Grenaros and Dakota**
- **Drilling of Austin's C18#2 well targeting production from the Pierre formation has commenced**
- **First Company to successfully drill and complete a Niobrara Horizontal in Freemont County with 403 BOEPD IP in 2012**

Colorado Business Unit Highlights:

- Drilling of the C18#2 well targeting oil production from the Pierre formation has commenced
- Drilling of the initial 100ft conductor section of the well is progressing well and has been halted in observance of Colorado State Wildlife regulations which prohibit ground disturbance due to elk breeding in the winter months
- Drilling will recommence in April
- Well satisfies lease commitments for full acreage retention
- Company secures Atlas Copco RD20 Drill Rig and all associated machinery through a strategic low cost drilling rig rental agreement
- A dedicated drill rig rental agreement at Austin's Pathfinder property significantly reduces ongoing development costs and increases operational efficiencies
- State-of-the-art "zig-zag" high definition 3D seismic program was successfully completed which has identified several high grade exploration targets and further de-risked Austin's property

- Austin's property is directly adjacent to the Florence oil field which has produced approx. 16 million barrels of oil from the Pierre formation
- Pierre wells remain highly economic in the current low oil price environment

The Pierre formation is a naturally fractured shale that is found at shallow depths of approximately 4000ft – wells drilled into the formation do not require hydraulic fracturing



The above map illustrates Austin's 15,282 acre property highlighted in yellow. The Pathfinder property sits directly adjacent to an area in Fremont County that has produced approx. 16 million barrels of oil from the Pierre formation. Austin's acreage was previously held by coal and gold mining companies and Austin believes its oil and gas reserves remain in virgin territory

EASTERN BUSINESS UNIT (KENTUCKY & MISSISSIPPI)

