

**AUSTIN EXPLORATION LIMITED
ACN 114 198 471**

SUPPLEMENTARY PROSPECTUS


ROBERT LEES
Company Secretary

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 3 February 2016 (**Prospectus**), issued by Austin Exploration Limited (ACN 114 198 471) (**Company**).

This Supplementary Prospectus is dated 18 February 2016 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail. This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website at www.austinexploration.com. The Company will send a copy of this Supplementary Prospectus to all Applicants who have subscribed for Shares pursuant to the Prospectus prior to the date of this Supplementary Prospectus. Terms used in this Supplementary Prospectus have the same meaning as terms defined the Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

1. BACKGROUND

By this Supplementary Prospectus, following discussions with ASIC, the Company provides the information set out in Section 2 below for the information of Shareholders.

2. FURTHER INFORMATION

2.1 Magna Loan Agreement and Subscription Deed

The table below shows the maximum number of Shares that may be issued to Magna (and Magna's resulting voting power in the Company) if the various tranches under the Loan Agreement are drawn down and converted (at Magna's election) under the Subscription Deed.

The table is based on certain assumptions as to the US\$:AUD\$ exchange rate and conversion price. The actual exchange rate and conversion price will determine the number of Shares that may be issued to Magna and its resultant total voting power.

Tranche	Loan Amount (US\$)	Loan Amount (A\$) ¹	Conversion Price (A\$) ²	Number of Shares issued	Total Shares held by Magna	Total voting power of Magna ³
Tranche A	US\$302,500 ⁴	\$426,657	\$0.0056	76,188,797	76,188,797	16.89%
Tranche B	US\$82,500 ⁵	\$116,361	\$0.0056	8,815,233	96,967,560	20.55%
Tranche C	US\$1,100,000 ⁶	\$1,551,481	\$0.0056	277,050,171	374,017,731	49.94%

This Supplementary Prospectus is intended to be read with the prospectus dated 3 February 2016, issued by Austin Exploration Limited (ACN 114 198 471).

Notes:

1. Based on the rate on the Reserve Bank of Australia website as at 11 February 2016 of US\$1:A\$0.7090.
2. Assumes that the 5 day volume weighted average price of Shares at the time of conversion is \$0.007 (being the closing price of Shares on 11 February 2016). Under the Subscription Deed, the conversion price is the lower of \$0.02 and 80% of the 5 day VWAP price.
3. Assumes that the existing issued capital of the Company is 374,859,262 Shares, and no further securities are issued other than to Magna, and that Magna does not sell any Shares. As a result of the issue of Shares to Magna, Shareholders will be diluted by an equivalent percentage to Magna's total voting power.
4. Comprising the Tranche A Facility plus a 10% deferred establishment fee.
5. Comprising the Tranche B Facility plus a 10% deferred establishment fee. Subject to the satisfaction of applicable conditions, Tranche B will be advanced on 4 March 2016, being the date 30 days after the Tranche A was drawn down. If, following draw down of Tranche B, Magna seeks to convert all of Tranche A and B of the Loan Agreement such that it will acquire voting power in more than 20% of the Company, the Company must seek Shareholder approval for this acquisition within 45 business days of receipt of the conversion notice (which approval would, at the earliest, be required at the end of May 2016). If shareholder approval is not obtained, the outstanding loan may be repayable within 3 days. If this were to occur, the Company anticipates it would have sufficient proceeds from the sale of its Mississippi assets (which are currently on the market) by that time to meet its repayment obligations, failing which it would need to raise additional capital by way of debt or equity. There can be no assurance that the Company will be able to meet these repayments as and when due. If sufficient funds are unable to be sourced to meet its repayment obligations, the Company may not be able to continue as a going concern.
6. Comprising four US\$250,000 Tranche 3 Facilities, plus a 10% deferred establishment fee.

As at the date of this Supplementary Prospectus, the Company has only been advanced the Tranche A Facility under the Loan Agreement. The advance of the Tranche B Facility and the Tranche C Facility are subject to the satisfaction (or waiver by Magna) of certain conditions.

2.2 Repayment of Magna Loan

The last sentence of Section 7.2(c)(i) of the Prospectus is amended by replacing the words "60 days after the date of the Subscription Deed" with the words "*12 months from the Utilisation Date of a Loan, unless repaid early by the Company.*".

In the event the principal outstanding becomes repayable (including due to Shareholder approval not being obtained as and when required) and Magna does not elect to fully convert the principal outstanding into Shares, the Company will need to secure sufficient funds to repay Magna the outstanding principal. This repayment may be available from working capital, the net proceeds from the sale of assets or through debt or equity capital raisings. There can be no assurance that the Company will be able to meet these repayments as and when due. If sufficient funds are unable to be sourced to meet its repayment obligations, the Company may not be able to continue as a going concern.

3. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

Guy Goudy
Managing Director
For and on behalf of
AUSTIN EXPLORATION LIMITED