



AUSTIN EXPLORATION

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

ASX ANNOUNCEMENT

9 February 2017

Austin Reports Maiden Pathfinder Oil and Gas Reserves & Resources

Independent Oil and Gas Resources estimates Colorado property to hold 30 million + barrels of oil and 187.4 billion cubic feet of gas (p90 = 90% probability)

- First Oil and gas reserves assigned to Pathfinder Project Colorado over 1,800 acres
 - 1.148 Million Barrels of Oil
 - 451 Million Cubic Feet of Gas
 - Net Present Value = USD\$16.091 million on 1,800 acres only
- First Pathfinder oil and gas reserves gives AKK access to project financing for field development
- Reserves figures cover 11% of the 15,773 acre Pathfinder Project. Reserves calculations are limited to proximity of drilling and availability of capital
- Oil and Gas Resources will convert to Reserves as further drilling and development occurs over remaining 13,973 acres
- Pathfinder project is situated directly adjacent to an active oil field that has produced 16.4 million barrels of oil

Austin Exploration Limited (ASX: AKK) (“Austin” or “the Company”) is pleased to announce that world renowned petroleum engineering firm, Gustavson Associates has completed an independent VALMIN Reserves and Resources report over the Company’s Flagship Pathfinder project and the Company’s Kentucky Assets.

This material reserves and resources report comes off the back of Austin’s successful exploration program in 2016 where the Company intersected significant volumes of oil and gas in its three-well drilling campaign. Austin has long held the view that an active petroleum system extends to the west from the established Florence Oil Field which has produced more than 16.4 million barrels of oil from the Pierre Shale formation.

This significant development gives AKK the ability to pursue project financing for large scale and long term field development for Pathfinder – the first time the Company has been able to source such funding lines which today are attractively priced due to historically low interest rates.

A certified copy of the Gustavson Associates Independent Reserves and Resources study is attached to this report. The Summary tables of the analysis are as follows (M = 1,000, MM = 1,000,000, BCF = Billion Cubic Feet, P = Probability, P90 = 90% probability):

Summary of Reserves and Projected Cash Flow, Colorado

Reserves Category	Net Oil, Mbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
			0%	10%
Proved Developed Non-Producing	4.50	0.00	95.62	88.47
Total Proved (1P)	4.50	0.00	95.62	88.47
Probable Developed Non-Producing	24.67	451.22	1,559.30	883.36
Probable Undeveloped	1,068.26	0.00	12,953.65	4,895.55
Total Probable	1,092.93	451.22	14,512.95	5,778.91
Total Proved + Probable (2P)	1,097.43	451.22	14,608.56	5,867.38
Possible Developed Non-Producing	51.37	0.00	1,482.84	1,158.76
Total Proved + Probable + Possible (3P)	1,148.80	451.22	16,091.40	7,026.14

Summary of Gross Contingent Resources:

	P ₉₀ (1C)	P ₅₀ (2C)	P ₁₀ (3C)
Niobrara			
Contingent Oil Resources, MMBbl	15.5	19.7	24.4
Contingent Gas Resources, BCF	187.4	229.7	274.7
Pierre			
Contingent Oil Resources, MMBbl	15.0	19.1	23.7
Total Contingent Oil Resources, MMBbl	30.5	38.8	48.1
Total Contingent Gas Resources, BCF	187.4	229.7	274.7

Austin's Managing Director and Chief Executive Officer Timothy Hart commented: "This is a great result for Austin and a significant milestone that will have a material impact on our growth and our ability to fund this growth much more cost effectively."

"We are especially pleased for our long term shareholders who have shared our belief for some time that Pathfinder is a unique project with a huge amount of upside value. Whilst we are not surprised of the magnitude of these numbers, given that we are literally across the road from a 16.4 million barrel oil field, it is pleasing to receive an independent validation from one of the world's leading Petroleum Engineering firms. It is certainly exciting to receive a Net Present Value of US\$16 million based on just 11% of our current acreage position, and we look forward to drilling in the four corners of our property to further de-risk the project and convert the contingent resources into bankable reserves."

"A significant step forward occurred last year when we proved that the Petroleum system that is responsible for producing 16 million barrels to our East extends to the West over Pathfinder. Not only did we make that discovery but we also learned that the formation is deeper and thicker and more prospective than the existing oil field."

"We are close to receiving Weatherford's analysis of the rocks from the three wells last year and we look forward to receiving and sharing the results of that analysis shortly."

"Our team is ready and committed to seeing these oil and gas reserves converted to cash flows and aggressively driving up the value of Austin."

