



ASX ANNOUNCEMENT

7th December 2011

Drilling update - Austin’s Eagle Ford shale project, USA

- **Krueger #1 well currently drilling into the Eagle Ford Shale**
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The Board of Austin Exploration Limited (ASX: “AKK”) - on behalf its wholly owned US subsidiary Aus-Tex Exploration Inc- provides the following update on drilling of the Krueger #1 well, the first well on the Company’s Eagle Ford Shale project at the Birch Prospect in Burleson County, Texas, USA.

As at 3pm Tuesday the 6th December (CST), drilling into the top of the Eagle Ford Shale formation is underway at approximately 8900 ft. Target Depth of 9200ft is expected to be reached within 48 hours at which time the electronic logging process will begin.

The progress of the well into the Eagle Ford formation was delayed by the Company’s engineering team following some issues encountered with drilling circulation through the Austin Chalk from which hydrocarbon ‘shows’ were observed in mud logs from that formation.

Prior to drilling ahead into the Eagle Ford formation, it was decided to run production casing to the top of the Eagle Ford to eliminate any future issues arising with the integrity of the well bore.

This process was successful and Krueger #1 is now drilling ahead into the Eagle Ford. The well is expected to hit target depth and begin logging by the end of this week.

The Austin Chalk ‘shows’ followed the intersection of the Taylor Sand formation - the first of the potential hydrocarbon bearing formations outlined by Austin its pre-drilling report. Encouraging gas shows were identified in mud-logs from drilling of the Taylor Sands between 6594 feet and 6615 feet and were consistent with productive Taylor gas sand wells in the vicinity of the Krueger #1 well.

The Krueger #1 well – being drilled by Coastal Rig #7 – is Austin’s first well to be drilled on the Eagle Ford prospect in which Austin has a 93.5% interest.

The Krueger #1 well will be completed and fraced as a vertical well. Initially, three vertical wells will be drilled at which time the formation characteristics will be analysed by the Aus-Tex geological and engineering teams.

The well demonstrating the strongest hydrocarbon potential will be the first well to be re-entered for a multi-stage horizontal “hiway” frac.

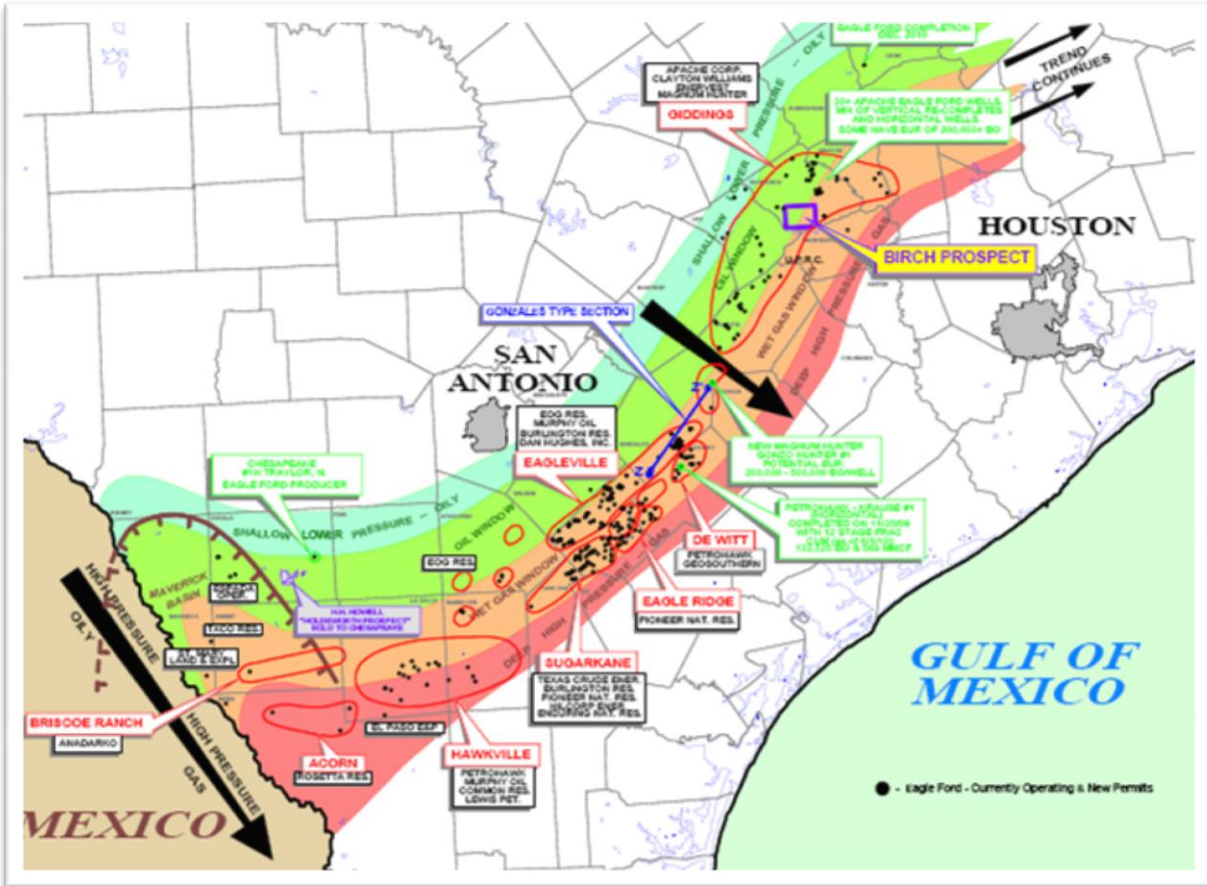


Figure 2: Project location, demonstrating location in oil/wet gas window of the play

About Austin’s Eagle Ford Shale Project

The Eagle Ford Shale trends across Texas from the Mexican border to East Texas, roughly 50 miles wide and 400 miles long with an average thickness of 250 feet. It rests between the Austin Chalk and the Buda Lime at a depth of approximately 8,000 to 10,000 feet in the project area. It is the source rock for the Austin Chalk and the giant East Texas Giddings Field – 6 counties: Bastrop, Burleson, Fayette, Lee, Brazos, and Washington.

Austin’s Eagle Ford Shale project is located in the oil/wet gas window of the play, which has proven to be the most productive area of the play, with an interpreted thickness of ~300 feet. Austin acquired its

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Eagle Ford Shale interests for an average of only ~\$400 per acre, well below industry peers, following a detailed due diligence including an independent technical report and analysis of 12 nearby wells, all with production. The independent technical report prepared for Austin as part of its due diligence suggested potential initial production rates of >800 bopd and NPV per well of up to \$7 million, with potential for 31 wells.

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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 Americas most prolific oil and gas basins. Austin controls more than 11,000 acres in Colorado in the Niobrara Shale and over 5000 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)