



AUSTIN EXPLORATION

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



The Math Energy drill rig drilling ahead on the Magellan#1 well at Austin's
15,282 acre flagship Pathfinder project in Fremont County, Colorado

Fourth Quarter Report FY2016

For the period ended 30 June 2016

With additional information on subsequently completed activities

REVIEW OF OPERATIONS AND ACTIVITIES

Quarterly Highlights

- Austin has successfully eliminated all debt – USD\$1.5 mil bank loan facility & USD\$1.35 mil convertible financing facility
- The Company successfully completed a fully underwritten rights issue raising AUD\$1.7 mil to fast track Austin’s high impact drilling program in Colorado targeting oil production from the Pierre formation
- The first phase of drilling of the Magellan # 1 well intersected a 790 foot column of oil in the upper sections of the Pierre formation
- The Magellan #1 well is significant for future development potential as it confirms Austin’s pre-drilling and de-risking program, showing that oil is present in the western part of the Florence field which has produced more than 15 million barrels of oil
- Majority of Austin’s acreage in virgin territory with significant oil resources in place
- The Company successfully completed a Placement to raise AUD\$1.7 mil to embark on a back-to-back, high impact three well program – currently underway

REVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX: AKK) is an oil and gas explorer and producer with working interests and net revenue interests in three proven US oil and gas provinces: Colorado, Kentucky and Texas. Austin is the operator of its Colorado and Kentucky projects.

Austin maintains, and is proud of, its outstanding safety and environmental record, with no lost time accidents or environmental incidents.

The past financial quarter of 2016 has continued to be a challenging environment for the oil and gas sector. Although there was a rise in the price of oil to circa \$50 p/bbl in early June, the price has since plateaued to between \$40 - \$45 p/bbl in July which has seen a sustained slowdown in oil and gas drilling in the United States. The number of active oil rigs has fallen from a peak of 1600 in the third quarter of 2014 to a low of 351 in early July 2016.

North American oil production has declined by 950,000 barrels of oil per day (bopd) from 9.69 million bopd (mmbopd) in April 2015 to 8.6 mmbopd in June 2016. The US Energy Information Administration (EIA) forecasts that production will decrease another 650,000 bopd by September for a total decline of 1.6 mmbopd since April 2015.

This generational down-turn in the price of oil has reportedly forced 168 oil and gas companies to file for bankruptcy in the United States alone due to high levels of debt.

In this context, Austin is proud that it is navigating its way through the downturn. The Company has successfully eliminated all of its debt, has dramatically reduced its cost structure and has a clear plan for growth and adding shareholder value.

In the later part of 2015 and early 2016, Austin successfully divested of its minority interest properties in Mississippi and Texas where it was not the operator and therefore had no control over ongoing development costs and operating expenses. In a low oil price environment, the Company felt it was paramount to have full control over its properties, and as such the Company’s focus moving forward is on the development of its

100% owned and operated, 15,282 acre, flagship asset that lies over the DJ Basin, in Fremont County Colorado.

The Company is also maintaining its Kentucky Business Unit where it is the operator of a 50/50 Joint Venture. This property lies over the Illinois Basin, which has significant upside future potential and is being reported as being one of the next major oil and gas producing basins in North America. The Kentucky business unit continues to provide solid cash flows for the Company.

Austin is pleased to have embarked on a three well, back-to-back drilling program in Colorado which is targeting production from the Pierre Shale Formation. This program follows the drilling of the Magellan #1 well in June 2016 that successfully intersected a 790 foot column of oil in the drill hole at the upper section of the Pierre formation. This provided considerable confidence for the potential of this drilling program, as the majority of oil reserves is typically found in the lower sections of the Pierre formation.

The oil seen during the drilling of the Magellan #1 well also provides great confidence for the future development for this project, as the Company has now confirmed that a significant hydrocarbon system is in place to the west of the Florence field, where commercial and large scale production has already been established to the East. With the Pathfinder field large enough to accommodate 350 wells in the Pierre formation alone, commercial production success on the current three well program has the potential to lead to a long term and ongoing drilling campaign with large growth potential for this project and Austin.

Austin wishes to extend its sincere gratitude to its loyal shareholders for their strong support for the Company's Rights Issue that was successfully completed in May 2016, and which has allowed this drilling program to move forward. The Company would also like to thank Patersons Securities Ltd stockbroking for their support in underwriting the Rights Issue and their continued support for the Company.

In June 2016, the Company was pleased to announce the appointment of Mr Guy Goudy as Executive Chairman (from Chief Executive Officer and Managing Director), and the promotion of Mr Tim Hart from COO to Chief Executive Officer and Managing Director. Mr Aaron Goss, who has been serving as VP/GM for Austin's Colorado and Texas Business Units, has been promoted to the role of Chief Operating Officer.