Mrs. Letha C. Lencioni Vice-President, Petroleum Engineering at Gustavson, added: "We were pleased to be able to complete this Reserves and Resources report for Austin Exploration's Colorado and Kentucky assets. We are a Colorado-headquartered Company and to see an extension of the world's second oldest oil field in Colorado coming to fruition is very pleasing and great for Colorado's energy sector. We wish Austin well as it develops this field which lies in a very rich and mature hydrocarbon basin."

Reserves and Resources Evaluation Report
Pathfinder Acreage, Pierre Shale and Niobrara,
Fremont & Custer Counties, Colorado
Nine Leases, Webster and Edmonson Counties,
Kentucky

Effective Date: February 1, 2017

Prepared on Behalf of
Austin Exploration, Limited



Submitted By:



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EXECUTIVE SUMMARY

Gustavson Associates LLC (the Consultant) has been retained by Austin Exploration Limited (the Client, Austin) to prepare a Report regarding the reserves and resources underlying acreage positions owned by Austin in the states of Colorado and Kentucky. This Report is limited to a report on these properties’ oil and gas reserves and resources underlying the acreage position. This Report does not attempt to place a Market Value thereon. The effective date of this Report is February 1, 2017.

Estimates in this report have been prepared according to the VALMIN standards, which rely on the definitions found in the Petroleum Resources Management System.³ Figure 1-1 is a graphical representation of the PRMS resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

³ [http://www.spe.org/industry/docs/Petroleum Resources Management System 2007.pdf](http://www.spe.org/industry/docs/Petroleum_Resources_Management_System_2007.pdf)

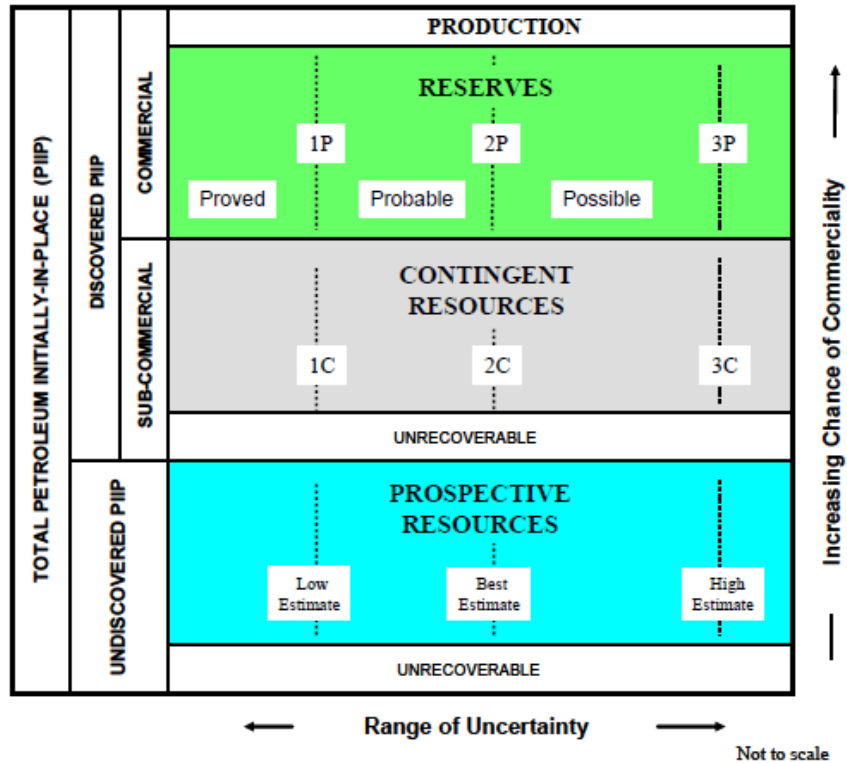


Figure -1 Schematic of PRMS Reserves and Resources Classification System

Reserves are defined in the Petroleum Resource Management System as

“those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.”

Contingent Resources are defined in the Petroleum Resource Management System as

“those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.”⁴

Contingencies in this case are related to the company’s ability to raise capital for further drilling. As additional drilling occurs, it is expected these resources will be converted to reserves.

⁴ <http://www.spe.org/industry/docs/Petroleum Resources Management System 2007.pdf>

The Pathfinder acreage in Colorado consists of approximately 15,773 gross acres, with the primary targets being directionally drilled wells into the Pierre Shale reservoir, and vertical wells drilled through the Niobrara Shale and commingled in the Niobrara and the Pierre. Directionally drilled wells are utilized in order to intersect as many open fracture zones as possible. Austin has recently drilled three directional wells into the Pierre in Section 18, Township 20S, Range 69W. Of these, the Magellan well was tested at an initial rate of 98 barrels of oil per day (BOPD). This well is under testing for production optimization, and is assigned Proved Developed Non-Producing (PDNP) reserves. The Marco Polo and Columbus wells have both tested gas with limited oil. Encountering free gas in this area on the western flank of the Florence Field, which was discovered in 1862 and has produced well over 15 million barrels of oil, is considered encouraging as an indication that reservoir pressure and reserves have not been depleted by past production and Austin's acreage should be essentially undrained. Gas has been bled off from these two wells with expectations that oil production will follow. They have been assigned Possible Developed Non-Producing reserves, at the level indicated by the type curve derived from recent directional Pierre wells in the area.

