

AUSTIN EXPLORATION LTD

Eagle Ford Drilling Underway

Austin Exploration Limited ("Austin", "AKK", "Company") has provided an update on its US operations. Drilling activity has commenced at its Birch Project targeting the Eagle Ford Shale and an increase in production has been achieved from the Company's Kentucky oil assets.

The Beach Energy Ltd ("BPT") takeover bid for Adelaide Energy Ltd ("ADE") is also significant for Austin as it is partnered with ADE in PEL 105.

Birch Project – Eagle Ford Shale Drilling Underway

The Company has commenced drilling at its Birch Project in Burleson County, Texas. AKK has 4,750 net acres at the project where it plans three vertical appraisal wells prior to drilling a horizontal multi-stage frac well next year. The Krueger #1 well is the first of these appraisal wells, which will provide the Company with additional information on fracture orientation, rock composition and other parameters required to determine the optimal design and location for a horizontal well. Significantly, Austin completed substantial due diligence prior to completing the acquisition of the acreage that confirmed that it is in the oil / wet gas window with production from vertical wells on / nearby confirming oil flow to surface from the Austin Chalk / Eagle Ford formation. We have a risked valuation of 4cps for the project, with upside of 10cps.

PEL 105 – Implications of Beach Takeover of Adelaide

Austin has a 50% working interest in the PEL 105 block, located in the Cooper Basin. The other 50% is held by Adelaide Energy Ltd, which is the subject of a \$94m on market, cash bid by Beach Energy Ltd. We have assumed that the majority of the bid value can be ascribed to the Cooper Basin assets, including PEL 105, for their non-conventional potential. This implies look through value net to AKK for PEL 105 of \$10m-\$15m. The Joint Venture is scheduled to spud the Pirie-1 oil appraisal well, which we now assume will be operated by BPT.

Pathfinder – Niobrara Progressing

Austin also owns 9,741 net acres in the South West of the DJ Basin that are prospective for production from the Niobrara Shale. Historic oil production at the nearby Florence Field, from the Pierre Shale, as well as high resistivity and porosity in a very thick section provide encouragement for commerciality. Results in the Niobrara by others have been mixed; however, we believe that progress is being made and it is only a matter of time before more widespread success is achieved. Drilling at Pathfinder is scheduled for H1 2012. We have a risked valuation for the project of 4cps, with upside potential of 11cps.

Kentucky Oil Production Increase

The Company has announced that it has increased production at its Kentucky Oil Project from 1 barrel per day to greater than 30 barrels per day. Whilst this is not significant in terms of our valuation when compared to the non conventional Eagle Ford and Niobrara projects, it shows the impact that new management and technical staff can have.

Undervalued with Significant Near Term Newsflow

Austin remains undervalued on a fully diluted basis, relative to peers, and has near term newsflow related to drilling at both the Birch Project in the Eagle Ford as well as at PEL 105 in the Cooper Basin. We rate Austin as a Speculative Buy with a 12 month price target of 6.4cps.

Share Price:	\$0.028
12mth Price Target:	\$0.064

Brief Business Description:

Oil and gas appraiser / explorer with core assets in the Niobrara and Eagle Ford Shale onshore USA.

Hartleys Brief Investment Conclusion

5 wells in next 9 months could prove non conventional value potential of up to 60cps.

Chairman & CEO:

Dr William Mark Hart (Chairman)
Mr Guy Thomas Goudy (Managing Director)

Top Shareholders:

ASSAM COMPANY INDIA LTD (4.2%)
MR JULIAN ALBERTO RAMIREZ (4%)
MR LEIGH DAVID KALAZICH (2.7%)

Company Address:

Level 1, 160 Queen St
Melbourne, VIC, 3000

Valuation:	\$0.11
Issued Capital:	591.2m
- fully diluted	962.2m
Market Cap:	\$16.6m
- fully diluted	\$26.9m
Cash (30 Sep '11):	\$2.9m
Debt (30 Sep '11):	\$0.0m

