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 June 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A	Year to date (12 months) $A
1.1	Receipts from product sales and related debtors	390,041	1,442,789
1.2	Payments for (a) exploration & evaluation	(1,266,274)	(19,231,866)
	(b) development		
	(c) production	(334,805)	(1,346,565)
	(d) administration	(541,706)	(1,851,325)
1.3	Dividends received		
1.4.	Interest and other items of a similar nature received	5,198	141,568
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,747,546)	(20,845,399)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(11,663)	(68,176)
	(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)	(75,719)	(99,685)
	Net investing cash flows	(87,382)	(167,861)
1.13	Total operating and investing cash flows (carried forward)	(1,834,928)	(21,013,260)

1.13	Total operating and investing cash flows (brought forward)	(1,834,928)	(21,013,260)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,540,400	1,540,400
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	-	(63,866)
1.18	Dividends paid		
1.19	Other (Capital Raising Costs and OTCQX listing)	(60,426)	(66,200)
	Net financing cash flows	1,479,974	1,410,334
	Net increase (decrease) in cash held	(354,954)	(19,602,926)
1.20	Cash at beginning of quarter/year to date	1,272,957	21,090,510
1.21	Exchange rate adjustments to item 1.20	102,787	(466,794)
1.22	**Cash at end of quarter**	1,020,790	1,020,790

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	263,641
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

CONTRACT FEES TO DIRECTORS AND OFFICERS

Non-cash financing and investing activities

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A	Amount used $A
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A
4.1	Exploration and evaluation	125,000
4.2	Development	-
4.3	Production	75,000
4.4	Administration	525,000
	Total	**725,000**

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	970,790	1,222,957
5.2	Deposits at call	50,000	50,000
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	1,020,790	1,272,957

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	1,613,195,471	1,613,195,471	Nil	Nil
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	96,275,000	96,275,000	0.016	0.016
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	**Options** *(description and conversion factor)*	964,612,235 "2013" I Class Listed Options 2,000,000 "2013" K Class Options		*$0.055* *$0.055*	*Expiry date* *06/07/2013* *12/12/2013*
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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: Lonny Haugen Date: 30/07/2013
(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.

AUSTIN EXPLORATION

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

Fourth Quarter Report FY2013

For the three months ended

June 30, 2013

with additional information on subsequently completed activities

OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited ("Austin" or "the Company") (ASX:AKK) maintains working interests and net revenue interests in four proven oil and gas provinces in the United States.

No lost time safety accidents or environmental incidents occurred during the fourth quarter, keeping the Company's unblemished safety and environmental record intact. Austin is the operator of its Texas, Colorado, and Kentucky operations.

Much of the Company's focus for the past quarter, to June 30, has been on progressing farm-out programs at Austin's two core oil and gas properties in Colorado and Texas. Some of these have been completed since the end of the quarter and are included in this report for the purpose of clarity. The Company has continued to manage and maintain levels of oil and gas production at its 3 business units in Colorado, Kentucky & Texas/Mississippi.

CORPORATE STRATEGY

With the rapid technological advancements being applied in oil fields across the US, the "shale revolution" is still only in its infancy. In early 2011, Austin acquired properties in two of the most prolific oil and gas producing shale areas in the United States – Eagle Ford in Texas and Niobrara in Colorado. Our strategy intends to capitalise on Austin's market advantage: its geological expertise and ability to identify prime prospective opportunities which can then be developed by partners with capital and development expertise, using the following approach:

1. Establish a world class team to be able to "work-up" prospective assets that promise significant shareholder returns
2. Low entry (price per acre) costs by targeting perceived "frontier" or underexplored areas that were on trend to current "hot spots" in the shale gas window
3. Retain high Working/Net Revenue Interests and operatorship so as to be in control of farm-out/sale process

In advancing this strategy during the past year Austin has drilled >65,000 feet, across 9 wells, and has confirmed hydrocarbons in every well.

With this 100% exploration success rate and early foothold in the shale oil and gas revolution Austin is well positioned to add significant shareholder value through exposure to a multi-well shale oil drilling campaign.

CORPORATE ACTIVITIES

The Company has reported significant progress on the farm-out and due-diligence processes for the Texas and Colorado farm-out programs. As has been announced to the ASX, the potential farm-out program consists of four free-carried wells in Texas and two free-carried wells in Colorado with an implied economic benefit in excess of $75 million to Austin from potential production and removal of capital costs of drilling obligations. Within this program, Austin has signed a farm-out Agreement with Halcon Resources covering drilling of the next 3 horizontal wells on the Texas Birch property. Under the Agreement Halcon will earn a 70% interest in the Birch project, with Austin to retain 30%. Austin will also receive a $1.9 million upfront payment for an 18 month exclusive drilling option during which time the farm-out wells must be drilled. Also included in the sale is a 70% interest in Austin's B1 Krueger and B3 Schwartz Galbreath wells and associated acreage. Due-diligence for the purchase of these wells is expected to be completed in August 2013.

These farm-out programs across Texas and Colorado will ensure that all near term drilling requirements are met ensuring full retention of the Company's acreage at these properties. Importantly, this can be achieved without raising significant capital to fund ongoing drilling commitments.

Due to the Company's first horizontal Niobrara well producing large volumes of both oil and gas (IP Rate of 403 BOEPD), Austin announced to the ASX on the 7th of May 2013 that it had entered into a Heads of Agreement (HOA) with Mercator Energy, a gas brokerage company based in Denver, to manage the rapid development and sale of gas from the Company's Pathfinder Niobrara project in Colorado. Currently the well is capable of producing approx. 1MMCF – 1.5 MMCF which, at today's gas prices, equates to approximately $150,000 of revenue that needs to be captured. Steady progress is being made on this project with the formal tender process for construction underway. Under this HOA Austin would sell its gas at the well-head in exchange for exclusive rights for sales and distribution of the natural gas produced at the Pathfinder project. Under the HOA, Mercator would gather, market and purchase the gas produced in the Pathfinder Field.

