ASX ANNOUNCEMENT **9 December 2016**

Austin significantly expands assets base in Colorado with acquisition of adjacent oil field

- **Highly complementary to AKK's existing Colorado assets and a – 2,435-acre position in Florence Oilfield being acquired from Incremental Oil and Gas for US$2 million**
- **Post-acquisition, Austin will control 100% of 18,208 acres in the prolific oil and gas producing DJ Basin in Colorado, adjacent to its flagship Pathfinder project**
- **Steady long term production rate of ~52 barrels of oil per day delivers stable cash flow to AKK – major production declines have already occurred**
- **Wells produce for 20+ years, some for over 100 years**
- **Profitable wells, minimal operating costs, no-leasing fees and long-term haulage contract in place**
- **Potential to unlock further value from field – Six development infill Pierre well locations that are ready and defined by 3D seismic**
- **Transaction includes 3D seismic, all associated production infrastructure including pump jacks, tanks, flow lines, 10,000ft of steel production casing and an option over a further 380 acres for re-lease**
- **AKK will now have access to over 450 future low cost drilling locations post transaction - in just the Pierre formation**
- **AKK is undertaking AUD$3.2 million capital raising at $0.006 per share to fund acquisition**
- **Austin will remain debt free post acquisition**

Austin Exploration Limited (**ASX: AKK**) (“**Austin” or** “**the Company”**) is pleased to announce that the Company has entered into an agreement with Incremental Oil and Gas (“Incremental” or “IOG”) to acquire Incremental Oil and Gas (Florence) LLC which includes 100% of its 2,436 acre Florence Oilfield acreage and oil production in Colorado for US$2 million.

Current production is approximately 52 barrels of oil per day from the Pierre formation. 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 an extensive amount of oil production equipment and inventory, including 22 producing oil and gas wells and all associated production and gathering infrastructure. These wells were drilled from 2008 – 2011 and therefore the initial high decline production rates across the majority of the wells have already occurred.

Pierre wells have long term production rates, and will frequently produce for 20+ years with some wells in the area in production for over 100 years. As such, they will deliver steady and very high margin revenue to AKK each month. Also, no water is produced so there are no costs associated with water disposal or injection. Assets are held by production and there are no on-going lease renewal fees. Incremental retains a 2.5% overriding royalty interest in the prospective Niobrara Formation which underlies the Pierre formation.

This acquisition will not only enable Austin to accelerate the development of the field, but will save millions of dollars in scientific and operational costs. Austin is acquiring the assets on highly attractive terms. The property was acquired by Incremental in July 2012 for US$12.25m.

The assets have significant unlocked value with six ready to drill infill well locations that have been defined by seismic. This well site selection process led to 22 consecutive successful wells being drilled and production reaching a high of 1400 Bopd in 2011. As well, there are an additional 380 acres that are held that can be re-leased cost effectively within the next year.

The assets are highly complementary to Austin and significantly strengthen the Company’s asset base in Colorado where it is now focusing 100% of its efforts. Austin will now hold 18,208 acres in Colorado with a portfolio of producing wells, potential upside from its current exploration drilling, and the capacity to now drill more than 450 low cost wells across its expanded footprint.

The effective date for this transaction will be December 31, 2016 with a closing date of March 6, 2017. A non-refundable deposit of $50,000 has been paid with a further non-refundable down-payment of $150,000 due on or before December 30 after completion of the first tier of due diligence and signing of a purchase and sale agreement.

Commenting on the acquisition Austin’s Executive Chairman, Guy Goudy, said: “This is a significant transaction for Austin and delivers immediate and high margin monthly revenue streams to the Company. It also greatly expands our footprint in Colorado and gives us control over adjacent oil fields that we believe still hold considerable future unlocked value.

“Austin’s Board and Management team have spent the past 12 months recalibrating the Company so it has the right foundation and cost base in place to capitalise on opportunities such as this acquisition. We are now realising the upside of this hard work and our shareholders will benefit from opportunities such as this very compelling transaction.

“With a greatly scaled up asset base in Colorado and the opportunity to unlock further value from both these assets, we are only just starting to extract the true value of our flagship Pathfinder project and now the Florence Oilfield. Austin has a unique and low-cost production base in Colorado and we are now focused on growing our revenue streams. Work across the portfolio is ongoing and we look forward to updating shareholders on the progress of our current exploration and production activities.”

Capital raise to fund acquisition

The Company has received commitments for 283.3 million shares at 0.6c per ordinary share to raise $1.7 million from sophisticated and professional investors. The Placement shares will be issued pursuant to the Company's available placement capacity as per ASX Listing Rules 7.1 and 7.1A, and is expected to be settled by Thursday 15 December. The Placement shares will come with a free 1:4 attaching 2019 AKKOA option that is subject to shareholder approval at a general meeting scheduled to be held in January.

The Company is placing 139,524,571 shares under ASX listing rule 7.1 and 143,808,762 shares will be issued via 7.1A.

The 15 day VWAP is 0.6454c (IRESS). The 0.6c Placement represents a 14% discount to the last price of 0.7c.

Patersons Securities Limited is acting as lead manager to the Placement.

In addition to the Placement, the Company will undertake a Priority Offer to eligible shareholders of 250 million shares at 0.6c to raise a further $1.5 million that is to be underwritten by Patersons. The Record Date for eligible shareholders is currently set for 16 December 2016.

The Priority Offer will allow Eligible Shareholders the opportunity to apply for up to $15,000 worth of shares per shareholder, which may be applied for in parcels of $2,000, $5,000, $10,000 or $15,000 worth of Shares. A prospectus for the Priority Offer is expected be lodged on or around the 16 December 2016 and close on or before 27 January 2017. Applications under the Priority Offer will allocated on a 'first in first served basis and the issue of securities subject to shareholder approval at a general meeting scheduled to be held in January. The final allocation decision under the Priority Offer will be at the sole discretion of the Board.

Effect of raising

The effect of the announced raising on the capital structure of the Company is set out below.

Shares

	Number	Dilution
Shares currently on issue	1,395,245,711	
Placement		
Shares to be issued under LR7.1 placement capacity	139,524,571	10.00%
Shares to be issued under LR7.1A placement capacity	143,808,762	10.31%
Total Shares on issue after completion of the Placement	**1,951,745,711**	**35.21%**

Options

	Number
Options currently on issue - exercisable at $0.03 on or before 18 September 2017	20,711,839
Options currently on issue - exercisable at $0.01 on or before 30 June 2019	48,400,000

Options currently on issue - exercisable at $0.006 on or before 30 June 2019	548,351,384
Options issued pursuant to the Placement – subject to shareholder approval	70,833,333
Total Options on issue after completion of the Placement	**688,296,556**

The Company issued the shares as a placement under ASX Listing Rule 7.1A as it was of the view that it was the most efficient and expedient mechanism to raise the funds required to achieve its stated objectives. The Board believe this balances with the need to secure funds quickly to acquire the IOG Property. The benefits flowing from acquisition outweigh the inability of shareholders to fully participate.

The additional funds will allow the acquisition of IOG and further development and drilling at the Company's projects.

Patersons Securities Limited is acting as lead manager to the Placement. The issue is not underwritten and direct costs of the raising are a $65,000 (plus GST) management fee and 6% (plus GST) commission on funds raised under the Placement.

– 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).