Valuation Summary

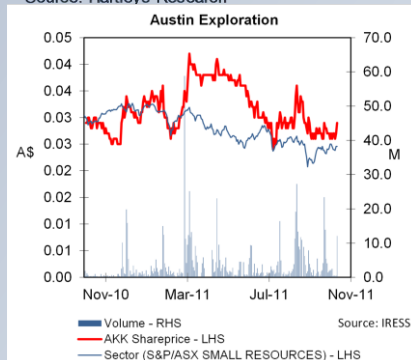
	Value(\$m)	Value (cps)	Unrisked Value (cps)
Pathfinder @ 10%*	\$41.0m	0.04	0.11
Birch @ 10%*	\$39.3m	0.04	0.10
Other Assets	\$14.5m	0.02	0.02
Cash	\$2.9m	0.00	0.00
Debt	\$0.0m	-	-
Corp Admin	-\$16.3m	-0.02	-0.02
Options	\$21.7m	0.02	0.02
	\$0.0m	-	-
Total	\$103.2m	0.11	0.23

*NPV discounted by 60%

Prospective Shale Acres	14,491
EV / acre	\$ 942

Prospective Resource (mmbx)	25.0
EV / Resource (\$/mmbx)	\$0.96

Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Austin Exploration. See disclosure on back page for details. The analyst has a beneficial interest in the shares of Austin.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research Recommendation
Name	Ticker	Last Price*	M. CAP (\$m)	Status	Hartleys Research Recommendation
Resources					
Gold / Precious Metals					
1. Intrepid Mines Limited	IAU	1.16	606	Explorer	Speculative Buy
2. Silver Lake Resources Limited	SLR	3.09	573	Producer	Buy
3. Beadell Resources Limited	BDR	0.805	530	Developer	Accumulate
4. Gold One International Limited	GDO	0.535	432	Producer	No Rating
5. Integra Mining Limited	IGR	0.510	429	Producer	Buy
6. Catalpa Resources Limited	CAH	1.76	312	Producer	Buy
7. Focus Minerals Ltd	FML	0.065	281	Producer	Buy
8. Tanami Gold NL	TAM	1.010	264	Producer	Accumulate
9. Northern Star Resources Ltd	NST	0.585	204	Producer	Buy
10. PMI Gold Corporation Limited	PVM	1.000	200	Developer	Speculative Buy
11. Cerro Resources NL	CJO	0.170	127	Developer / Explorer	Accumulate
12. Papillon Resources Limited	PIR	0.590	122	Explorer	Speculative Buy
13. YTC Resources Limited	YTC	0.440	109	Developer	Buy
14. Augur Resources Ltd	AUK	0.240	43	Explorer	Speculative Buy
15. Cortona Resources Limited	CRC	0.120	26	Developer	Accumulate
16. Emmerson Resources Limited	ERM	0.110	25	Explorer	Speculative Buy
17. Canyon Resources Limited	CAY	0.515	23	Explorer	Speculative Buy
18. Southern Gold Limited	SAU	0.050	12	Explorer	Speculative Buy
19. Geopacific Resources NL	GPR	0.220	8	Explorer	Speculative Buy
Diversified Base / Precious Metals					
20. Independence Group NL	IGO	4.970	1,007	Gold & Base Prod./Dev.	Buy
21. Aviva Corporation Limited	AVA	0.140	23	Gold & Base Explorer	Speculative Buy
22. Ausquest Limited	AQD	0.075	17	Diversified explor	Speculative Buy
Iron Ore					
23. Atlas Iron Limited	AGO	3.110	2,765	Producer	Buy
24. Centaurus Metals Ltd	CTM	0.660	88	Explorer	Speculative Buy
Uranium					
25. Peninsula Energy Ltd	PEN	0.044	94	Developer	Accumulate
26. Impact Minerals Limited	IPT	0.065	8	Explorer	Speculative Buy
Other metals					
27. Kasbah Resources Limited	KAS	0.195	71	Tin Developer	Buy
28. Hazelwood Resources Ltd	HAZ	0.140	37	Tungsten Developer	Speculative Buy
29. Shaw River Resources Limited	SRR	0.140	35	Manganese Developer	Speculative Buy
		Sub-Total	8,472		
Oil & Gas					
Conventional Oil & Gas					
1. Woodside Petroleum Ltd	WPL	34.83	27,628	Major	Buy
2. Nexus Energy Ltd	NXS	0.21	201	Developer / Explorer	No Rating