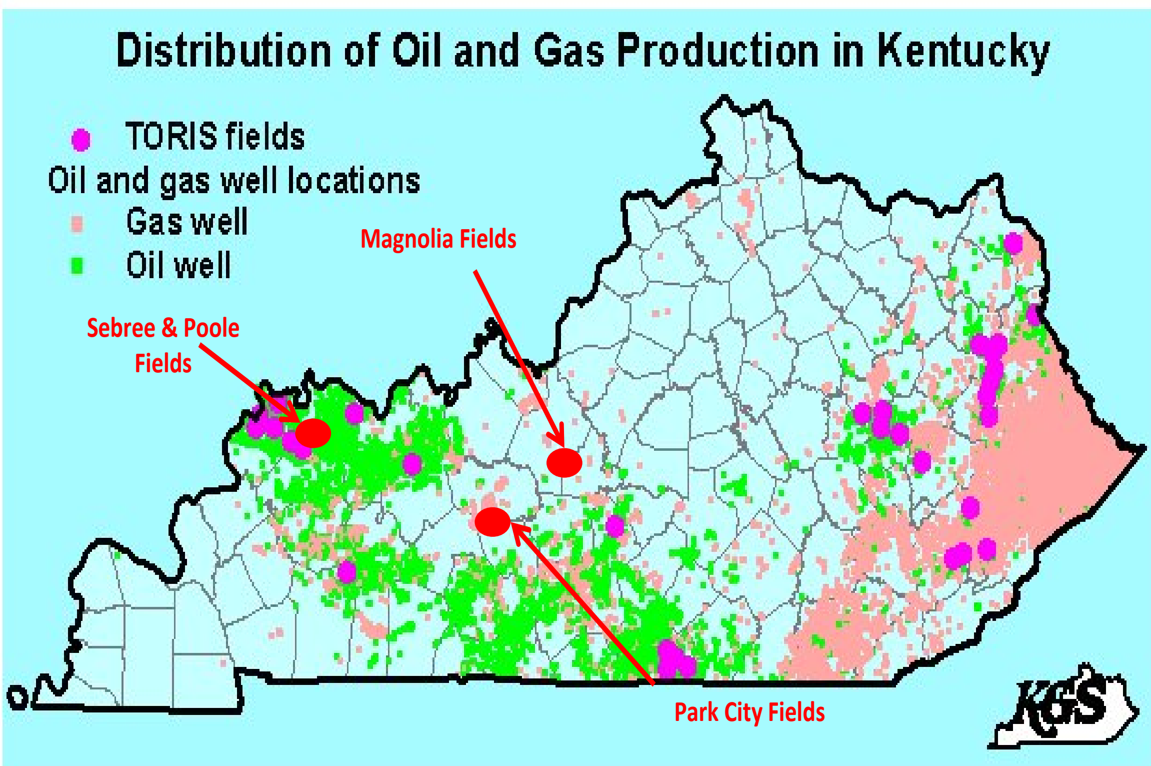
Mr. Timothy B. Hart

Chief Operating Officer
Austin is the Operator in Kentucky

Kentucky Exploration LLC. Approx. 4000 acre 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
- Conventional reservoir objectives and vertical drilling
- Continual engineering program underway designed to maximise production and operating efficiencies
- The Company's low cost, high impact drilling program in Kentucky provides an excellent source of cash flow while minimizing the costs of all of Austin's operations

- Leases with high operational expenses and high water haulage, electricity and chemical programs have been put on idle until the price of oil recovers
- 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



The map illustrates Austin Exploration's leases in Kentucky. Kentucky Exploration LLC (Austin Exploration's wholly owned subsidiary) is operating approximately 4000 acres in Kentucky.

Mississippi Oil Properties:

- **Austin has a 50% interest in 5 producing wells in Adams County, Mississippi**
- **Conventional reservoir objectives and vertical drilling**
- **The Company has accepted an all cash offer to sell its interest in its wells for AUD$1.28mil**
- **This is consistent with the Company's strategy of monetizing properties where the Company has a minority interest and is not the operator**

TEXAS BUSINESS UNIT

VP & General Manager:
Mr. Aaron J. Goss

- **Birch Eagle Ford Project, Burleson County, Texas**
- **The Company has agreed to a sale of this property for $AUD1.5mil (USD$1.05mil)**
- **Yolanda Dual Austin Chalk Well. Dimmitt County, Texas**

- **Working Interest 36%, NRI = 27.6%**
- **Well drilled and completed in 2010. Initial Production rate = ~ 300 BO**

WORKPLACE AND ENVIRONMENATAL SAFETY

The Board of Austin is pleased to report that there were no safety or phase one environmental incidents over the past year. With 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.

INDEPENDENT CONSULTANT'S ANALYSIS

The independent oil and gas reserves and resources report below was completed and updated in 2014 by Gustavson Associates Inc., a worldwide leader in independent oil and gas reserve and resource evaluations. (It should be noted that this evaluation does not include additional acreage that has subsequently been acquired at Austin's Pathfinder Project in Colorado.)

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

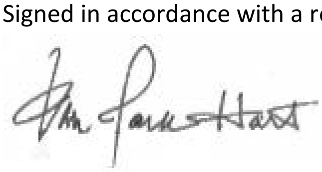
Austin Exploration's Net Contingent Resources						
Projects	Oil Resources			Solution Gas Resources		
	MMBbl (Million Barrels)			BSCF(Billion cubic feet)		
	P_{90}	P_{50}	P_{10}	P_{90}	P_{50}	P_{10}
Texas	0.780	1.606	3.250	4.470	9.209	18.590
Colorado	15.453	20.255	26.614	14.909	19.236	25.124
Kentucky	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 13 of the financial report.

