



Austin Exploration Limited ACN 114 198 471

Listed on the Australian Securities Exchange ("AKK")

ASX ANNOUNCEMENT

12th May 2011

For Immediate Release

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**AUSTIN ANNOUNCES MAJOR USA OIL & GAS SHALE
ACQUISITION AND CAPITAL RAISING**

- **Exclusive MOU signed for an option over 10,000 - 20,000 acres in Niobrara Shale- Rocky Mountains, USA**
- **Follows Eagle Ford Shale, Texas, acquisition announced three weeks ago**
- **Firm commitments received for A\$8 million placement to professional & sophisticated investors**
- **A\$2.5 million Share Purchase Plan offered to existing shareholders**

Dear Sir/Madam,

The Board of Austin Exploration Limited (ASX: "AKK") - on behalf its wholly owned US subsidiary Aus-Tex Exploration Inc - is pleased to announce that it has signed an exclusive option agreement over a further substantial Oil and Gas Shale project in the USA.

The new project - targeting the Niobrara Shale in the Rocky Mountains region of Colorado – is in addition to the Company's recent acquisition of significant acreage in another highly-prospective USA oil and gas shale prospect, the Eagle Ford Shale in Burlison County, Texas.

Austin is also pleased to announced plans to raise up to \$10.5 million with a share placement to professional and sophisticated investors at 3.5 cents per share and a Share Purchase Plan to be offered to existing Austin shareholders, also at 3.5 cents per share.

Firm commitments have already been received for the proposed A\$8 million share placement.

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The MOU announced today points to Austin being the only ASX-listed company with exploration acreage in both the Niobrara and Eagle Ford shale - two of the most prospective exploration areas in the USA. The company can confirm it is in the process of commissioning an Independent Geologist to complete a 51-01 USGS reserves report for both the Eagle Ford and Niobrara Shale projects.

President of Aus-Tex, Guy Goudy, said funds from the proposed share placement and SPP would be used for the proposed Niobrara acquisition and for the development of the Niobrara and Eagle Ford projects. (Please see page 7 for further details).

"We are already preparing to drill three wells into the Eagle Ford Shale Birch Prospect, with drilling expected to be under way in July," he said.

Mr Goudy said the MOU agreement announced today provided Austin with the opportunity of achieving its objectives of securing rights to two large North American Shale Projects in the USA. The Company intends to focus on acquiring and developing large acreage blocks with a majority Working Interest (WI) of more than 80% and a minimum of a 65% Net Revenue Interest (NRI) for all future projects.

"With strong cash flows now solidified, coupled with Aus-Tex's new technical team, the Board's focus has shifted to growth. When completed, these two significant acquisitions should position the Company to achieve growth in shareholder value," he said.

"What we have achieved with the Niobrara acquisition is the outcome of many months in planning. Following our recent successful exploration campaigns and subsequent production, the Board felt it was time to focus on growth. We now have rights to two world class oil & gas projects. We have a world class managerial and technical team. With support and financial backing from the institutions this Company is now well set for solid growth into the future. It is truly a very exciting time for this Company and its shareholders" Mr Goudy said.

