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ASX ANNOUNCEMENT

21<sup>st</sup> January 2013

## Strong Oil & Gas Flows at Pathfinder Project

- Well is flowing oil and gas naturally to the surface
- Gas volumes are increasing on an hourly trend
- Initial oil and gas flows exceeded infrastructures capabilities

### Pathfinder Prospect, Fremont County, Colorado (85% of 11,500 acres)

#### Pathfinder C 11 – 12 No. 1 HZ Well:

**Austin Exploration Limited** (ASX: "AKK") announces that its first horizontal well drilled into the Niobrara formation is flowing both oil and gas at its Pathfinder project in Fremont County, Colorado.

Due to gas flows that were exceeding the capacity of the on-site flaring equipment and oil and water separator units, the Company had to install new equipment which is capable of operating at much higher volumes and pressures.

The well was opened up at approximately 1am on Sunday the 20<sup>th</sup> of January. At the time of this report the well has been flowing both oil and gas (wet gas) naturally to the surface for 12 hours at a rate of approximately 66 MCF per hour. At this early stage it is not possible to quantify the amount of oil.

In what is a very encouraging sign the well is displaying strong oil and gas flows indicating that the well has excellent reservoir pressure and the frac job in December was a success.

Following a 16 stage fracing operation in December, the Company has completed the installation of surface facilities including pumping equipment, flow lines, tank batteries, oil & water separating equipment and gas flaring equipment.

In order to install the pumping unit, the gas from the well had to be bled off several times over the last 30 days to alleviate the high gas pressures and volumes that were flowing from the well.

The installation of Shores Sentry 640 pumping unit was completed on Wednesday the 16<sup>th</sup> of January. The pumping unit operated for a period of two hours when the gas pressures coming out of the well exceeded the allowable operating capacities of the flaring and separating equipment. The well is producing a combination of oil and a wet gas. The Company installed three flaring units with flow capacities of 1.5 million cubic feet per day when the pressure from the well exceeded the capabilities of these 3 flaring units.

Due to this unexpected high gas pressure the Company adopted a cautious approach with an adequate safety margin and shut in the well for a period of 48 hours whilst the new surface equipment was installed.

Both the new flaring unit and water separator unit are designed to safely operate with gas flows of 10 MMCF per day and pressures up to 1000 psi.

The strong gas flows from the well is beyond prognosis.

Although it is still early stages, Austin's Chairman Mr Richard Cottee commented that the funds raised last year provided the Company with the ability to lay the foundations for the commercialisation of its assets in Colorado and Texas.

"We expected oil, but to see oil and gas in these large volumes from Pathfinder is quite exciting and it appears we may have a very valuable project on our hands," he said.

"In February, we look forward to the installation of an adequate pump on the Company's Birch # 3 well in Burleson County, Texas," Mr Cottee said.

Before the Company can have a definitive view on the long term production capabilities of the Pathfinder well, the Company will require at least 30 days of monitoring both the oil and gas production. The Company looks forward to reporting material progress as it occurs.

The Company will release a complete update of its operations in its upcoming quarterly activities report.

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**ABOUT AUSTIN EXPLORATION:**

*Austin Exploration is an Oil and Gas Company with assets in Australia and the United States. Austin has strategically shifted its core focus towards non-conventional shale exploration 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 11,000 acres in Colorado in the Niobrara Shale and over 5,000 acres in Texas in the Eagle Ford Shale and the Austin Chalk. Austin has producing oil and gas wells in Texas, Mississippi and Kentucky. Austin also has a highly prospective Oil and Gas Licence, PEL 105, in the Cooper Basin of South Australia. The company's wholly owned US Subsidiary, Aus-Tex Exploration Inc, turned cash flow positive in January 2011. To face future opportunities, Austin has strengthened its board and management teams. Austin is listed on the Australian Securities Exchange (ASX code: AKK) and on the OTC-QX International in the United States (AUNXY).*

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