Signed in accordance with a resolution of the Board of Directors



Dr. William Mark Hart
Chairman
Dated this 15th day of March 2016

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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 2015, 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, 15 March 2016

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2015

	Note	Consolidated Group 31 Dec 2015 $	31 Dec 2014 $
Revenues			
Revenue	2	550,010	1,299,903
		550,010	1,299,903
Expenses			
Lease operating expense		(290,765)	(216,661)
Employee benefits expense		(375,182)	(960,621)
Share based payment expense		(137,300)	-
Depreciation and amortisation expense		(1,016,006)	(1,016,449)
Professional fees		(419,851)	(447,357)
Other expenses		(256,737)	(464,015)
Travel and accommodation expense		(48,115)	(162,391)
Loss on Sale/Disposal of Asset		(25,650)	-
Exploration expenditure written off		-	(8,980,779)
Impairment expense	6	(3,062,148)	(8,419,832)
		(5,631,754)	(20,668,105)
Joint venture contribution		(198,235)	(1,416,898)
Profit / (Loss) before income tax expense		(5,279,979)	(20,785,100)
Income tax expense		-	-
Profit / (Loss) from continuing operations		(5,279,979)	(20,785,100)
Profit / (Loss) for the period		(5,279,979)	(20,785,100)
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)
Exchange rate differences on translating foreign operations		682,896	5,195,325
Total comprehensive income profit / (loss) for the period net of tax		(4,597,083)	(17,365,631)
Basic earnings per share	12	($0.0155)	($0.0761)
Diluted earnings per share	12	($0.0155)	($0.0761)

Notes to the financial statements are included on pages 18 – 26

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	Consolidated Group 31 Dec 2015 $	30 June 2015 $
CURRENT ASSETS			
Cash and cash equivalents		105,976	1,870,086
Trade and other receivables		49,841	133,846
Available for sale financial assets	4	-	38,577
Other current assets		2,990	11,961
Non-current assets held for sale	3	1,441,545	-
TOTAL CURRENT ASSETS		1,600,352	2,054,470
NON-CURRENT ASSETS			
Investments accounted for using the equity method		1,523,769	1,636,569
Property, plant and equipment		207,631	352,216
Development and producing assets	5	1,187,489	3,688,047
Exploration and evaluation assets	5	7,041,225	6,331,552
Other non-current assets		51,393	1,674,147
TOTAL NON-CURRENT ASSETS		10,011,507	13,682,531
TOTAL ASSETS		11,611,859	15,737,001
CURRENT LIABILITIES			
Trade and other payables		504,446	523,776
Financial liabilities		1,725,263	1,958,850
TOTAL CURRENT LIABILITIES		2,229,709	2,482,626
NON-CURRENT LIABILITIES			
Other long term liabilities		77,523	73,740
TOTAL NON-CURRENT LIABILITIES		77,523	73,740
TOTAL LIABILITIES		2,307,232	2,556,366
NET ASSETS		9,304,627	13,180,635
EQUITY			
Issued capital	8	70,118,601	69,510,026
Reserves		10,392,137	9,596,741
Retained earnings / (Accumulated Losses)		(71,206,111)	(65,926,132)
TOTAL EQUITY		9,304,627	13,180,635

Notes to the financial statements are included on pages 18 -26

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2015

	Consolidated Group	
	31 Dec 2015 $	31 Dec 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	647,585	1,225,541
Payments to suppliers and employees	(1,219,355)	(1,882,948)
Interest received	562	3,854
Interest paid	(38,166)	-
NET CASH USED IN OPERATING ACTIVITIES	(609,374)	(653,553)
CASH USED IN INVESTING ACTIVITIES		
Payments for JV Investment	(121,048)	(819,411)
Payments for fixed assets	(6,717)	(1,805)
Payments for exploration expenditure	(471,787)	(2,844,720)
Payments for development expenditure	(823,140)	(142,105)
Receipts for sale of fixed assets	67,905	-
NET CASH USED IN INVESTING ACTIVITIES	(1,354,787)	(3,808,041)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	230,511	1,425,174
Repayment of borrowings	(567,093)	(1,034,306)
Proceeds from the issue of ordinary shares	611,462	2,394,915
Transactions Costs	(200,386)	(615,911)
NET CASH USED IN FINANCING ACTIVITIES	74,494	2,169,872
Net (decrease) increase in cash held	(1,889,667)	(2,291,722)
Cash at beginning of period	1,870,086	3,328,397
Foreign Currency movement	125,557	506,197
Cash at end of period	105,976	1,542,872

