



AUSTIN EXPLORATION

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



The Math Energy drill rig operating on the Columbus #1 well at Austin's
15,773 acre flagship Pathfinder project in Fremont County, Colorado

First Quarter Report FY2017

For the period ended 30 September 2016

With additional information on subsequently completed activities

REVIEW OF OPERATIONS AND ACTIVITIES

Quarterly Highlights

- **Completed successful drilling of a back-to-back three well program targeting production from the Pierre formation at the Company's flagship Pathfinder property in Colorado**
- **Three wells were operated and drilled by Austin's team on budget for approximately USD\$1.5 mil in the prolific DJ Basin. Florence Field has produced more than 15 million barrels of oil**
- **Hydrocarbons were evident in all three wells drilled, flow testing operations scheduled to start in the first week of November**
- **A discovery in this drilling phase could provide near-term cash flows and unlock significant production potential for Austin**
- **Successfully completed a strategic 491 acre acquisition in Florence Colorado, expanding the flagship Pathfinder property to 15,773 acres**
- **Completed a Placement to raise AUD\$1.65 mil to advance development of Pathfinder oil and gas project and strengthen balance sheet**

REVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited ("Austin" or "the Company") (ASX: AKK) is an oil and gas exploration and production company with working interests and net revenue interests in three proven US oil and gas provinces: Colorado, Kentucky 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 only one lost time accident and zero environmental incidents in 10 years of operations.

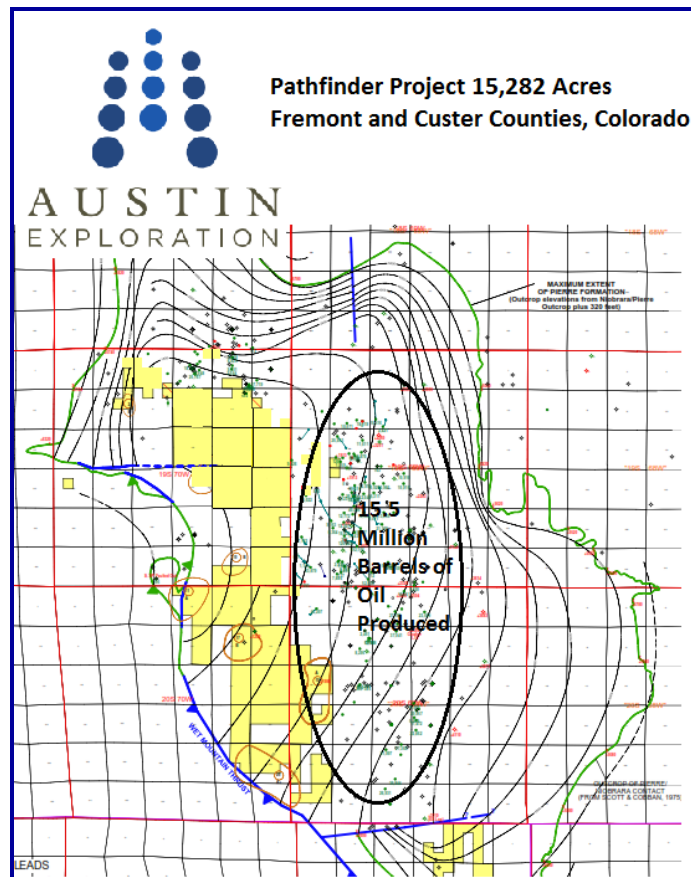
Commenting on the operations and activities for the three months to September 30, 2016, Austin's Chief Executive Officer, Tim Hart, said:

"We are very pleased with the progress made during the past quarter and are upbeat about our potential to make a significant oil and gas discovery at our flagship Pathfinder property in Colorado in coming months. Austin is well positioned to continue exploration in a prolific producing basin, including flow testing for the recently completed three well program on the expanded Pathfinder property in the first week of November."

COLORADO BUSINESS UNIT

Austin is the Operator

- **Pathfinder Project, Fremont County, Colorado**
- **100% Working Interest in 15,773 acre property in the DJ Basin**
- **Primary hydrocarbon targets: Pierre Shale & Niobrara Shale Formations**
- **Secondary Targets: Codell, Greenhorn, Grenaros and Dakota Formations**
- **The Company successfully completed the drilling phase of a back-to-back three well program targeting production from the Pierre formation at the Company's flagship Pathfinder property in Colorado**
- **Flow Testing Operations to commence in November**
- **First Company to successfully drill and complete a Niobrara Horizontal in Fremont County with 403 BOEPD IP in 2012**



The above map illustrates Austin's 15,773 acre property highlighted in yellow. The Pathfinder property sits directly adjacent to an area in Fremont County that has produced more than 15 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.

