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ACN 114 198 471

ASX ANNOUNCEMENT

2 August 2016

Magellan #1 well successfully cased in preparation for flow testing

- Multiple oil shows evidenced while drilling through the Pierre formation
- Math Energy Rig being mobilised for deviated drilling program on the Marco Polo #1 well

The Board and Management of Austin Exploration Limited (**ASX: AKK**) (**Austin or the Company**) are pleased to announce that the Company's Magellan #1 well has now been successfully drilled and perforated production casing has been run in the Pierre formation in preparation for flow testing.

Multiple oil shows were evidenced whilst drilling through Pierre formation, with a steady flow of oil being returned to the surface in the drilling pits. These oil shows confirm that Austin's highly advanced pre-drilling well-site selection process, using a combination of 3D seismic, surface geochemistry and satellite imagery studies, has been accurate in detecting sub-surface fractures that contain oil within the Pierre formation.

The Company has immediately started mobilising the rig to its Marco Polo # 1 well and drilling operations of the deviated well bore will commence here in the coming days. The deviated well-bore has been designed to intersect multiple fracture networks and to maximise the potential pay-zone thickness of the reservoir in this well.

The Company is currently progressing a back-to-back drilling program with the drilling of three wells: the Magellan #1 well, the Marco Polo #1 well and the Columbus #1 well. These three wells are targeting oil production from the Pierre Shale formation.

The multi-well program has been designed to significantly reduce drilling costs and maximise operational efficiencies. The Company is able to achieve this due to its strategic and comprehensive Atlas Copco RD20 drill rig fleet rental agreement with Math Energy Drilling, where high daily rig rates and standby rates are not being incurred.

The three well program is being conducted in three phases:

Phase 1 – Sequentially drilling the upper vertical sections on the three wells – *SUCCESSFULLY COMPLETED*

Phase 2 – Sequentially drilling the deviated well bore sections on the three wells – *UNDERWAY*

Phase 3 – Sequentially flow testing the three wells – *NEXT PHASE*

The drilling of the Magellan # 1 well has confirmed that an active crude oil hydrocarbon system is in place directly to the west of the Florence field where more than 15 million barrels of oil have been produced from the Pierre formation. The Pathfinder property was held for coal mining prior to Austin's acquisition and the Company believes that the oil in its property remains in virgin territory.

Austin is the operator of the Pathfinder project and controls a 100% working interest that covers 15,282 gross acres. The property lies over the DJ Basin which is one of North America's most prolific oil and gas basins.

The Company looks forward to sequentially flow testing the three wells and updates of the drilling program will be released to the market as they occur.

– ENDS –

Released through Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448

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 looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "expects", "will", "anticipates," "estimates," "believes," or statements indicating certain actions "may," "could," or "might" occur. Oil production rates fluctuate over time due to reservoir pressures, depletion or down time for maintenance. The Company does not represent that quoted production rates will continue indefinitely.