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ASX ANNOUNCEMENT

17 December, 2014

Pathfinder Operational Update

- **Two Pierre shale wells spudded in Colorado**
- **Wells satisfy lease commitments for acreage retention**
- **Austin's property neighbours Florence oil field which has produced more than 15 million barrels of oil from the Pierre formation**
- **Pierre wells remain economic in low oil price environment**

Austin Exploration ("Austin" or "the Company") (ASX:AKK) today announced further progress at its Oil and Gas field in Colorado.

The Company advises that drilling of its next two wells is underway at its Pathfinder project in Fremont County. The C18#3 & C18#4 wells are targeting oil production from the Pierre formation. The Pierre formation is a naturally fractured shale that is found at shallow depths of approximately 4000ft. These wells are drilled tangentially into the formation and do not require hydraulic fracturing, therefore the cost to drill and complete these wells is generally less than \$1 million per well.

The Company will drill both of these wells vertically and set conductor and surface casings. Operations will be halted in December in observance of Colorado State wildlife regulations that prohibit drilling in this field until mid-April 2015. Drilling will recommence in April and progress to completion, and if successful, move into production shortly thereafter.

Importantly, these two wells satisfy Austin's sub-lease obligations required to retain its acreage.

Austin controls 100% of the Pathfinder project in Fremont County, Colorado, which is directly adjacent to the prolific Florence oil field. The Florence oil field has produced more than 15million barrels of oil from the Pierre formation. Prior to Austin acquiring this project this property was held by gold and coal mining companies. Austin was successful in securing the oil and gas exploration rights on this property. The Company successfully drilled a vertical exploration well through the Pierre in mid-2014 and discovered oil. The Company's technical team was highly encouraged by the result which provided much confidence for the future development of this property.

Notably, ASX-listed Comet Ridge Resources (ASX: COI) drilled 25 wells in the adjoining field from 2008 -2012. Of these 25 wells, 22 were commercial producers and the average production from these 22 wells has been approximately 31,700 barrels of oil per well. The best well had a 30 day average initial production rate of 523 bopd, has produced over 180,000 barrels of oil, and is still producing. The 22 wells averaged 112 bopd for an initial 30 day period. This data is publicly available.

Guy Goudy, Austin C.O.O. commented that “Our current focus is on maintaining production levels whilst significantly reducing our costs to keep our cash flows strong during this down-turn in global oil prices. We have stripped out approximately \$1 million of our overhead costs, including Company-wide salary reductions, and are well positioned to ride out this low oil price storm.”

“We are surrounded by oil production in the Florence field and believe our current drilling program will unlock a significant amount of value for the Company and its shareholders. With lower drilling costs these wells are highly economic at low oil prices and we are excited by their potential,” Mr Goudy said.

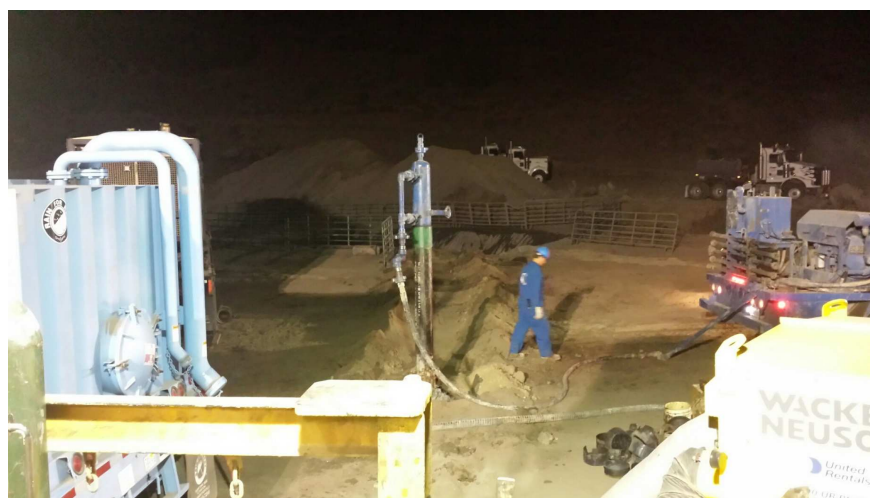
The Company looks forward to the future development of this world class property in 2015.



PIERRE C18#3 WELL



PIERRE C18#4 WELL



DRILLING OF C18#3 & C18#4 WELLS UNDERWAY AT AUSTIN'S PATHFINDER PROPERTY

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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. In 2010, Austin strategically shifted its core focus towards non-conventional shale exploration and production. The Company has now established a major presence in two of America's most prolific oil and gas basins. Austin controls more than 11,000 acres in Colorado in the Niobrara Shale and has an interest in over 5,000 acres in Texas in the Eagle Ford Shale and the Austin Chalk. Austin has producing oil and gas wells in Colorado, Texas, Mississippi and Kentucky. 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-QX International in the United States (AUN-XY).

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