Colorado Business Unit Highlights:

- A back-to-back three well program is underway targeting oil production from the Pierre shale formation.
- The drilling phase of three Pierre wells has been successfully completed and on budget for USD\$1.5mil
- The first well, the Magellan #1 Well, encountered a 790ft column of oil in the upper section of the Pierre formation during drilling. The well has been cased in preparation for flow testing.
- The second well, the Marco Polo #1 Well, encountered hydrocarbons in the cuttings from the Pierre formation during the initial phase of drilling. Drilling intersected large open fractures that created challenging drilling conditions. The well has been cased in preparation for flow testing.
- The third well, the Columbus #1 Well, encountered hydrocarbons in the cuttings from the Pierre formation during the initial phase of drilling. The well has been cased in preparation for flow testing.
- Flow testing all three wells for commercial oil production will commence in the first week of November
- The oil and hydrocarbon discoveries demonstrate and confirm that Austin's highly advanced well-site selection process has been accurate in detecting sub-surface fractures that contain oil and gas hydrocarbons
- Expanded Pathfinder property from 11,560 acres to 15,773 acres
- Austin's team has applied a highly technical process involving a combination of high definition 3D seismic, surface-geochemistry studies and satellite imagery to define several high-grade exploration targets.
- Wells satisfy lease commitments for full acreage retention
- Austin's property is directly adjacent to the Florence oil field which has produced more than 15 million barrels of oil from the Pierre formation
- Pierre wells in Florence Colorado remain highly economic in the current low oil price environment
- The Company's strategic low cost drilling rig rental agreement with Math Energy Drilling's Atlas Copco RD20 Drill Rig and all associated machinery has increased operational efficiencies and significantly saved on costs

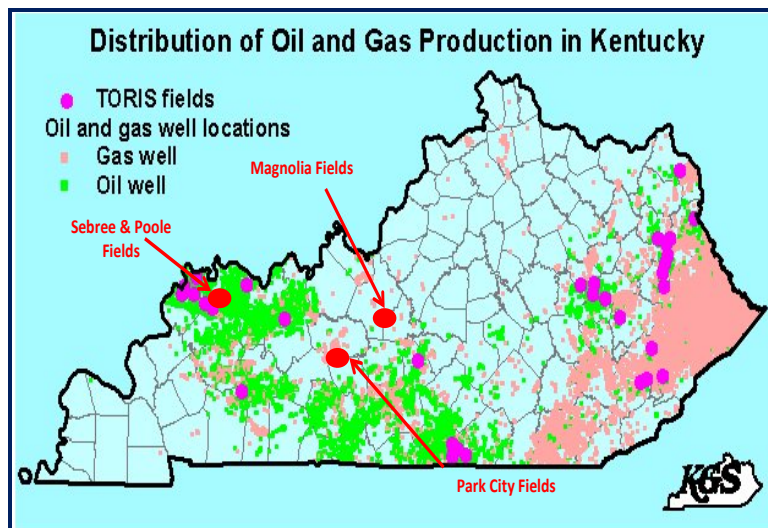
- The Pierre formation is a naturally fractured shale formation that is found at shallow depths of approximately 2000ft to 4000ft – wells drilled into the formation do not require hydraulic fracturing.

EASTERN BUSINESS UNIT (KENTUCKY)

Austin is the Operator

Kentucky Exploration LLC. Approx. 3000 acre 50/50 Joint Venture with private Australian Investment Company

- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, Niagra Sand, and McCloskey Formation
- Secondary Targets: Palestine, Waltersburg, Fort Payne, New Albany Shale, Hardensburg Formations
- Conventional reservoir objectives and vertical drilling utilised
- Continual engineering program underway designed to maximise production and operating efficiencies
- 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 above map illustrates Austin Exploration's leases in Kentucky

TEXAS OIL WELLS

- Birch Eagle Ford Project, Bureson County, Texas
- 100% Working Interest / 75% Net Revenue Interest
- One producing vertical oil and gas well producing approximately 3 BOEPD
- Yolanda Dual Austin Chalk Well. Dimmitt County, Texas
- 36% Working Interest / 27.6% Net Revenue Interest
- One producing horizontal Austin Chalk Well producing approximately 5 -10 BOPD. Production is intermittent and the Company will consider plugging the well over the next 12 months.
- Well drilled and completed in 2010. Initial Production rate = ~ 300 BO

WORKPLACE AND ENVIRONMENTAL SAFETY

The Company sustained a single lost time accident in August 2016, which occurred during the drilling of the Marco Polo #1 Well in Colorado. One of the workers on the rig suffered a broken wrist due to an equipment failure, but pleasingly the gentleman is expected to make a full recovery. Executive management have been in regular contact with the employee who is fully covered by worker's compensation insurance.

This was the first lost time accident in Austin's history, and therefore represents the only lost time accident in the Company's 10 years of operations. While this accident is regrettable, the Company maintains an excellent safety record.

In response to this accident the Management team has institutionalized an additional safety observation process that requires every associate to complete a daily safety assessment of the environment that they are working in. This assessment includes each associates observations of their surrounding area as it pertains to potential hazards and the behaviors of all personnel on site. This safety observation system facilitates the inclusion of every single person on site to assess the company's safety posture on that day and is one additional tool in a very expansive safety program that includes comprehensive Health and Safety Policies, morning safety meetings, daily Job Safety Assessments, quarterly three day safety training programs and weekly training programs.

The Company is proud that it maintains an unblemished environmental record with no phase 1 incidents ever having been recorded.