



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

ASX Manager

26 August 2014

Listings Compliance

Austin Exploration Limited (AKK)

In response to the ASX query email received yesterday requesting further information on the Notice the Company lodged revising the reserves at Eagle Ford, we attach the response prepared by Gustavson Associates, Inc. the firm who performed the reserve calculations.

Handwritten signature of David Nairn.

David Nairn
Company Secretary



GUSTAVSON ASSOCIATES

GEOLOGISTS • ENGINEERS • ECONOMISTS • APPRAISERS

August 25, 2014

To Whom It May Concern:

Because this is the first time that our client, Austin Exploration Limited (Austin), is reporting reserves for its Birch Project in Burleson County, Texas, Gustavson is providing this information summary related to our recent report on reserves and resources attributable to Austin's interests in this project.¹ In particular we address herein ASX listing rules 5.31 and 5.32.

"5.31 The first time an entity publicly reports estimates of petroleum reserves in relation to a material oil and gas project, the entity must include all of the following information in a market announcement and give it to ASX for release to the market.

5.31.1 All material economic assumptions used to calculate the estimates of petroleum reserves. If those economic assumptions are commercially sensitive to the oil and gas entity, an explanation of the methodology used to determine the assumptions rather than the actual figure can be reported."

Economic assumptions used in our report are listed below:

- vertical well operating costs \$800 per month
- horizontal well operating costs \$7,500 per month
- NGL yield 0.15 Bbl/Mcf
- gas shrinkage factor 42.17%
- capital costs, horizontal well drill & complete \$9 million
- state and local production taxes 4.6% of revenue
- oil price forecast based on NYMEX futures strip adjusted to wellhead as follows:

¹ Gustavson Associates' "Reserves and Resources Evaluation Report, Birch Prospect, Burleson County, Texas" effective date May 1, 2014, report date August 22, 2014.

Year	Wellhead Oil, \$/Bbl	Wellhead Gas, \$/MMBTU	Wellhead NGL, \$/Bbl
2014	\$98.59	\$3.85	\$40.49
2015	\$91.78	\$3.54	\$37.16
2016	\$86.33	\$3.44	\$36.20
2017	\$83.49	\$3.50	\$36.78
2018	\$82.02	\$3.61	\$37.97
2019	\$81.04	\$3.75	\$39.44
2020	\$80.58	\$3.94	\$41.38
2021	\$80.36	\$4.10	\$43.07
2022	\$80.31	\$4.24	\$44.56
2023	\$80.31	\$4.34	\$45.63
2024	\$80.31	\$4.40	\$46.21
2025	\$80.31	\$4.48	\$47.08
2026	\$80.31	\$4.59	\$48.20

5.31.2 *Whether the ⁺entity has operator or non-operator interests in the ⁺material oil and gas project. If the ⁺entity has non-operator interests, the name of the operator.*

Austin has non-operator interests in the project. The operator for the majority of the acreage is Halcon Resources. The operator for one 645 acre tract within the project is Petromax Operating Company.

5.31.3 *The types of permits or licences held by the entity in respect of the reported estimates of petroleum reserves.*

Austin holds oil and gas leases on the subject acreage, which have been subjected to farmout agreements with the two operators. Under the terms of the farmout agreement with Halcon Resources, Halcon agreed to carry the interests of Austin through payout for the first three wells drilled. Thereafter and in all subsequent wells, Austin has a 30% working interest (WI) and a 22.5% net revenue interest (NRI). Under the terms of the farmout agreement with PetroMax, Austin has the option to be carried for the first well through payout, and thereafter has a 30% WI and a 22.5% NRI.

5.31.4 *A brief description of:*

- *the basis for confirming commercial producibility and booking petroleum reserves;*

Analysis of production data from the recently drilled Stifflemire #1 horizontal Eagle Ford well drilled by Halcon on the subject acreage, and analysis of 23 additional horizontal Eagle Ford wells in the surrounding area, combined with economic analysis.

- *the analytical procedures used to estimate the petroleum reserves;*

A relationship between estimated ultimate recovery (EUR) and horizontal wellbore length was developed from the above-described analysis of well production data. The EUR corresponding to the planned wellbore length was selected as a type well and applied to all locations included in Austin's five year budget, for Proved Undeveloped Reserves, to all locations on Austin's acreage on 80-acre

well spacing for Proved plus Probable Reserves, and to all locations on Austin's acreage on 40-acre well spacing for Proved plus Probable plus Possible Reserves.

- *the proposed extraction method; and*

Hydraulic fracturing to stimulate natural flow, followed by artificial lift when necessary.

- *if applicable, any specialised processing required following extraction.*

No specialized processing is required; however, we assume that the natural gas is processed for extraction of natural gas liquids (NGLs). Our assumption was based on the fact that an NGL extraction plant is available in the area, Austin currently is processing the gas produced from their existing vertical well through this plant, and the economics are more favorable for selling these NGL products and a lower amount of lower BTU natural gas as compared to selling the available produced gas volumes with higher BTU.

