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ASX ANNOUNCEMENT

1 February 2016

## Austin to divest of non-core assets in Texas and Mississippi

- **Company agrees to the sale of Birch property in Texas in all cash deal for AUD\$1.5 million (USD\$1.05 M)**
- **The sale of Birch is advanced with closing and funding to occur in coming days**
- **Sales and marketing process underway to sell Austin's Mississippi property with strong initial interest received**
- **Combination of AUD\$1.9mil financing agreement & asset sales significantly strengthens Company's cash position and balance sheet**
- **Proceeds from sales will also significantly reduce debt profile – Austin well placed to leverage low cost advantage**

**Austin Exploration ("Austin" or "the Company") (ASX:AKK)** is pleased to advise that as part of executing on its strategy of developing low cost oil fields with conventional oil targets, the Company has agreed to the sale of its interest in the Birch Eagle Ford property in Burleson County, Texas for AUD\$1.5 million (USD\$1.05 million) before costs.

The Company has taken the decision to divest of its non-core assets in Texas and Mississippi where it is not the operator and has a minority interest in the properties. At both of these properties Austin has limited control over operational expenditures and, in the current low oil price environment, the Company considers that complete control over well and lease operating expenditures is paramount.

Austin is the operator of its 100% controlled 15,282 acre property in Colorado that lies over the hydrocarbon rich DJ Basin in Colorado. The Company has embarked on a low cost and high impact drilling development program that is targeting oil production from the Pierre Shale.

Due to Austin's strategic drill rig rental agreement, the Company can drill and complete a Pierre well for approximately USD\$500k – these wells remain economic in the current climate of low oil prices and will be highly profitable during periods of stronger oil prices. The property is large enough to accommodate more than 350 wells and the Company can build a highly profitable and substantial oil field operation at this world class property.

The unconventional wells in Austin's Texas interest require horizontal drilling and hydraulic stimulation, with previous wells costing approximately USD\$10 million per well. There are currently no plans to drill wells on the property, and as such Austin would be faced with paying lease renewal fees which does not align with the Company's strategy of building oil and gas production and reserves through its lower cost, conventional and operated properties in Colorado and Kentucky.

The Texas Birch property was marketed and sold through Meagher Energy Advisors of Colorado. Over 60 parties reviewed the sales data room and several lower offers were received. Details of the potential buyer are confidential.

Proceeds from this sale will be used to strengthen Austin's balance sheet and pay down its reserves based line of credit, significantly reducing the Company's debt profile and placing it in a more financially secure position during times of low oil prices.

Further to this, the Company is pleased to advise that it has begun the sales and marketing process to sell Austin's Mississippi property and its 5 producing oil wells. There have been strong levels of initial interest and the Company will keep the market updated on this sales process.

Guy Goudy, Austin's CEO & MD, commented: "As previously stated, the divestment of our non-core Texas and Mississippi assets reflects Austin's clear cut focus on lowering our cost base and reducing debt in order to strengthen our balance sheet."

"The Company remains committed to developing our flagship Pathfinder project in Colorado through a low cost conventional drilling program. We firmly believe that there is significant unlocked value here and we are determined to deliver value for our shareholders, whom we also thank for their continued support."

– ENDS –

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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. In 2010, Austin strategically shifted its core focus towards non-conventional shale exploration and production. 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 has an interest in over 5,000 acres in Texas in the Eagle Ford Shale and the Austin Chalk. Austin has producing oil and gas wells in Colorado, Texas, Mississippi and Kentucky. 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).

#### **DISCLAIMER:**

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.