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ASX ANNOUNCEMENT

27 March 2017

## Strong operational progress made at Pathfinder Project

- Three Pierre wells drilled in late 2016 continue to demonstrate high volumes of oil & gas
- High gas pressures are highly encouraging and potentially an early indication that oil reserves remain in virgin territory
- Weatherford analysis confirms the Pierre formation is predominately an oil producing formation
- Austin's Niobrara well back in production and will provide near term boost to cash flows
- Major reduction of oil haulage costs secured for Pathfinder Project
- Significant operational and corporate news flow is pending

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Austin Exploration Limited (ASX: AKK) ("Austin" "the Company") is pleased to provide this update on the solid operational progress being made at the Company's 15,773-acre Pathfinder project in Fremont County, Colorado.

Following the Company's successful 2016 three-well program that targeted oil from the Pierre formation, where hydrocarbons were discovered in all three wells, the successful exploration program has confirmed an extension of the petroleum system that was responsible for producing over 16 million barrels of oil on the adjacent property.

This exploration success has led to the allocation of first bankable oil reserves of the Pierre formation which is a material event for a full scale development program starting in 2017.

Austin's methodical de-risking approach to field development has positioned Austin to become a significant oil and gas producer in Colorado. The Company's Management Team is focused on long-term field development whilst maximising its cash flows in the short term.

### **Pierre Well update**

The Company's Engineers have been closely monitoring, engineering and testing the three Pierre formation wells over the North American winter.

Austin released the results of the Weatherford Laboratories Source Rock Analyzer program pyrolysis to the ASX on 13 February 2017. This highly technical analysis and evaluation of rock cuttings collected during drilling of Austin's three Pierre wells concluded that the Pierre formation is in the oil window of the kerogen maturity process.

The presence of gas in the Pierre formation at the Pathfinder Project, which is to the west of the current oil production,

supports higher reservoir pressures and a lack of oil depletion or drainage and is potentially an indication that oil reserves remain in virgin territory at Pathfinder.

Pleasingly in recent days, the Marco Polo #1 well has showed evidence of oil production and a decrease in gas pressures. The well by well updates are as follows:

**Magellan #1 well:** The well is in testing phase to determine optimal pump rates and maximum oil recovery. Being Austin's first Pierre production well, Austin's engineers are on location daily and working to obtain the optimal pump rate.

The Pierre formation is a highly naturally fractured and brittle shale and over-pumping this formation can cause the natural fractures to close-up, thus risking the recoverable oil reserves in the well, which has been evidenced in nearby areas.

During the testing phase, Austin's engineers closely measure the reservoir replenishment rate, pump rates and reservoir pressures in order to establish on-going and optimal pump rates. When established, the well will be put on to full time production, at which point the pump jack will be powered by electricity and on automatic timers.

The testing phase is being conducted in day-light hours. The reservoir continues to demonstrate good oil deliverability. During this testing phase, the Company has continued to sell the oil produced.

**Marco Polo # 1 well:** The well continues to demonstrate high gas pressures at the well head. Pleasingly, the well is starting show some evidence of oil being present. The Company will continue to bleed down the high gas pressures until it can safely attempt to flow test for oil.

**Columbus # 1 well:** The well continues to produce high volumes of natural gas at the well head. The Company will continue to bleed down the gas pressures until such it can safely begin flow testing operations for oil production.



Magellan #1 Well



Marco Polo #1 well



Columbus #1 well

### **Pathfinder C11-12 Horizontal Niobrara Well - Back on Production**

Austin is pleased to report that it has brought the Pathfinder C11-12 #1HZ back on-line and into profitable production. The well, which was drilled in 2012, has been shut-in due to the fact that it was uneconomical at sub \$40.00 per barrel oil prices. The team is currently evaluating the well, exploring potential stimulation techniques in order to increase production. In 24 hours, the well has produced 25 Bopd and gas levels up to 695,000 cubic feet per day.



**Pathfinder C11 -12 1Hz Well – Producing from the Niobrara formation**

### **Major reduction of oil haulage costs secured for Pathfinder Project**

The Company is pleased to report that on the back recent production increases combined with the Incremental Oil and Gas (Florence) LLC asset and production acquisition that it has secured a significant reduction in haulage costs. The rate per barrel has been reduced from \$11.50 to \$5.50 and the oil produced is being sold to Suncor Refining at Commerce City in Colorado.

This significant reduction in haulage costs will have a material impact on the overall economics of the project and as such the Company has engaged Gustavson Associates to update its recently completed Independent Reserves and Resources Report which will be released in early April.

### **Management commentary**

Austin Chief Executive Officer and Managing Director Tim Hart commented: “All of the drilling and testing that we have completed to date has certainly strengthened the case that the Florence field is in its infancy from an exploration, development and production standpoint.

“We believe the field is at least two times larger than previously understood. From the recent drilling success, we have determined with a great deal of confidence that there is still a tremendous amount of oil to be recovered from the Western section of the field. We are on the cusp of unlocking a great deal of value from this project, and as we move towards an on-going drilling program where the multi hundred million-dollar potential of our world class oil and gas project can be realised, this value will be delivered to shareholders.”

Austin expects to update shareholders on a number of material corporate and operational developments in the near term, as well as reporting on production outcomes and any flow rates from the wells in production.

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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).

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