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ASX ANNOUNCEMENT **15 February 2016**

Austin Sells Texas Birch Property for $1.5mil

- **Company successfully closes on the sale of Birch property in Texas in all cash deal for AUD$1.5 million (USD$1.05 M)**
- **Proceeds from sale significantly reduces debt profile**
- **Combination of AUD$1.9mil financing agreement & asset sales significantly strengthens Company's cash position and balance sheet**
- **Sales process of Austin's Mississippi property advancing well with strong interest being received and several parties reviewing the property data**

Austin Exploration ("Austin" or "the Company") (ASX: AKK) is pleased to advise that as part of executing its strategy of developing low cost oil fields with conventional oil targets, the Company has closed on the sale of its interest in the Birch Eagle Ford property in Burleson County, Texas in an all cash deal for AUD$1.5 million (USD$1.05 million) before costs.

The unconventional wells in the Company's Texas interest require horizontal drilling and hydraulic stimulation, with previous wells costing approximately USD$10 million per well. There are currently no plans to drill wells on the property, and as such to maintain its full acreage position, Austin would be faced with paying high and uneconomic leasing costs as well as significant ongoing well and lease operating expenses. This does not align with the Company's strategy of building oil and gas production and reserves through its lower cost, conventional and operated properties in Colorado and Kentucky.

Over 60 interested parties reviewed the assets and the Company is very pleased with the sale price that was achieved, especially in a market where more and more projects are being offered for sale. Austin is grateful for the services of Meagher Energy Advisors in securing this sale. Details of the buyer remain confidential.

Proceeds from this sale will be used to strengthen Austin's balance sheet and pay down its reserves based line of credit, significantly reducing the Company's debt profile and placing it in a more financially secure position during the current climate of low oil prices. As a part of the sale Austin has negotiated to keep two producing wells in Texas that combined produce approximately 10Bopd.

As previously advised, The Company has taken the decision to divest of its non-core assets in Texas and Mississippi where it is not the operator and has a minority interest in the properties. At both of these properties Austin has no control over operational expenditures and, in the current low oil price environment, the Company considers that complete control over well and lease operating expenditures is paramount.

There have been over 40 US oil and gas companies that have fallen into bankruptcy over the last 6 months. This has been primarily due to high levels of debt that cannot be serviced, with oil prices having dropped from $107/BO in July 2014 to $26/BO in February.

Austin's Management team is doing everything possible to ensure that the company can get through these extremely difficult times. Fortunately, the Company only had a loan of $1.5 million, and with $1.15 million of this facility having been repaid over the last 6 months, Austin now has a balance of just $350,000 outstanding on this facility.

As such, the Company is further pleased to advise that the process to sell Austin's 50% interest in five oil wells in Mississippi is advancing well, with several parties reviewing the well and property data. The Company will keep the market updated on this sales process. On the back of a sale in Mississippi the Company intends to fully extinguish its small levels of remaining debt and further add to its cash position.

In response to a lower oil price environment, the Company is now fully focused on driving production growth through the development and drilling of lower cost wells in Colorado and Kentucky which remain economical in this climate. These prospects both have very promising conventional oil targets that are drilled vertically and do not require expensive horizontal drilling or hydraulic stimulation

Austin is the operator of its 100% controlled 15,282 acre property in Colorado that lies over the hydrocarbon rich DJ Basin. The Company has embarked on a low cost and high impact drilling development program that is targeting oil production from the Pierre Shale.

Due to Austin's strategic drill rig rental agreement, the Company can drill and complete a Pierre well for approximately USD$500k – these wells remain economic in the current climate of low oil prices and will be highly profitable during periods of stronger oil prices. The property is large enough to accommodate more than 350 wells and the Company intends to build a highly profitable and substantial oil field operation at this world class property.

Guy Goudy, Austin's CEO & MD, commented: "The sale of Austin's Texas Birch property for AUD$1.5 million is a positive result and a great outcome for the Company. This capital injection will significantly strengthen our balance sheet and provide the financial flexibility we need to further develop our world class Pathfinder project in Colorado."

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<u>ABOUT AUSTIN EXPLORATION</u>:
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 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 in the United States (AUN-XY).