Austin announced in May that it sold its 50% Interest in the PEL 105 block to ASX-listed Tellus Resources. Under the terms of the agreement, payment of $1.25 million is due to Austin on the 30th of September 2013. As an alternative, Austin may receive shares in Tellus to the value of $1.75 million. The Company continues to have confidence in the potential of this block but believes that concentrating its efforts and financial resources in the United States represented a superior investment for shareholders.

Austin looks forward to closing the various farm-out opportunities, increasing oil production and continuing to drive value for the Company and its shareholders. The Company will update the market as to material progress as it occurs.

OPERATIONS

Fremont County, Colorado

Pathfinder Niobrara Project

- AKK has an 85% interest in approximately 11,560 acres at its Pathfinder Project in the Denver-Julesburg (DJ) Basin
- VP & General Manger: Ms Ola Akrad

- Primary Objective is the Niobrara shale

On the back of Austin's successful 2012 exploration program at the Pathfinder project, the potential of the Niobrara in this part of the Southern DJ Basin has started to attract significant interest from the industry, both locally and globally.

ASX-listed Incremental Oil & Gas (ASX:IOG) announced in June that it had begun the permitting process to drill 4 horizontal Niobrara wells in the adjoining acreage to Austin's Pathfinder project in the Florence oil field.

As was announced to the ASX in August 2012, Austin was the first company to successfully drill a horizontal well into the Niobrara shale in this part of the Southern DJ Basin. Upon completion of drilling, a series of electronic logs were run and an extensive geologic and geophysic analysis was completed. This analysis was completed by the Company's engineering team in consultation with a team of DJ Basin Niobrara shale experts. In consultation with these experts which included geologists, geophysicists and petroleum engineers the log results appear to be comparable to, if not better than, two of the most productive wells in the major oil and gas producing Wattenberg Field, located approximately 100 miles to the North in the DJ Basin.

The Pathfinder C11-12 1 Hz well, Austin's first horizontal Niobrara well, flowed at initial rates of 403 BOEPD. Since then work has commenced to install a gathering, processing and marketing solution for the gas that has been discovered in the field. The Company made the decision to keep uneconomic flaring to a minimum, as at today's NYMEX gas prices the well is capable of producing approx. $150,000 per month worth which needs capturing.

Austin Exploration has initiated and progressed three major commercial programs designed to maximise production, revenue and the value of the Pathfinder field:

1) <u>Mercator Energy to provide gather, process, market and sell gas</u>: In May 2013 the Company announced that it had executed a Heads of Agreement with Colorado-based Mercator Energy who would manage the project and facilitate the gathering, processing and marketing of the gas being produced at the Pathfinder project. Good progress has been made with the formal bidding process for vendors to quote of construction, trenching and installation of the pipeline system underway.

2) <u>Signed a Letter of Intent for a $12 million 30% drill-to-earn farm-out program</u>: The Company has entered into a Letter of Intent to farm-out 30% of the project. Under the proposed agreement the farmee will fund 100% of Austin's drilling costs for the next two Niobrara horizontal wells that will be capped at $12 million. This program would meet Austin's primary 5 well Niobrara drilling commitments on this project and secure the Company's 11,560 acreage position in this field.

   Due to the extreme bush fire conditions being experienced in Southern Colorado, a fire ban has been imposed causing the well to be shut in for much of the past 45 days. This county had 520 homes burn which was highlighted in the news. As such, both companies have agreed to an extension to the Letter Of Intent to enable for proper due-diligence on production capabilities to be completed.

3) Buy-out of third commitment Niobrara horizontal well:

The Company successfully negotiated a buy-out with the project's lessor on the third commitment well which was required to be spud by June 30. This was an important agreement for Austin as it affords the Company the necessary time to complete the gas gathering, processing and marketing ahead of the next Niobrara well to be drilled at Pathfinder.

Burleson County, Texas

Birch Eagle Ford Project

- AKK will retain a 30% Working Interest in the 5000 acre Texas Birch Prospect, following Farm-out Agreement with Halcon Resources
- VP and General Manager: Mr. Aaron Goss

As announced to the ASX on 30 July 2013, the Company has entered into a Farm-out Agreement with Halcon Resources to farm-out 70% of approximately 4221 acres. Under the Farm-out agreement Halcon will carry Austin for 100% of the drilling costs for the next 3 horizontal Eagle Ford wells with approximate drilling costs estimated to be USD $24 - $27 million ($8M - $9M per well).

Kentucky & Mississippi

Kentucky Exploration LLC

- AKK holds a 50% working interest in a Joint Venture project covering approximately 3000 acres (1000 acres under option) in Kentucky
- General Manager: Mr. Timothy Hart

The Company is pleased to report that work has begun at the Company's Tapp lease in Kentucky to drill 2 low cost, shallow vertical exploration wells. Under Timothy Hart, the Company's General Manager for Kentucky, the Company has boosted production from 0.7 BOPD barrels in 2010 to approximately 20 BOPD in 2013. Should the Tapp drilling campaign be successful, the Company aims to boost production to 30 – 40 BOPD and provide a further boost to the essential cash flow that the Kentucky Business Unit brings into the Company. Austin operates a 50% owned Kentucky Joint Venture with a private Australian investment company.

Adams County, Mississippi

- AKK has a 50% Interest in an on-going well by well program
- VP & General Manager: Mr. Aaron Goss

These two properties continue to meet the Company's expectations and are performing well, providing essential operating cash flow for the business and allowing for maximum capital to be invested into the ground.