ACQUISITION MOU - NIOBRARA SHALE PROJECT, COLORADO, USA

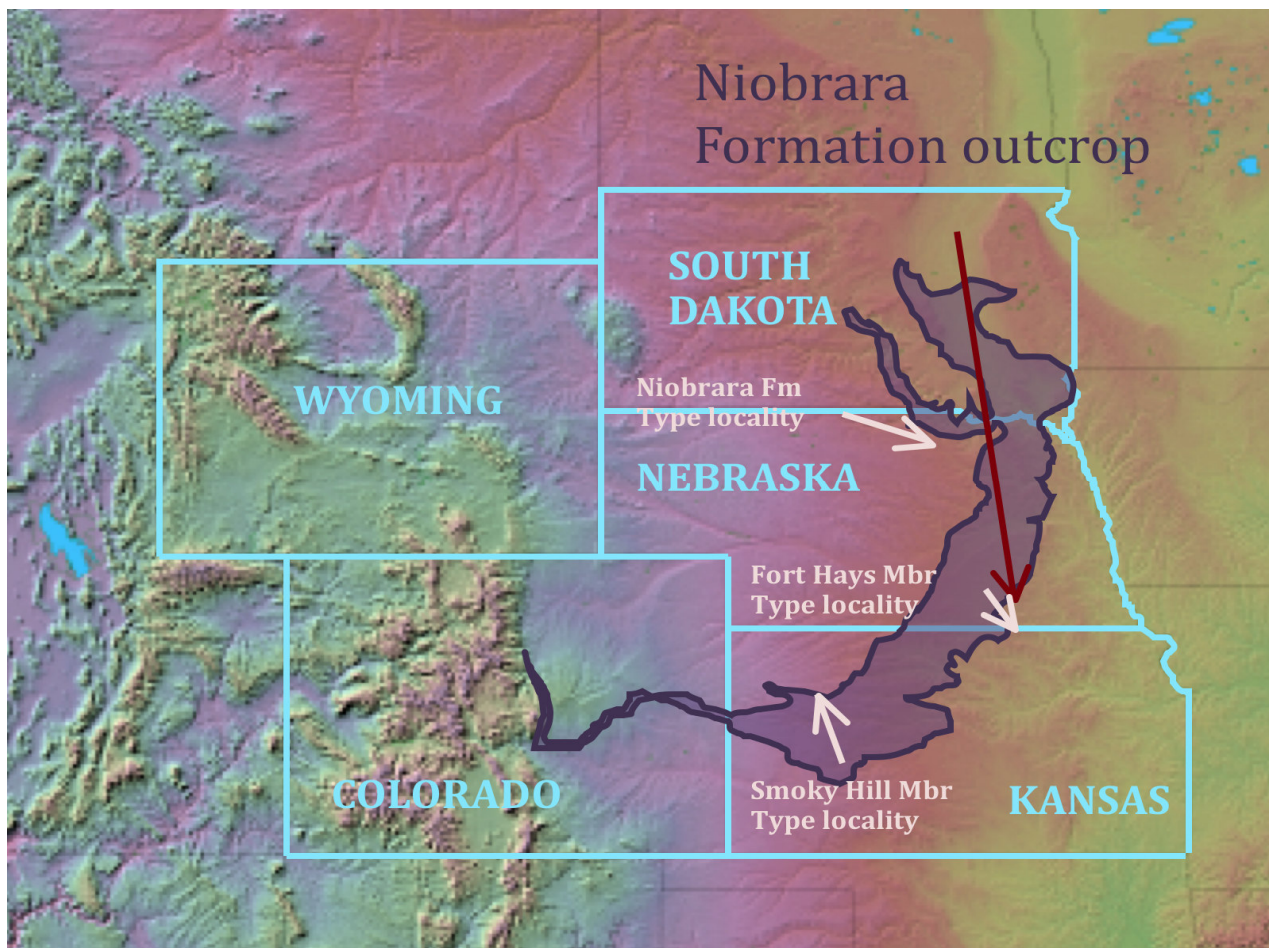
The Company has signed a Memorandum of Understanding (MOU) to gain an option over 10,000-25,000 acres in the highly prospective Niobrara Shale in Colorado USA. Due to confidentiality conditions associated with the MOU, the Company is prohibited from releasing specific details on the project's location until all deal terms have been finalised. Due-diligence and negotiations are expected to be finalised in the first week of June 2011 at which time the Company will be in a position to provide the market with a full update on the acquisition. The Company's technical team is currently completing its due-diligence over the project and the acquisition is expected to cost approximately USD\$2 million.

In addition, should the acquisition proceed, the Company will commit to one horizontal well for an estimated total cost of US\$3.6 million (the drilling costs will be refined in the future).