These appointments were made in line with the Company's long standing succession plan and due to the impending retirement of Austin's Non-Executive Chairman, Dr Mark Hart, and the retirement of Non-Executive Director, Mr Dominic Pellicano. Dr Mark Hart has taken on the role of Austin's Non-Executive Vice-Chairman to ensure a seamless transition of the succession plan and intends to retire on 1 October 2016.

The Company extends its sincere thanks to Dr Mark Hart for his outstanding contribution to Austin Exploration in the role of Chairman and previously as CEO and MD, where he has led and positioned the Company for a successful future, and to Mr Dominic Pellicano for his valuable service and contribution to the Board for some eight years. Both Mark and Dominic have served extremely valuable roles and have added huge value to the Company. Through their wisdom, experience and expertise these two Gentlemen have played critical roles in steering Austin through the severe collapse in the oil price from \$110 p/bbl down to a low of \$26 p/bbl in early 2016.

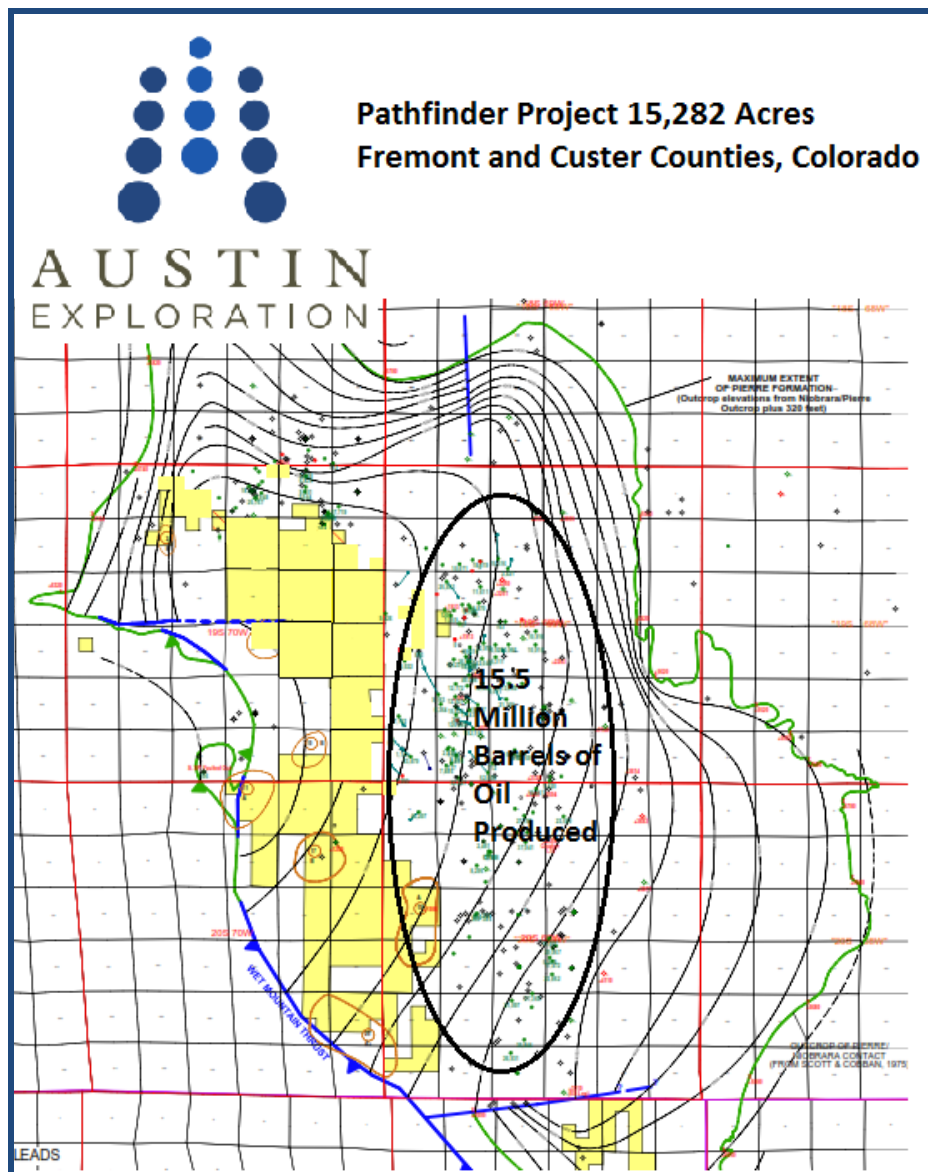
The successful implementation and execution of the above strategies have been critical for Austin in ensuring not only its survival, but in providing a clear path for growth for the Company and its shareholders. Austin's current multi-well drilling program in Florence has been identified to have significant potential and the Board and Management remain more committed than ever to the development of this world class asset and returning value to the Company's shareholders.

