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ASX ANNOUNCEMENT

19 September 2016

Pathfinder Project Remains Economic in Low Oil Price Environment

- Pierre formation economical at \$40+ p/bbl – significant upside when prices rise
- Does not require expensive horizontal drilling or fracking
- Drill rig fleet rental agreement allows wells to be drilled for USD\$500k
- Austin's 15,773 acre property large enough to support 390+ Pierre wells with long term and large scale development program

The Board and Management of **Austin Exploration Limited (ASX: AKK) (Austin or the Company)** are pleased to provide this update on the project economics of its flagship Pathfinder property in Florence, Colorado.

The global oil price environment continues to remain in the \$40 - \$50 per barrel of oil (p/bbl) range. This prolonged downturn in the price of oil has meant that many oil fields in North America are uneconomic. This is due the high costs of exploration and drilling for oil in projects where the productive oil formations are found in tight rocks that require long horizontal well bores to be drilled and hydraulically fractured. This process creates fractures within the oil bearing formations thus allowing for oil and gas liberation to occur.

The Pierre formation, which Austin's 100% owned Pathfinder acreage sits directly above, is a naturally fractured shale where oil is generally found at shallow depths ranging from approximately 2,000ft to 4,000ft. As the formation is naturally fractured, horizontal drilling and hydraulic fracking is not required for oil liberation.

Importantly, for the first time in late 2015 Austin was able to secure a comprehensive drill rig fleet, including all the required machinery and equipment that has allowed the Company to manage its drilling operations internally. Combined with the formation characteristics as outlined above, this has enabled the Company to develop a drilling program where Pierre wells can be drilled for USD\$500k, thus making the Pierre project economical at \$40 + p/bbl.

Austin is currently drilling a three well program targeting production from the Pierre shale and is very encouraged that the first two wells have encountered hydrocarbons. As the drilling program matures the Company is confident that drilling costs will further reduce and accordingly the economics of the program will continue to improve.

Austin's Pathfinder project is unique in that it has several hydrocarbon bearing formations ranging from approximately 2,000ft to 7,000ft that have a high potential for oil and gas production. Production from these formations, such as the Niobrara, Codell, Grenhornn and Grenaros formations have been evidenced throughout the DJ Basin in Colorado.

Austin's Pathfinder property lies directly adjacent to the West of the Florence oil field which has produced more than 15 million barrels from the Pierre formation. Austin's property was tied up in mining operations prior to its acquisition, therefore the Company's oil and gas reserves at its Pathfinder project remain largely in virgin territory and untapped.

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Potential Pierre Well Economics

Production and Economic Data For Single Well Over Pierre Project For 10 Years			
Oil Price (USD/BBL)	Initial Production Rate (IP)	Initial Production Rate (IP)	Initial Production Rate (IP)
\$ 40.00	50	85	200
Oil Production (BBL)	32751.6	55677.7	131006.5
Net Cash Flow (USD)	\$ 932,589.14	\$ 1,487,401.54	\$ 3,310,356.57
Payback (Years)	0.689	0.550	0.331
IRR (%)	68.3%	114.7%	248.1%

\$50 /bbl WTI

Production and Economic Data For Single Well Over Pierre Project For 10 Years			
Oil Price (USD/BBL)	Initial Production Rate (IP)	Initial Production Rate (IP)	Initial Production Rate (IP)
\$ 50.00	50	85	200
Oil Production (BBL)	32751.6	55677.7	131006.5
Net Cash Flow (USD)	\$ 1,171,675.95	\$ 1,893,849.11	\$ 4,266,703.79
Payback (Years)	0.622	0.479	0.274
IRR (%)	89.2%	145.9%	314.6%

\$60 /bbl WTI

Production and Economic Data For Single Well Over Pierre Project For 10 Years			
Oil Price (USD/BBL)	Initial Production Rate (IP)	Initial Production Rate (IP)	Initial Production Rate (IP)
\$ 60.00	50	85	200
Oil Production (BBL)	32751.6	55677.7	131006.5
Net Cash Flow (USD)	\$ 1,410,762.76	\$ 2,300,296.68	\$ 5,223,051.02
Payback (Years)	0.566	0.425	0.233
IRR (%)	108.7%	176.0%	380.1%

- ** Assumed Drilling costs = USD\$500k/well
- ** Potential Economics based on nearby oil production
- ** Royalty = 25%, Severance Tax = 2%, Well Operating Costs = \$3k/month

The above economics illustrate that in a low production case with a price of \$40/bbl and at USD\$500,000 per well a successful Pierre well will pay back in less than 9 months. The Company is not focusing on the upside, which indicates that when oil prices recover to \$60p/bbl and in a high production case, that internal rates of return as high as 380% are achievable.

Productive Pierre wells are known to produce for long periods of time, averaging some 20+ years. There are many wells in the Florence oil field that have produced for longer than this, with one well that has been in production for 108 years.

Mr Guy Goudy, Austin's Executive Chairman, commented that, "This is a very unique field and we have developed a business model where even during this once in a generation downturn in the oil sector, Austin's Pathfinder project can remain economic and offer very attractive returns on our drilling investment. We believe the days of emerging Companies drilling high cost, multi-million dollar wells are in the past. The fact that we can drill wells for USD\$500k and have a property that is large enough for 400 wells in the Pierre sets the Company up for an exciting future. We have the best team in the business willing to put in the hard yards to get the job done and I could not be more proud of them"

– ENDS –

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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. The Company has now established a major presence in two of America’s most prolific oil and gas basins. Austin controls more than 15,000 acres in Colorado in the DJ Basin (Niobrara and Pierre Shale) and 4000 acres in the Illinois Basin in Kentucky. Austin has interests in producing oil and gas wells in Colorado, Kentucky and Texas. 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 in the United States (AUN-XY).

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