5.31.5 *The estimated quantities (in aggregate) to be recovered:*

- *from existing wells and facilities (developed petroleum reserves); and*
- *through future investments (undeveloped petroleum reserves).*

Note: SPE-PRMS defines 'developed reserves' and 'undeveloped reserves' in section 2.1 and Appendix A. Additional guidance is provided on developed reserves and undeveloped reserves in sections 3.1, 6.1 and 8.1 of the Guidelines for Application of the Petroleum Resources Management System (November 2011).

See the table below summarizing the quantities projected to be recovered, by category.

Table 5-1 Summary of Reserves and Projected Before Tax Cash Flow, Texas

Reserves Category	Number of Wells / Locations	Gross Reserves (8/8ths of Spacing Units)			Gross Reserves in Austin Acreage			Austin Net Reserves			Net Present Value, millions of US\$ Discounted at	
		Oil (MBbl)	Gas (MMCF)	Natural Gas Liquids (MBbl)	Oil (MBbl)	Gas (MMCF)	Natural Gas Liquids (MBbl)	Oil (MBbl)	Gas (MMCF)	Natural Gas Liquids (MBbl)	0%	10%
Proved Developed Producing	2	304.9	365.1	54.8	304.9	365.1	54.8	43.4	36.6	13.3	\$3.13	\$1.45
Proved Undeveloped	25	9,145.6	9,145.6	1,371.8	6,814.4	6,814.4	1,022.2	1,533.2	633.6	230.0	\$61.58	\$20.87
Total Proved (1P)	27	9,450.4	9,510.6	1,426.6	7,119.3	7,179.5	1,076.9	1,576.6	670.2	243.3	\$64.71	\$22.32
Probable Undeveloped	116	42,501.9	42,501.9	6,375.3	15,791.9	15,791.9	2,368.8	3,553.2	1,468.3	533.0	\$135.58	\$37.26
Proved Plus Probable (2P)	143	51,952.4	52,012.6	7,801.9	22,911.2	22,971.3	3,445.7	5,129.8	2,138.5	776.2	\$200.29	\$59.58
Possible Undeveloped	142	52,482.1	52,482.1	7,872.3	23,427.2	23,427.2	3,514.1	5,271.1	2,178.3	790.7	\$201.27	\$32.03
Proved plus Probable plus Possible (3P)	285	104,434.5	104,494.7	15,674.2	46,338.4	46,398.6	6,959.8	10,400.9	4,316.8	1,566.9	\$401.56	\$91.61

5.31.6 *If the reported estimates of petroleum reserves relate to undeveloped petroleum reserves, a brief statement regarding:*

- *the status of the material oil and gas project;*

One vertical well was drilled and completed in the Eagle Ford by Austin, which is still producing. The Stifflemire #1, a horizontal Eagle Ford well drilled by Halcon this spring, is also producing. It is our

understanding that Halcon has completed and is currently testing the other two wells in which Austin's interests are carried, and that they plan to continue drilling in the project with two rigs.

- *when development is anticipated;*

Development is assumed to continue via the current drilling program at a rate of one well per month per rig for two rigs for Halcon farmed out acreage. Petromax is assumed to begin drilling on their farmed-out acreage at the same rate with one rig in April 2016, a few months before expiration of this lease.

- *the marketing arrangements that justify development;*

Markets are established in the area as evidenced by the existing production.

- *access to transportation infrastructure; and*

Transportation infrastructure is established in the area as evidenced by the existing production.

- *environmental approvals required.*

No environmental approvals are anticipated to be required.

5.31.7 If the reported estimates of petroleum reserves relate to unconventional petroleum resources, the land area and the number of wells for which the estimates of petroleum reserves are provided.

Note: SPE-PRMS defines 'unconventional resources' in section 2.4 and Appendix A. Additional guidance on unconventional petroleum resources is provided in sections 1.1 and 8.6 of the Guidelines for Application of the Petroleum Resources Management System (November 2011).

These reserves are related to unconventional resources. The land area includes 5,100 acres leased by Austin. It is assumed, due to oddly shaped parcels of land included in this area, that the leased acreage will be pooled with offset lessor's acreage to form 80-acre drilling units. The total area covered by the assumed drilling units is 11,360 acres.

5.31.8 If 1P is zero for the reported estimates of petroleum reserves, a brief explanation of why 1P is zero and why, in the absence of 1P, 3P and 2P have been determined and reported.

N/A, 1P is not zero.

5.32 The first time an entity publicly reports estimates of petroleum reserves in relation to a material oil and gas project that have materially changed from when those estimates were previously reported, the entity must include all of the following information in a market announcement and give it to ASX for release to the market.

5.32.1 An explanation of the new data and information.

The new data consists of production data for the Stifflemire #1, a newly drilled horizontal Eagle Ford well on the subject acreage.

5.32.2 An explanation of how the new data and information has affected the estimates of petroleum reserves.

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The new data enabled estimation of Undeveloped Reserves on the acreage, where previously reserves were limited to forecast production from the vertical well drilled by Austin.

5.32.3 Any changes or additions to the information provided under rules 5.31.1 to 5.31.7.

See above responses.

Sincerely,

GUSTAVSON ASSOCIATES, LLC



Letha C. Lencioni, P.E.
Vice-President, Petroleum Engineering