

AUSTIN EXPLORATION

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

ASX ANNOUNCEMENT

10th May 2012

Market Round-up - US Field Operations Report

- **Krueger #1 has seen very good indicative results from vertical well – raises expectations for horizontal drilling programme scheduled to commence in June**
- **Aggressive drilling program underway targeting '500-Squared' production goal**
- **\$746,000 in non-operating costs already cut under '500-Squared' program, exceeding goal of \$500,000 cut by 30 June 2012**

Chief Operating Officer, Guy Goudy, provides the following Market Round-up of progress across Austin Exploration's exploration and drilling projects and the '500-Squared' efficiency management program announced at the recent General Meeting. The company has already passed key milestones.

Texas - Birch Krueger #1 project at Eagle Ford Shale - commissioned and placed into production on May 1, 2012. Well oil production includes 1 day at over 100 Bbl/d and 4 days over 60 Bbl/d. Temporary shut-downs have been required for additional clean-up procedures. Sensitivities have been run on a horizontal well at a 10:1 ratio of vertical production 20, 30, 40, and 50 Bbl/d (table 1).

| Projected Oil Price: | | \$90.00/bbl | |
|----------------------|------------------------------|------------------------------------|---------------------|
| Working Interest: | | 93.5% | |
| BOPD | Gross Revenue, \$ (1st year) | Gross Revenue, \$ (after 10 years) | Payout BFIT, months |
| 200 | 3,327,790 | 9,430,384 | 34 |
| 300 | 4,991,684 | 14,145,576 | 13 |
| 400 | 6,655,579 | 18,860,769 | 8 |
| 500 | 8,319,474 | 23,575,961 | 6 |

General Manager for Southern United States, Aaron J. Goss, said he believes Krueger #1 shows an excellent result and raises our expectations, particularly given that maximum liberation from oil shale comes from horizontal multi-stage fracking – which we plan to do in the near future. Based on experience in the geology of Eagle Ford he expects the drilling of a fracked horizontal well to return substantially enhanced production. The current focus for Krueger #1 remains on optimising and analysing oil production, with gas from the Taylor formation currently capped until the Northern Summer when gas prices have traditionally risen.

The Krueger #1 well is the first of 3 vertical wells to be placed in operation ahead of choosing the best well-site for a horizontal frac. Austin Exploration CEO Mark Hart said "this gives us a good handle on the geology via triangulation and then allows us to maximise cashflow by initially choosing the best of 3 verticals."

Aaron J. Goss with our partners, H.H.Howell, have also located a re-work well that is currently under engineering evaluation and testing. If this well works out as intended we will have 4 Texas wells in production instead of 3, with one being a horizontal well, which will significantly contribute to achieving the '500-Squared' production goal. The company will also hold over half of the 5000 acres well ahead of schedule as these 4 wells are placed into production.

Colorado - Pathfinder Niobrara Shale Project - Horizontal Niobrara 1 and 2 wells continue to progress with relevant drilling permits, drilling surface agreements, contracting rigs, obtaining seismic contracts permits, and surface owner agreements sought and obtained. Spud date for Niobrara 1 currently scheduled for late June, with the Wilson Rig #30 from Les Wilson Drilling Company selected. General Manager of Colorado, Ola Akrad, says all indications are that anticipated production targets will be achieved. The Company notes that acreage prices around our Niobrara properties have increased to \$1500 an acre.

Mississippi - success last week in deciding with partner, Aldridge Operating, to temporarily shut down Ellislie because the production had dropped to 25 Bbld. After 3 days of technical work the team had raised production to 38 bbld, which ultimately has a good impact on the bottom line. Mississippi 3, Bourke #4 Well, is on track to spud next week. The Company is confident of being able to replicate the success of Austin's previous two wells, which have contributed significantly to cash flow and production, as similar geologic structures are expected to be encountered in this well.

Kentucky - production has been raised by 30:1 since July, 2011.

Upcoming Drilling - three rigs have been commissioned and are scheduled to start drilling in Texas, Mississippi and Colorado over the next two months – Mississippi to start next week, then Texas, and then Colorado. Then Kentucky will start with 2 wells planned, one in June and one in July.

Strategic Contractor/Equipment Review/Engineering - the company is working on a system wide oil strategic alliance with a haulage contractor aimed at reducing costs. Engineering General Manager, Juan Carlos Carratu, is also working on engineering specifications for drilling machines, pipe, cement, tubing, tanks, separators, pumps, meters, monitors and completions for the company in order to help with the '500-Squared' program. These will be bid for a cost effective strategic alliance with certain vendors, with the focus remaining on the "cost out" goal.

Financial - The Final Transactions on the \$25 million Fund Raising was completed on April 28th, 2012. This will fund considerable activity, with the primary focus that funds go straight into the ground and all extraneous expenditures are avoided. Also, the company has already cut avoidable costs by \$746,000 – far exceeding our '500-Squared' program target of \$500,000 in non-operating costs by June 30th, 2012 under acting Chief Financial Officer, Lonny L. Haugen. These savings ensure all funds raised go straight to the exploration and development program. This is money that would have been spent in non-operating areas, with more savings anticipated.

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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. 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)*