



# AUSTIN EXPLORATION

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

ASX ANNOUNCEMENT

7 November 2016

## Commercial Oil Production Commences in Colorado

- **Magellan #1 well successfully flows oil to surface and placed on production**
- **Initial production rate of 98 barrels per day of oil as well as very encouraging gas flows**
- **Confirms a material extension of the 15 million barrel adjacent Florence Oil Field**
- **Production will provide significant boost to Austin cash flows**
- **Flow rates confirm the Pathfinder project is highly economic at \$US40/bbl**
- **Magellan #1 delivers a 127% IRR and NPV of US\$1.77m at current oil prices of ~US\$45 bbl**
- **Austin has in excess of 390 additional drilling locations in the Pierre Formation**
- **Flow testing operations for Marco Polo #1 well and Columbus #1 being prepared**

The Board and Management of Austin Exploration Limited (**ASX: AKK**) (**Austin or the Company**) are pleased to announce that commercial oil production at its flagship 15,773 acre Pathfinder property in Colorado has commenced with the well recording an initial production rate of 98 barrels of oil a day. As well, encouraging gas flows are occurring which adds further potential economic gas. This discovery is a significant development for Austin and is the first step in Austin unlocking significant value for shareholders from its strategy of focusing all its efforts on its 100%-owned Colorado assets.

This oil discovery confirms Pathfinder **as a material and productive extension of the Florence Oil Field**. The Florence field has produced more than 15 million barrels of oil and lies directly adjacent to Austin's Pathfinder property. Austin's Pathfinder acreage was held for mining prior to Austin's acquisition of the oil and gas rights over this property.

The 15,773 acre property project is able to host 390+ drilling locations in the Pierre formation and the Magellan #1 oil discovery gives Austin opportunity to now accelerate field development and bring more wells into production.

Construction and installation facilities are complete and the well is now in production. The oil being produced is a high quality crude consistent with oil being produced in the Florence oil field. An analysis of the crude oil is currently being

completed. Pleasingly, the well is not producing any water which eliminates the high costs of having to dispose water through a disposal well or water haulage.



**The Magellan # 1 well flaring gas as the well commences oil production**

Austin will soon commission an independent reserves and resources report over the Pierre formation at the Pathfinder property. The Company expects that the certification of Pathfinder reserves will add a significant value uplift to the property and provide additional financing flexibility as the Company prepares for field development in 2017.

The Magellan #1 well demonstrates robust single well economics at current low oil prices with substantial upside when oil prices rebound. At current oil prices of US\$45/bbl and based on initial flow rates demonstrated by Pathfinder to date, the Magellan #1 well offers an attractive NPV of USD\$1.77million and a robust IRR of 127% (excluding royalties). These figures are based on a well cost of approximately USD\$500,000 and uses a hyperbolic decline curve in calculating projected decline rates. This provides the Company with significant encouragement to pursue full field development commencing in 2017.

Austin MD & CEO Mr Tim Hart commented: “The discovery of oil and gas at the Magellan #1 well validates our current strategy focusing on our Flagship Colorado assets which we own in full and have complete control over. Most encouraging is the fact that we have the capacity to host over 390 wells in the Pierre formation so the potential value uplift for AKK is indeed compelling and far from being fully realised. Based on these flow rates, we believe Pathfinder will be able to deliver growing cash flows as development progresses.

“Ongoing field development is now our focus with the Company’s operations being underpinned by growing cash flows from new wells. As well, the presence of natural gas represents a further value driver for AKK with natural gas prices also now recovering strongly.

“We will now move to flow testing operations of the Marco Polo#1 well which will then be followed Columbus #1 well and material updates will be communicated as they come to hand.”

For video footage of the Magellan #1 well, please visit [www.austinexploration.com](http://www.austinexploration.com)



**Magellan # 1 well comences oil production**

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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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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

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