



AUSTIN EXPLORATION

Listed on the Australian Securities Exchange (“AKK”) and the OTC in the USA (AUN-XY)
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ASX ANNOUNCEMENT

6 December 2016

Austin Executes Gas Sales MOU for Pathfinder

- Austin agrees to sell natural gas via a clean tech gas-to-electric conversion solution with Lionheart Refining & Recycling at Pathfinder, Colorado
- Significant operational synergies working with Lionheart, including avoiding haulage costs and flexible pricing agreement
- Legalised marijuana farming is creating an undersupply of electricity in South Eastern Colorado where Austin operates its 15,773 acre property
- Austin to bring previously drilled 1 Mmscf per day horizontal C11-12 1Hz Niobrara well back on line – well has been offline due to lack of sales channel
- Gas sales expected to commence in the first half of 2017- well produces up to 1 million cubic feet per day
- Plans for a 1,500 barrel per day crude oil refining unit underway

Austin Exploration Limited (**ASX: AKK**) (“Austin” or “the Company”) is pleased to announce that it has executed a Memorandum Of Understanding (MOU) with Lionheart Refining & Recycling LLC to sell and supply natural gas to a clean tech turbine system which will convert natural gas produced by Austin at its Colorado Pathfinder project into electricity. Under the MOU, Lionheart would fund and operate the turbines.

Austin was approached due to a power shortage situation that has been created by the rapid growth of the legalised marijuana growing farming in south Eastern Colorado, where Austin’s Pathfinder property is located. Austin’s Pathfinder property is ideally located to supply energy to this rapidly expanding market.

Upon successful execution, this material agreement will create a sales channel for the large volumes of gas that is being produced from the Company’s C11-12 1Hz Niobrara well.

The C11-121 Hz Niobrara well was drilled in 2012 and produces large volumes of gas of up to 1 million cubic feet per day. The well has been shut-in due to the lack of a sales channel and a gas gathering system in the immediate area. The well also produces oil and condensate and these rates will be re-established once the well is brought back on-line, which is expected to occur in the first half of 2017.

Austin's recently drilled three wells into the Pierre formation are all producing significant volumes of gas. The Company is flaring and bleeding down this gas in order to flow test for oil as the Pierre formation is an oil producing formation. This agreement would also provide a commercial sales channel to sell gas from these wells as opposed to uneconomic flaring, thus maximising returns.

Further, under the MOU, the Company is working with Lionheart refining on a longer term refining solution for the oil produced at the Pathfinder property. Under the terms of the MOU, the Company would supply directly to the refining unit which would be located on the Pathfinder property. This would dramatically reduce haulage costs and maximise profit margins. Under the proposal Austin would not be responsible for the purchase, installation or operations of the refining units. The refining unit would have a 1,500 barrel per day capacity and both companies have agreed that to make this a financially viable solution, a minimum production rate of 500 barrel per day is required. As field development is accelerated, production rates will be monitored by both Companies in order to have the refining unit operational as soon as the minimum production rates are achieved.

Lionheart Refining & Recycling LLC Project Manager Richard Mason commented: "The location of Lionheart's facilities directly at the well head creates significant operational synergies for both parties. Avoiding hauling costs and a flexible pricing agreement mutually mitigates risk in the current market. Monetisation of stranded gas assets can be achieved through long-term, lower-risk, power purchase agreements which can be insulated from extremes in pipeline gas prices. The Lionheart team has found working with the Austin team to amicable and constructive. We are confident this will be both a profitable and long-term partnership.

Tim Hart, Managing Director & Chief Executive Officer of Austin added: "With the unexpected gas volumes that we are experiencing from Pathfinder, having a sales channel for the gas produced will accelerate our plans to move Austin forward as one of the lowest cost energy companies operating in Colorado. This solution is another example of how our people have embraced the "out of the box" thinking that defines the US companies that are flourishing in today's oil and gas market. We look forward to working with the Lionheart team at Pathfinder as we bring our gas to market and strengthen our revenue base at a time when the outlook for natural gas in North America is strong and prices are on the rise"



Austin's COO Aaron Goss, Executive Chairman Guy Goudy, and MD & CEO Tim Hart on location at the C11/12 well

Austin looks forward to ongoing due-diligence, working towards the execution of the definitive documents and creating a commercial outlet for natural gas being produced at the Pathfinder property in Colorado.

– 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 4,000 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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