Notes to the financial statements are included on pages 18 – 26

AUSTIN EXPLORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2015

	Issued Capital $	AFS Financial Asset Reserve $	Performance Rights Reserve	Foreign Currency Reserve $	Retained Profits / (losses) $	Total $
BALANCE AT 1 JULY 2015	69,510,026	-	112,500	9,484,241	(65,926,132)	13,180,635
Issue of share capital	623,258	-	-	-	-	623,258
Transaction costs	(14,683)	-	-	-	-	(14,683)
Performance rights	-	-	112,500	-	-	112,500
Profit or loss	-	-	-	-	(5,279,979)	(5,279,979)
Other Comprehensive Income	-	-	-	682,896	-	682,896
BALANCE AT 31 DECEMBER 2015	70,118,601	-	225,000	10,167,137	(71,206,111)	9,304,627
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

Notes to the financial statements are included on pages 18 – 26

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 2015, 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 2015 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 2015 $	**31 December 2014 $**
Sale of oil and gas	549,447	1,296,049
Interest received	563	3,854
Total	**550,010**	**1,299,903**

NOTE 3 – SALE OF PRODUCING ASSETS

The Company entered into an agreement in February 2016 (effective 1 December 2015) in which the Company's Birch Eagle Ford property in Burleson County was sold to EnSightIV Energy Partners, LLC for USD $1,050,000. In connection with the sale, the Company impaired the Texas assets as of 31 December 2015 down to its sale price and has been reclassified to non-current assets held for sale. See Note 5. The sale settled in February 2016. Proceeds were used to strengthen Austin Exploration's balance sheet and pay down its reserves based line of credit significantly reducing the Company's debt profile and placing it in a more financially secure position.

NOTE 4 – AVAILABLE FOR SALE FINANCIAL ASSET

	CONSOLIDATED GROUP	
	31 December 2015 $	30 June 2015 $
Crestal Petroleum LTD		
Investment at acquisition date	1,750,000	1,750,000
Impairment Loss	(1,750,000)	(1,750,000)
Closing Investment	-	-
Lanstead Capital LLC		
Investment at acquisition date	3,836,487	3,836,487
Converted to cash	(720,844)	(720,844)
Impairment loss	(3,115,643)	(3,077,066)
Closing Investment	-	38,577
Total	**-**	**38,577**

Austin Exploration Limited received 19,776,020 shares in Crestal Petroleum LTD (formerly Tellus Resources) that 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 unless impaired. The investment was fully impaired in 2015 due to Crestal Petroleum going into administration. Crestal Petroleum is now out of administration but trading is still suspended.

Austin Exploration Limited secured a cornerstone investor, Lanstead Capital LLC (“Lanstead”). Lanstead acquired 64,900,000 shares in the Group under an equity swap arrangement. As consideration for these shares, Austin received monthly payments for six months. Cash receipts were measured against the benchmark price of $0.102 per share based on a five day volume weighted average price (VWAP) and the payment was adjusted accordingly. The Lanstead investment was impaired at 30 June 2015 to reflect actual cash received and the balance of the final payment to be received. The final cash payment was received in July 2015.

The equity instruments are held as an available for sale financial asset. In accordance with AASB 13, the Company has classified these investments as level 2 financial assets.

NOTE 5 – EXPLORATION, DEVELOPMENT AND PRODUCING ASSETS

Movement in Exploration and Evaluation Expenditure Capitalised

	CONSOLIDATED GROUP	
	31 December 2015 $	**30 June 2015 $**
Balance at beginning of year	6,331,552	34,488,359
Additions	387,138	2,154,679
Exchange rate difference	322,535	5,284,193
Disposals	-	-
Reclassification to Development and Producing Assets	-	(17,385,186)
Write down	-	(18,210,493)
	7,041,225	**6,331,552**

Movement in Development and Producing Assets

	CONSOLIDATED GROUP	
	31 December 2015 $	**30 June 2015 $**
Balance at beginning of year	3,688,047	1,594,272
Reclassification from Exploration and Evaluation Expenditure	-	17,385,186
Additions	828,673	2,033,253
Exchange rate difference	204,471	(9,713)
Amortisation expense	(964,999)	(2,016,310)
Texas asset reclassified to Asset Held for Sale	(1,441,545)	-
Impairment	(1,127,158)	(15,298,641)
	1,187,489	**3,688,047**

The company entered into an agreement in February 2016 (effective 1 December 2015) to sell its Texas producing assets. See Note 3. The Texas asset was impaired by AUD $1,127,158 to reduce the asset to its sale amount. See Note 6 regarding impairments. The asset was reclassified as a non-current asset held for sale as of 31 December 2015. The sale settled in February 2016.

