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ASX ANNOUNCEMENT

27 October 2016

Deviated Drilling Operations Completed on Columbus # 1 Well

- Oil and gas shows encountered
- Hydrocarbons evident in drill cuttings from the Pierre formation
- Flow testing of Magellan #1 well to commence next week
- Austin's low-cost operating strategy is consistent with producing wells from the Pierre formation that are economic at an oil price of ~US\$40 a barrel
- 15,733-acre Pathfinder property holds significant untapped exploration potential
- Property has the capacity for more than 390 wells from the Pierre formation alone

The Board and Management of Austin Exploration Limited (**ASX: AKK**) (**Austin or the Company**) are pleased to announce that deviated drilling operations at the Company's Columbus # 1 Well have now been completed and perforated production casing has been run in preparation for flow testing.

Austin is encouraged that oil and gas hydrocarbons were evidenced in the drill cuttings whilst drilling through the Pierre Shale. This was confirmed by the on-site independent geologist. Drilling intersected several zones of natural fracturing, which is the trapping mechanism for oil in the Pierre formation.

The completion of drilling on the Columbus #1 well concludes the drilling phase of a back-to-back three well exploration drilling program which has been designed to test for commercial oil production from the Pierre formation.

The Company has now immediately shifted its focus to flow testing operations on the Magellan #1 well which will commence next week.

Austin undertook extensive geological, geophysical and engineering programs prior to embarking on the drilling of the three exploration wells. This work uncovered several high impact exploration targets within the Pierre formation and provided Austin's team with confidence that an active hydrocarbon system extends to the west of the Florence field where Austin's Pathfinder property is located. The adjacent Florence oil field is a producing oil and gas field that has produced more than 15 million barrels of oil from the Pierre formation.

A commercial oil and gas discovery from this drilling program would be material in providing a near-term boost to cash flows and, more importantly, would unlock a new productive region and an extension of the established Florence Field. A discovery would indicate that a significant amount of oil and gas reserves remain untapped and in adjacent virgin territory over Austin's 100% controlled, 15,773-acre Pathfinder property.

Austin's team, who drilled this well internally and managed all on-site operations, drilled the well on budget for approximately USD\$500,000. The Company has been successful in drilling three wells for approx. USD\$1.5million.

Austin's low cost and hands-on approach to drilling is consistent with productive Pierre formation wells that remain highly economical at \$40+ p/bbl. The Company is confident that as more wells are drilled that drilling costs can be further reduced.

These were the first Pierre wells in Colorado drilled and operated internally by Austin's Team. The Company is proud of this achievement with similar wells drilled in adjacent and close proximity in the past costing more than USD\$1million per well.

This drilling success comes off the back of Austin's drill rig rental agreement that allows the Company to have full control over all facets of the drilling operations and costs. Austin put the steps in place to make sure that it was in full control over all operations and aspects of the business in order to better control its cost base. This was a critical step in delivering future growth.

Following Austin's recent land acquisition, the property is now large enough to accommodate more than 390 wells in the Pierre formation alone. Extensive future opportunities for production exist in the deeper formations and these will be revisited when oil prices recover. These deeper formations are prolific producers within the DJ Basin in Colorado and include the Niobrara, Codell, Greenhorn and Graneros formations.

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 – **SUCCESSFULLY COMPLETED**

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

Austin's Executive Chairman, Guy Goudy, commented: "To hit hydrocarbons on all three wells is highly encouraging for flow testing and the potential for the large scale future development of this project. Flow testing is now our priority and preparation work for this has begun. We look forward to communicating results of this phase which begins next week."

For further information on Austin's current drilling program, including potential economics of productive Pierre wells, please see Austin's August Investor Presentation that was released to the ASX on August 11, 2016. A copy of the presentation can be found at www.austinexploration.com/investors/presentations/

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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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