3. Tap Oil Ltd	TAP	0.68	164	Producer / Explorer	Buy
4. Cooper Energy Ltd	COE	0.39	114	Producer / Explorer	Buy
5. Carnarvon Petroleum Ltd	CVN	0.13	89	Producer / Explorer	Accumulate
6. Otto Energy Ltd	OEL	0.07	79	Explorer / Producer	Buy
7. Pancontinental Oil and Gas NL	PCL	0.12	76	Explorer	Speculative Buy
8. WHL Energy Ltd	WHN	0.06	69	Explorer	Speculative Buy
9. Amadeus Energy Ltd	AMU	0.21	62	Producer / Explorer	Neutral
10. Hawkey Oil and Gas Ltd	HOG	0.28	53	Producer / Explorer	Buy
11. FAR Ltd	FAR	0.03	40	Explorer	Speculative Buy
12. Sun Resources NL	SUR	0.02	14	Explorer / Producer	Speculative Buy
Non Conventional Oil & Gas					
13. Aurora Oil and Gas Ltd	AUT	2.85	1,151	Producer / Developer	Reduce
14. Samson Oil & Gas Ltd	SSN	0.12	200	Developer / Producer	Buy
15. Oilex Ltd	OEX	0.26	66	Explorer / Producer	Speculative Buy
16. Transerv Energy Ltd	TSV	0.02	51	Developer	Speculative Buy
17. European Gas Ltd	EPG	0.23	46	Producer / Explorer	Speculative Buy
18. Austin Exploration Ltd	AKK	0.03	16	Producer / Appraisal	Speculative Buy
		Sub-Total	30,119		
Industrials					
Resource Services - Capital Intensive					
1. Ausdrill Limited	ASL	2.95	889	Contract Drilling	Buy
2. Fleetwood Corporation	FWD	11.63	673	Accommodation	Neutral
3. Mermaid Marine Ltd	MRM	3.09	666	Oil & Gas Services	Accumulate
4. NRW Holdings Ltd	NWH	2.35	655	Contract mining	Buy
5. Macmahon Holdings Limited	MAH	0.61	448	Contract mining	Accumulate
6. Index Ltd	IMD	2.04	417	Drilling Supplies	Buy
7. MACA Ltd	MLD	1.92	288	Contract mining	Buy
8. Matrix Composites &	MCE	2.91	224	Oil & Gas Services	Neutral
9. Pacific Energy Ltd	PEA	0.37	127	Remote Power	Buy
10. Swick Mining Services Ltd	SWK	0.34	79	Contract Drilling	Buy
Resource Services - Labour Intensive					
11. Monadelphous Group Limited	MND	19.53	1,710	Construction	0
12. Decmil Group Limited	DCG	2.14	266	Construction	Buy
13. Lycopodium Limited	LYL	5.99	232	Engineer. & Constr.	Accumulate
14. RCR Tomlinson Ltd	RCR	1.42	187	Engineer. & Constr.	Buy
15. LogiCams Limited	LCM	0.85	57	Engineer. & Constr.	Speculative Buy
Other Industrial Companies					
16. Austal Limited	ASB	2.23	419	Civil and Military	Buy
17. iiNet Limited	IIN	2.54	387	Telecommunications	Buy
18. Amcom Telecommunications	AMM	0.83	198	Telecommunications	Accumulate
19. Cash Converters Internat.	CCV	0.43	172	Unsecured Finance	Buy
20. RedHill Education Ltd	RDH	0.12	3	'For profit' education	Neutral
		Sub-Total	8,098		
		GRAND TOTAL	46,688		

Source: IRESS, Hartleys Research. * 10 Nov 2011

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has completed a capital raising in the past 12 months for Austin Exploration Limited ("Austin") for which it has earned fees. Hartleys has a beneficial interest in 3.75 million options in Austin. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Austin for which it has earned fees and continues to earn fees, which may include options.

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