



AUSTIN EXPLORATION

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



Pathfinder C11-12 1Hz well – Producing oil and Gas from the Niobrara Formation

Third Quarter Report FY2017

For the period ended 31 March 2017

With additional information on subsequently completed activities

REVIEW OF QUARTERLY OPERATIONS AND ACTIVITIES

Quarterly Highlights

- **Company completes acquisition of Incremental Oil and Gas (Florence) LLC's oil field from Incremental Oil and Gas Ltd**
- **Austin's now controls 100% and operates 17,698 acre world class oil and gas property in the DJ basin in South-Western Colorado**
- **Acquisition includes oil production of approximately 55 barrels of oil per day as well as extensive oil field equipment and scientific data**
- **Major reduction of oil haulage costs secured for Pathfinder Project**
- **Austin secures AUD\$860,000 (USD\$650,000) loan facility to fund field operations**
- **Low-cost financing arrangement secured with ANB Bank to fund current development activities and provide necessary capital to underpin ongoing operations**
- **Financing obtained on favourable terms – reflects AKK's shift from an exploration to a production company, as well as ANB's confidence in potential of the Pathfinder project**
- **Austin finalising large scale US-Based project financing to accelerate drilling program in 2017**
- **Three Pierre wells drilled in late 2016 continue to demonstrate high volumes of oil & gas**
- **High gas pressures are very encouraging an early indication that oil reserves remain in virgin territory**
- **Weatherford analysis confirms the Pierre formation is predominately an oil producing formation**
- **Gustavson Associates' independent oil and gas resources report estimates the Colorado property to hold more than 30 million barrels of oil and 187.4 billion cubic feet of gas (p90 = 90% probability).**
- **Gustavson's reserves report assigns maiden oil and gas reserves at the Pathfinder Project Colorado over 1,800 acres only. The reserve values total 1.148 Million Barrels of Oil, 451 Million Cubic Feet of Gas, Net Present Value = US\$16.091 (approx. 11% of current project size).**
- **Weatherford Source Rock Analysis trending shows positive results and significant potential for Pathfinder Colorado project to be much larger than initially understood.**

REVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited ("Austin" or "the Company") (ASX: AKK) is an oil and gas exploration and production company 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 is proud of its outstanding safety and environmental record, with only one lost time accident and zero environmental incidents in 10 years of operations.

The second fiscal quarter of 2016 was a successful quarter for the Company that saw material progress on several fronts that will underpin Austin's transition away from a high risk exploration Company to a high margin oil and gas development Company.

The Company's acquisition of the 1925 acre producing Florence oil field from Incremental Oil and Gas is a significant development for the Company and will provide value well beyond the purchase price.

The acquisition includes an extensive amount of scientific data and intellectual property including high definition 3D seismic, Mud Logs, Camera Logs, Sonic Logs, electric logs and Geophysical analysis which covers approximately 50% of the Florence field.

The transaction also includes 22 producing oil and gas wells and all associated production and gathering infrastructure.

Pierre wells have long term production rates, and will frequently produce for 20+ years, with some wells in the area having been in production for over 100 years. As such, they will deliver steady and very high-margin revenue to AKK each month.

The Company's successful three-well 2017 exploration program confirmed an extension of a petroleum system that has produced 16.4 million barrels of oil on the adjacent Florence property which the Company now owns.

Off the back of this drilling program, where either oil or gas was discovered on every well, Austin engaged world renowned petroleum engineering firm, Gustavson Associates to complete an independent VALMIN Reserves and Resources report over the Company's Flagship Pathfinder project, and the Company's Kentucky Assets. These were the first bankable reserves assigned to the Pathfinder property.

A certified copy of the Gustavson Associates Independent Reserves and Resources study is attached to this quarterly 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

The work completed to date at Pathfinder, as well as historical production, has highlighted the multi-hundred-million dollar potential of this large oil and gas resource, including the capacity to develop hundreds of producing vertical wells.

The decision by Austin's management to secure a AUD\$860,000 (USD\$650k) financing facility in the current quarter illustrates a significant strengthening and maturing of the Company. The combination of Austin's low operating costs and strong long-term growth prospects have given the Company the flexibility to pursue finance on highly favourable terms.

While this facility and current cash reserves provided Austin with sufficient funding in the near term, the Company is also well advanced negotiating a much larger project financing facility which will give Austin the necessary bandwidth to substantially scale up field development activities at its 100%-owned 17,698 acre Florence oil field.

Austin's Board and US-based Management team are focused on, and committed to, delivering much greater shareholder value and looks forward to further success in the coming quarter.

WORKPLACE AND ENVIRONMENTAL SAFETY

The Board of Austin is pleased to report that there were no safety or phase one environmental incidents in the quarter. With continual drilling operations taking place in the US, the Board commends its US team on this achievement.

The Company places significant emphasis on the safety of all of its 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.

The Company is proud that it maintains an impeccable safety record with only one Lost Time Accident occurring in its 10 years of operations and an unblemished environmental record with no phase 1 incidents ever having been recorded.