Probable reserves were assigned to 41 locations on 40-acre spacing in the vicinity of these wells and others on adjacent leases which establish the productivity of the Pierre in the area, and Austin's drilling plans for the next five years.

In 2012, Austin drilled a horizontal well in the Niobrara Shale, the Pathfinder C 11-12 1H, in Section 12, Township 20S, Range 70W. This well produces gas with a condensate/gas ratio (CGR) averaging 57 barrels per thousand standard cubic feet (bbl/MCF). Production has been constrained in the intervening period due to the lack of gas sales and state regulations on flaring gas. While the most recent gas rates recorded for the well during steady production are in the range of 50 MCF/D, a recent test in November 2016 yielded a rate of 695 MCF/D. This well is currently shut in, and has been assigned PDNP oil reserves based on its recent history, and additional Probable Developed Non-Producing oil and gas reserves based on analysis of its testing at higher rates and Austin's plans for establishing gas sales to a local cement plant in 2018.

The reserves and economics for the 1,800 acres of Austin's Colorado acreage in the five-year drilling plan are summarized below.

Summary of Reserves and Projected Cash Flow, Colorado

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Austin also plans to drill 41 vertical wells over the next five years, with two hydraulic fracture treatments in the Niobrara, and commingled production from the Niobrara and the Pierre. At this time it is considered that the level and type of development in the area in the Niobrara does not justify assigning reserves to these wells: they are considered to have Contingent Resources. The contingency in this case is that insufficient data are available for production performance of vertical Niobrara wells in the immediate area to clearly assess commerciality. There is no certainty that any portion of the resources will be produced.

Production forecasts and economics were prepared for these 41 wells, assuming a type curve for the Niobrara which considers the high rate tests from the Pathfinder well, the shape of the Pathfinder decline curve, and the general performance of horizontal and vertical Niobrara wells in the DJ Basin, a long-established area of Niobrara production in northeast Colorado. A type curve for the additional commingled Pierre was based on the performance of vertical Pierre wells in the area. Resources and economics for these 41 wells (1640 acres) are summarized below.

Summary of Contingent Resources in Five-Year Plan

Gross Oil, MBbl	Gross Gas, MMCF	Net Oil, MBbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
				0%	10%
2,648.7	16,609.1	1,986.5	12,456.8	69,442.6	28,981.6

Contingent Resources were also assigned to the remainder of the acreage in both Niobrara and Pierre. Our resource estimates () were based on a probabilistic analysis using a probability distribution of expected ultimate recovery

(EUR). This distribution was developed from an analysis of the performance of analogous Florence Field Pierre wells, and the likely number of locations to successfully be drilled in the prospect area.

Summary of Gross Contingent Resources

	P ₉₀ (1C)	P ₅₀ (2C)	P ₁₀ (3C)
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Additionally, reserves were estimated for the producing properties in Kentucky based on analysis of well performance. Aus-Tex owns interests in nine active leases in Kentucky. These reserves and economics are summarized below.

Summary of Reserves and Economics, Kentucky

Reserves Category	Net Oil, MBbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
			0%	10%
Proved Developed Producing	31.69	0.00	745.01	529.58

Additionally, Contingent Resources were estimated for certain non-producing volumes on the Kentucky properties. These include behind pipe reservoirs that could qualify as Proved Developed Non-Producing reserves if sufficient data were available regarding production from analogous reservoirs; and shut-in gas production in an area where the previous local gas gathering and processing company has shut down operations due to litigation, and has indicated that they have no plans to restart the equipment. Contingent Resources were estimated based on a review of available well log and reservoir data. These estimates are summarized below.

Summary of Contingent Resources, Kentucky

		P ₉₀ (1C)	P ₅₀ (2C)	P ₁₀ (3C)
Total Contingent Resources	Oil, MBO	308.8	460.6	662.8
	Gas, MMCF	75.4	142.8	257.8

– 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 15,000 acres in Colorado in the DJ Basin (Niobrara and Pierre Shale) and 4000 acres in the Illinois Basin in Kentucky. Austin has interests in producing oil and gas wells in Colorado, Kentucky and Texas. 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.