



AUSTIN EXPLORATION

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

ASX ANNOUNCEMENT

3 December 2014

Austin secures cornerstone investor

- Lanstead Capital L.P. invests AUD\$4.513 million to drive Austin's growth
- Lanstead to provide long-term support and stability to Austin's share register
- Funding agreement allows Austin to fund on-going drilling campaign
- Austin well placed to capitalise on growth opportunities – 300 potential new well locations in existing acreage

The Board of Austin Exploration ("Austin" or "the Company") (ASX:AKK) is pleased to announce that Lanstead Capital L.P. (Lanstead), a UK-based institutional investor, has become a cornerstone investor in Austin via a 19.8% equity investment into the Company.

Securing this investor is an important development for the Company. Lanstead have committed their long term-support for Austin and have agreed to hold the stock for a minimum of two years. Lanstead take at least a two year investment view, providing stability to the register and allowing for stock price appreciation. This placement has no restrictions on Austin pursuing and executing other equity and debt funding initiatives.

Lanstead will invest \$4.513 million into Austin by way of a subscription for 59,000,000 new ordinary shares ("Ordinary shares") (the "subscription shares") at a price of \$0.0765 per share. A value payment in lieu of a cash fee of 5,900,000 shares will be issued to Lanstead. The Company has issued the Subscription Shares pursuant to Shareholder approval gained at the Company's 2014 Annual General Meeting. There are no options attached to this funding agreement.

The proceeds raised will enable the Company to continue its high impact, low capital cost drilling program throughout its North American properties, including the ongoing participation in the highly successful and aggressive Eagle Ford drilling campaign currently underway in Texas. Drilling operations are currently being completed at the Company's sixth well, the Seaducer 1A well, and drilling of a seventh well is scheduled to commence in coming weeks.

As announced to the market on November 3, the Company turned cash flow positive on the back of its Eagle Ford well development program in Texas and its other business units which has led to rapid growth in oil and gas production in 2014.

Austin Exploration Chief Executive Officer and Managing Director Mark Hart said, "We are very pleased to have secured Lanstead as our first cornerstone investor. We have a very busy six months ahead of us with our drilling program in the United States, and we now have the financial flexibility to strengthen our well development program.

"We have worked diligently with Lanstead to structure a finance package that meets our upcoming drilling commitments and allows for additional funding and growth to occur as we bring more wells on-line and substantially ramp up production", Dr Hart said.

Austin also confirms that it has recently cancelled a proposed debt program due to the terms associated with such a debt package. The Company will continue to work on a longer term, larger financing arrangement that delivers the best outcome for shareholders. Austin's North American oil and gas properties are large enough to accommodate more than 300 wells. Further drilling and increases in oil and gas production will lead to a debt package at a competitive rate.

Austin Chief Operating Officer Guy Goudy said "The Company has been looking for a cornerstone investor for the last three years that would take a long term view on Austin. We are transitioning away from an exploration company into a production company with more than 300 possible drilling locations and strong potential for significant growth.

"With this equity package, cash flow and a continued focus on managing Austin's cost base down, the Company is well positioned in the medium term. Like all energy companies, we are keeping a diligent watch on oil and gas prices and the impact that these prices have on our business. Given our low cost base and our rapidly growing production profile we believe the current market will present additional growth opportunities and Austin is well placed to capitalise on these," Mr Goudy said.

Subscription

The Company has entered into Equity Swap Agreements with Lanstead which allows the Company to retain much of the economic interest in the Lanstead Subscription Shares. The Equity Swap Agreement enables the Company to secure much of the potential upside arising from anticipated near term news flow.

The Equity Swap Agreements provide that the Company's economic interest will be determined and payable over the next six months in settlement tranches as measured against a benchmark price of \$0.102 per Share (the "Benchmark Price"). If the measured Share price exceeds the Benchmark Price, for that month, the Company will receive more than 100 per cent of the monthly settlement due. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements. Should the measured Share price be below the Benchmark Price, the Company will receive less than 100 per cent of the expected monthly settlement on a pro rata basis. In no event would a decline in the Share price result in any increase in the number of shares received by Lanstead, or any other advantage accruing to Lanstead.

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ABOUT AUSTIN EXPLORATION:

Austin Exploration is an Oil and Gas Company with a portfolio of oil and gas assets in the United States. In 2010, Austin strategically shifted its core focus towards non-conventional shale exploration and production. The Company has now established a major presence in two of America's most prolific oil and gas basins. Austin controls more than 11,000 acres in Colorado in the Niobrara Shale and has an interest in over 5,000 acres in Texas in the Eagle Ford Shale and the Austin Chalk. Austin has producing oil and gas wells in Colorado, Texas, Mississippi and Kentucky. Austin has built a world class Board and Management team with proven company builders to derive maximum value from its oil and gas properties. Austin is listed on the Australian Securities Exchange (ASX code: AKK) and on the OTC-QX International in the United States (AUN-XY).

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This announcement contains or may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will," "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Oil production rates fluctuate over time due to reservoir pressures, depletion or down time for maintenance. The Company does not represent that quoted production rates will continue indefinitely.

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