



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

ASX ANNOUNCEMENT

7th May 2013

Pathfinder agreement to fund production and sale of Niobrara gas

- **Heads Of Agreement executed with Gas Brokerage Company to gather, process and sell of gas from Austin’s Niobrara Pathfinder Oil and Gas field**
- **Gas brokerage company to outlay the capital for a multi-million dollar gas gathering and processing system**
- **Successful buy-out of Austin’s third commitment well allows Company time to complete required infrastructure for gas sales**
- **Pathfinder Independent resource estimates state recoverable gas in place of 24.5 BSCF (Billion Standard Cubic Feet / P50 – 50% probability)**

Pathfinder Prospect, Fremont County, Colorado (85% of 11,500 acres)

Pathfinder C 11 – 12 No. 1 HZ Well:

Austin Exploration (“Austin” or “the Company”) (ASX:AKK) announced it has executed a Heads Of Agreement with Mercator Energy based in Denver, Colorado to fund the rapid development and sale of gas from Austin’s Niobrara Pathfinder prospect.

Under the agreement Austin will sell its gas at the well-head in exchange for exclusive rights for sales and distribution of the natural gas produced at the Pathfinder project. The Colorado-based gas brokerage company will outlay the capital to gather, process, market and purchase the gas produced in the Pathfinder field. In exchange for the outlay of capital, a percentage of the NYMEX natural gas price will be deducted off the final price that Austin receives.

The construction of infrastructure such as gathering and processing systems will be a multi-million dollar project and is a further validation of the size and potential of this field. Mercator Energy has been in the gas brokerage business for more than 20 years and has been involved with some of America’s largest gas fields, including the 10 TCF Jonah gas field in Wyoming.

Construction and installation will be completed over several stages with stage one expected to be completed in 6 – 9 months. Importantly, this will allow for the large amount of gas that is being produced from the Company’s

Pathfinder C11-12 #1 Horizontal well to be sold and should be on-line in time for the completion of Austin's next horizontal well, which is expected to spud in the fourth quarter of 2013. The complete construction and installation of infrastructure for the entire Pathfinder Field is expected to take approximately 2-3 years.

The Company has also completed a buy-out of its third commitment well that was required to spud by 30 June 2013. This is an important and necessary development for the Company as it allows the necessary amount of time to complete the installation of the gas gathering and processing facilities, and the immediate production of oil from the Pathfinder Field.

The buy-out of the third well will also allow the Company a sufficient amount of time to complete its farm-out process. As was announced to the ASX on the 29th of April, the Company has executed a Letter Of Intent to farm-out 30% of the Pathfinder project in exchange for a free carry on the drilling costs of the next two wells, capped at USD\$12 million to Austin's 85% Working Interest. These two wells will complete Austin's primary 5 well Niobrara drilling program required to hold its 11,500 acre Pathfinder property.

All of the details of the project have been agreed to by Mercator, Austin and its partners.

Austin's Chairman, Richard Cottee said, "The Company is developing this field in an economically prudent manner designed to maximize the returns of this project and minimize the requirement for scarce investment capital provided by Austin and shareholders. In a short amount of time the Company has been able to execute two agreements designed to ensure long term stability and profitability for all stakeholders."

"Our successful exploration drilling is now supported by fully-funded development infrastructure and gas sales, laying the foundations for significant growth", Mr Cottee said.

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ABOUT AUSTIN EXPLORATION:

Austin Exploration is an Oil and Gas Company with assets in Australia and the United States. Austin has strategically shifted its core focus towards non-conventional shale exploration 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 11,000 acres in Colorado in the Niobrara Shale and over 5,000 acres in Texas in the Eagle Ford Shale and the Austin Chalk. Austin has producing oil and gas wells in Texas, Mississippi and Kentucky. Austin also has a highly prospective Oil and Gas Licence, PEL 105, in the Cooper Basin of South Australia. The company's wholly owned US Subsidiary, Aus-Tex Exploration Inc, turned cash flow positive in January 2011. To face future opportunities, Austin has strengthened its board and management teams. 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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