BUSINESS UNIT REPORTS

COLORADO BUSINESS UNIT

Austin is the Operator

- Pathfinder Project, Fremont County, Colorado
- 100% Working Interest in 15,282 acre property in the DJ Basin
- Primary hydrocarbon targets: Pierre Shale & Niobrara Shale Formations
- Secondary Targets: Codell, Greenhorn, Grenaros and Dakota Formations
- Back-to-back three well program targeting production from the Pierre shale underway
- First Company to successfully drill and complete a Niobrara Horizontal in Fremont County with 403 BOEPD IP in 2012



The above map illustrates Austin's 15,282 acre property highlighted in yellow. The Pathfinder property sits directly adjacent to an area in Fremont County that has produced more than 15 million barrels of oil from the Pierre formation. Austin's acreage was previously held by coal and gold mining companies and Austin believes its oil and gas reserves remain in virgin territory.

Colorado Business Unit Highlights:

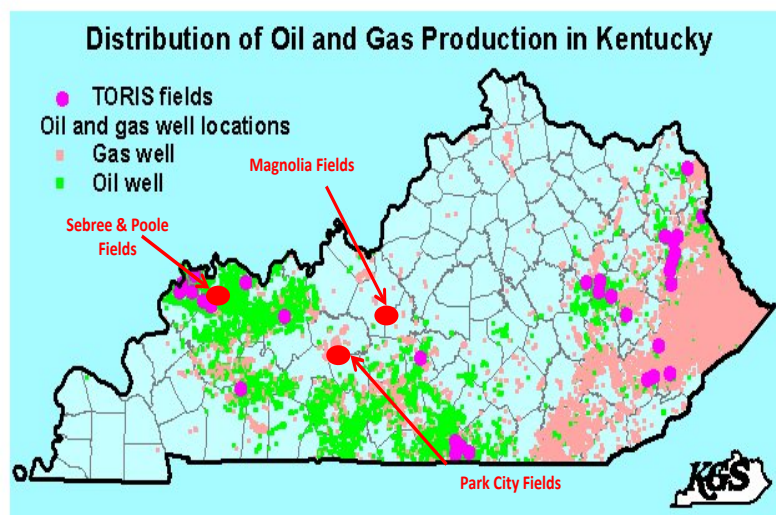
- Drilling is proceeding well on the Magellan well and multiple oil shows have been evidenced during drilling
- The First well, The Magellan #1 well, encountered a 790ft column of oil in the upper section of the Pierre formation during the initial phase of drilling
- This oil discovery demonstrates and confirms that Austin's highly advanced well-site selection process has been accurate in detecting sub-surface fractures that contain oil.
- Austin's team have applied a highly technical process involving a combination of high definition 3D seismic, surface-geochemistry studies and satellite imagery to define several high grade exploration targets.
- The upper vertical sections of the Magellan #1 well, the Columbus #1 well and the Marco Polo #1 well have all been successfully drilled and cased in preparation for the deviated drilling program which is underway
- Wells satisfy lease commitments for full acreage retention
- Austin's property is directly adjacent to the Florence oil field which has produced approx. 16 million barrels of oil from the Pierre formation
- Pierre wells in Florence Colorado remain highly economic in the current low oil price environment
- The Company's strategic low cost drilling rig rental agreement with Math Energy Drilling's Atlas Copco RD20 Drill Rig and all associated machinery has increased operational efficiencies and significantly saved on costs
- The Pierre formation is a naturally fractured shale formation that is found at shallow depths of approximately 4000ft – wells drilled into the formation do not require hydraulic fracturing.

EASTERN BUSINESS UNIT (KENTUCKY)

Austin is the Operator in Kentucky

Kentucky Exploration LLC. Approx. 3000 acre 50/50 Joint Venture with private Australian Investment Company

- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation and McCloskey Formation
- Secondary Targets: Palestine, McCloskey, Fort Payne, New Albany Shale, Hardensburg Formations
- Conventional reservoir objectives and vertical drilling utilised
- Continual engineering program underway designed to maximise production and operating efficiencies
- Leases with high operational expenses and high water haulage, electricity and chemical programs have been put on idle until the price of oil recovers
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low risk and long life production, and cash flow, for the Company.



The map illustrates Austin Exploration's leases in Kentucky.

TEXAS OIL WELLS

- **Birch Eagle Ford Project, Burleson County, Texas**
- **100% Working Interest / 75% Net Revenue Interest**
- **One producing vertical well oil and gas well producing approx. 3 Boepd**

- **Yolanda Dual Austin Chalk Well. Dimmitt County, Texas**
- **36% Working Interest / 27.6% Net Revenue Interest**
- **One producing horizontal Austin Chalk Well producing approx. 5 -10 Bopd**
- **Well drilled and completed in 2010. Initial Production rate = ~ 300 BO**

WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is pleased to report that there were no safety or phase one environmental incidents over the past year. With drilling operations taking place in the US, the Board commends its US team on this achievement. The Company places a large emphasis on the safety of all people, from its own employees to external contractors at its well sites. It is mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Florence Colorado, as well as several OSHA safety programs that are held throughout the year.