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ASX ANNOUNCEMENT

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Austin secures AUD\$1.9 Million (USD\$1.35 Million) funding agreement to advance high impact drilling program in Colorado

- **AUD\$1.9 million Convertible Note Facility provided by New York Investment firm Magna – major vote of confidence in Austin’s strategy & assets**

Austin Exploration Limited (“Austin” or “the Company”) (ASX: AKK) is pleased to report that it has secured a \$1.9 million (USD\$1.35) convertible note facility term sheet with innovative and highly regarded New York Investment fund Magna Management LLC (Magna).

This funding facility enables Austin to execute its strategy of driving economic growth through low cost drilling and development at its world class property located over the prolific oil and gas bearing DJ Basin in Florence Colorado, USA.

Guy Goudy, Austin’s CEO & MD, commented: “We are very happy to advance this relationship with a strong institutional fund who shares Austin’s confidence in the potential of our flagship Pathfinder project in Colorado. This is one of the few fields in the US that can be economic at \$30 p/bbl and a discovery will be an exciting and game changing development for this Company and its shareholders.”

“We have a special and unique oil and gas property in Colorado and we are pleased that this has also been recognized by Magna. We consider this funding agreement, in the current challenging market for oil companies, to be a solid vote of confidence in both our low cost strategy and the quality of this asset.”

“We sit directly adjacent one of the most prolific oil fields in North America that has produced more than 16 million barrels of oil. The oil and gas reserves in our 15,282 acre property remain largely in virgin territory and this capital will be responsibly and strategically deployed to unlock the untapped value in this property.”

Austin responded rapidly to the down turn in the oil price by reducing corporate overheads by 65% in 2015. The Company has now established itself as a low cost oil and gas producer that can economically drive growth and add value through building production and adding significant oil and gas reserves and resources.

This low cost development strategy was solidified through a low cost drill rig fleet rental agreement in Colorado that was announced to the ASX on November 9, 2015. This agreement enables Austin's team to operate the drill rig and associated machinery internally, affording the Company complete control over drilling costs and the property's ongoing development, while also allowing Austin to meet the ongoing drilling obligations required to maintain its acreage.

Due to this agreement Austin can drill and complete a Pierre well in Colorado for approximately USD\$500,000. Similar wells previously completed in surrounding areas have cost approximately USD\$1mil - \$1.25mil per well. **A study of 21 productive Pierre wells that are located immediately adjacent to Austin's property indicates that an oil reserve potential of 75,000 barrels of oil is recoverable from each well. At current oil prices these wells are predicted to pay back in approximately 12 – 18 months and offer profitable returns for up to 20 years.**

Mr Ari Morris, Managing Director of Magna, commented that "We are very impressed by Austin's determination to unlock the significant potential of the Pathfinder asset, and its sharp focus on cost control in the current climate of historically low oil prices."

"Our partnership with Austin is a perfect fit for Magna, as we selectively invest to empower companies like this to achieve their objectives. We believe that when oil prices normalise, Austin will be well placed to leverage its strategic advantage as a fast moving and low cost producer."

The terms of the financing Facility are as follows:

- Initial USD\$275,000 available immediately
- Further USD\$75,000 available 45 days after the initial tranche (subject to customary conditions including no events of default or termination events having occurred)
- Balance of funds subsequently available over 12 months with drawdowns up to USD\$250,000 every 90 days (subject to customary conditions including no events of default or termination events having occurred)
- Each convertible note has a face value of USD\$1.10 per note
- The facility has a 12 month term from the date of each draw-down, is unsecured, bears no interest costs, can be repaid at any time by the Company for a maximum premium of 20%, and can be converted into AKK shares at any time by Magna at a 20% discount to the 5 day volume weighted average price (VWAP) of Austin Explorations Ordinary shares
- Under the agreement Magna has agreed to not sell more than the greater of (a) 15% of the daily trading volume or (b) USD\$4000 per day (subject to customary conditions including no events of default or termination events having occurred)
- No shorting of stock at any time

The Company had worked on placing the shortfall from its September 2015 Rights Issue, but due to weak market conditions on the back of OPEC's announcement to not restrict output and maintain oil production at 31.5 Mmboe p/d, demand was not sufficient to meet the capital requirements of Austin's Colorado drilling program.

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. 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.