NOTE 6 – IMPAIRMENT CHARGE

At each period end, the Directors' review the carrying values of the company's 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 period end, 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 impaired its assets accordingly. During the six months ended 31 December 2015, an AUD $1,127,158 impairment was made to the company's Texas producing assets to reduce their value to the Birch Eagle Ford property sale price. No impairment was determined necessary to its remaining Colorado and Kentucky exploration, development and producing assets at 31 December 2015. The sale of Mississippi assets agreed to in February 2016 (see Note 14) is in excess of its book value so no impairment is necessary.

In addition, the loan receivable from JV investment Kentucky Exploration LLC was impaired by AUD $1,934,990 to $0 as the Company's joint venture may not be able to repay this loan.

NOTE 7 –OPERATING SEGMENTS

Segment Information

(i) Segment Performance

	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2015	Total
	Australia	US Subsidiary	US Joint Venture	
	$	$	$	$
Total segment revenue	527	549,483	-	550,010
Segment net (loss)/profit before tax	(428,926)	(4,652,818)	(198,235)	(5,279,979)

	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
Segment net (loss)/profit before tax	(2,208,378)	(17,159,824)	(1,416,898)	(20,785,100)

(ii) Segment Assets

	Australia 31 December 2015 $	USA 31 December 2015 $	Total 31 December 2015 $
Segment Assets	48,902,680	11,512,211	60,414,891
Inter segment elimination	(48,803,032)	-	(48,803,032)
	99,648	**11,512,211**	**11,611,859**

	Australia 30 June 2015 $	USA 30 June 2015 $	Total 30 June 2015 $
Segment Assets	48,636,782	15,473,921	64,110,703
Inter segment elimination	(48,373,702)	-	(48,373,702)
	263,080	**15,473,921**	**15,737,001**

(iii) Segment Liabilities

	Australia 31 December 2015 $	USA 31 December 2015 $	Total 31 December 2015 $
Segment Liabilities	57,699	79,717,456	79,775,155
Inter segment elimination	-	(77,481,050)	(77,481,050)
	57,699	**2,236,406**	**2,294,105**

	Australia 30 June 2015 $	USA 30 June 2015 $	Total 30 June 2015 $
Segment Liabilities	83,949	75,782,802	75,866,751
Inter segment elimination	-	(73,310,385)	(73,310,385)
	83,949	**2,472,417**	**2,556,366**

NOTE 8 – ISSUED CAPITAL

Ordinary Shares

6 months to 31 December 2015	**Number**	**$**
As at 1 July 2015	332,607,790	69,510,026
Issue of 41,550,565 shares @ 0.015 per share	41,550,565	623,258
Less: Costs of Capital Raising	-	(14,683)
At 31 December 2015	**374,158,355**	**70,118,601**

6 months to 31 December 2014	**Number**	**$**
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)
At 31 December 2014	**327,862,790**	**68,944,481**

During the six month period to 31 December 2015, final shares were issued to Lanstead for the share purchase plan initiated in late 2014. Additional shares were issued to current shareholders through the company 2:3 rights issue at 1.5 cents per share that came with a 1:2 attaching listed 2 year option at 3 cents per share.

Options

6 months to 31 December 2015	**Number**
As at 1 July 2015	0
- Listed Options	19,689,493
At 31 December 2015	**19,689,493**

No options were issued or outstanding from the period from 1 July 2014 through 31 December 2014.

NOTE 9 – 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 AUD $5,878. Mr. Mark Hart is a director of Math Energy 1 LLC.

During the period the Group utilised the services of Math Energy Drilling for the provision of drilling services below commercial rates. To the reporting date the costs of these services was AUD $45,754. Mr. Mark Hart is a director of Math Energy Drilling.

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 AUD $29,524 (excluding GST). Mr. Lonny Haugen is the President of CFO Colorado Accounting & Tax Services.

NOTE 10 – CONTINGENT LIABILITIES

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

NOTE 11 – 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 Crestal Petroleum are valued using Level 2.

NOTE 12 – EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	31 December 2015 $	**31 December 2014 $**
Net loss attributed to ordinary equity holders	(5,279,979)	(20,785,100)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	340,121,043	272,965,858
Basic Earnings per share	($0.0155)	($0.0761)
Diluted Earnings per Share	($0.0155)	($0.0761)

The options held by option holders have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options are non-dilutive as the consolidated entity is loss generating.

NOTE 13 – GOING CONCERN

The financial report has been prepared on the basis of a going concern. The Group had net cash outflows for the six months ended 31 December 2015 of AUD $1,889,667 and a closing net debt position of AUD $1,619,287.

The Group's ability to continue as a going concern is contingent upon successfully raising additional capital, the sale of assets, and successful drilling activities. If the company is not successful in these matters, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

The Company was in default of its debt facility covenants as of 31 December 15. The bank has provided the Company with a waiver to allow for covenant default at this date. The breach was caused by a deterioration in the operating environment largely due to the decrease in oil price. All debt is planned to be extinguished in April 2016. The recent sale of assets in Texas and the anticipated sale of Mississippi assets in 2016 (see Note 14 below) will provide cash for ongoing operations as well as reduce outstanding debt and curing debt covenant compliance.

The Magna funding agreement (see Note 14 below) will allow for the funding of drilling efforts in Colorado. Assuming favorable drilling results in Colorado, cash flow should be sufficient for normal operating costs as well as to continue the ongoing drilling efforts in Colorado.

Significant, proactive progress continues to be made by management related to implementation of austerity measures through the company. Since the price of oil began dropping, costs have been reduced by as much as 70%. As a result, incoming monthly cash flow appears to be sufficient to meet monthly ongoing expenditures/needs, including lease operating costs and general administrative costs.

NOTE 14 – EVENTS OCCURRING AFTER THE REPORTING DATE

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

- On 4 February 2016, the Texas sale disclosed in Note 3 settled.
- On 1 February 2016, Austin exploration released an announcement on the ASX related to the funding agreement that would advance a high impact drilling program in Colorado. The AUD $1,090,000 convertible note facility was provided by New York investment firm Magna and represented a major vote of confidence in the Group's strategy and assets. Terms of the agreement included USD $275,000 available immediately, $75,000 after 45 days, with the balance of funds subsequently available over 12 months with drawdowns up to $25,000 every 90 days.
- In January 2016, a decision to sell the Mississippi assets was made by the Board. On 29 February 2016, Austin Exploration released an announcement on the ASX related to the sale of the Mississippi property. The all-cash deal was for AUD $1,280,000 with closing to occur within 45 days. The sale was part of the strategy of developing low cost oil fields with conventional oil targets and eliminating the risk of the Company's debt burden. As reported, the Company made the decision to divest of its non-core assets in Texas and Mississippi where it is not the operator and has a minority interest in these properties. Upon closing of the sale in Mississippi, the Company will have extinguished all of its debt.

DIRECTOR'S DECLARATION

The directors of the Group declare that:

1. The financial Statements and Notes, as set out on pages 18 to 26 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 2015, 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.

William Mark Hart
Chairman
Dated this 15th day of March 2016

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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 2015, 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 2015 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.

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 2015 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.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 13 to the interim financial report which notes net cash outflows of $1,889,667 and a closing net debt position of $1,619,287 for the period ended 31 December 2015. This condition, along with other matters set forth in Note 13, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B. L. Taylor
Partner - Audit & Assurance

Melbourne, 15 March 2016