Investment highlights of the Niobrara project are as follows:

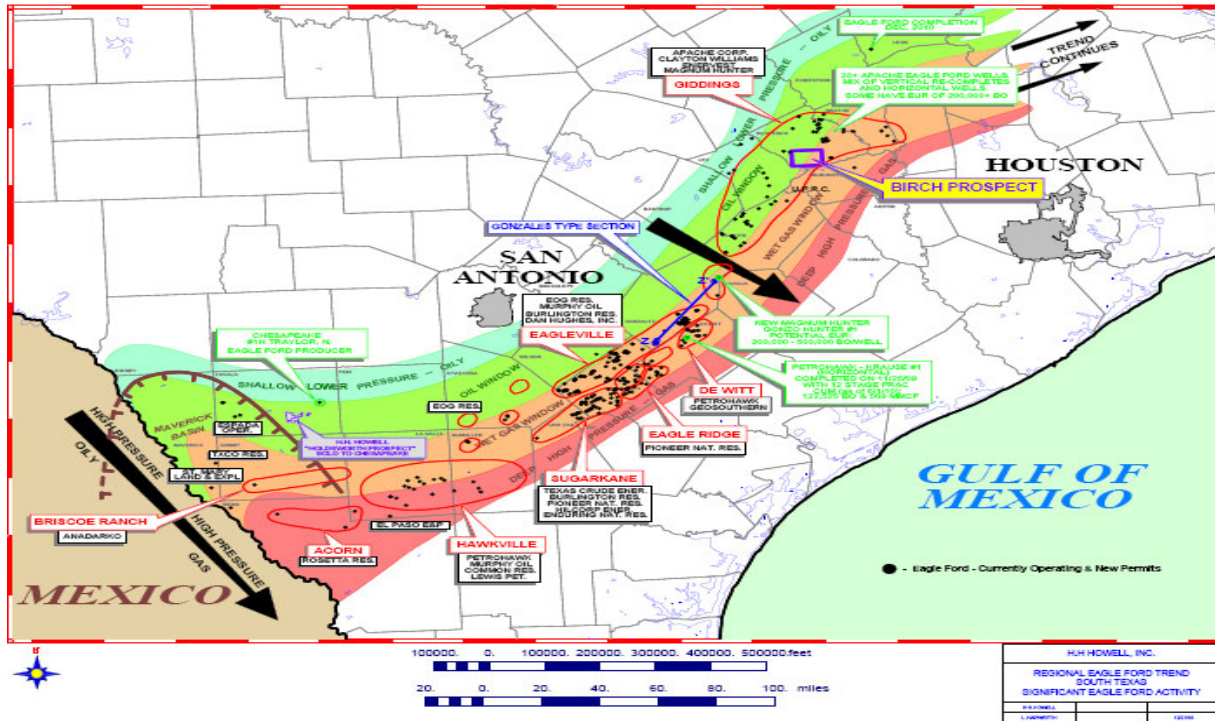
- i) 10,000-20,000 acres – material for AKK
- ii) High likelihood of natural fracturing as evidenced by production from a nearby field at a shallower shale horizon
- iii) Presence of oil established by historic wells including 12bopd (before fracking techniques were available) flow rate from the Niobrara in a vertical well that was targeting a different horizon
- iv) Presence of oil also established by resistivity anomaly
- v) 5,000ft depth means drilling costs are digestible and economic hurdle rates are lower for initial production and ultimate recovery per well
- vi) No depth limitations
- vii) Excellent road and drill rig access to site

NIBRARA FORMATION OUTCROP



EAGLE FORD SHALE PROJECT- BURLESON COUNTY, TEXAS USA.

BIRCH PROSPECT:



Acquisition – Eagle Ford Trend

As announced to the market on the 19th April 2011, Austin has entered into an Option to acquire 5,000 acres in the North Eastern section of the Eagle Ford Trend in Burleson County, Texas USA. The Board is pleased to report to its shareholders that it has completed its due-diligence over approx 900 acres. Results of these studies are highly encouraging and as a result the company has fully funded the acquisition of the first 900 acres for a total cost of approx USD\$360,000.00. Preparations to drill three vertical wells into the Eagle Ford shale are underway. The drilling campaign is planned to begin in July at which time the Company is confident that it will have completed its due diligence and be in a position to fund the remaining 4100 acres.

Investment highlights of the Eagle Ford project are as follows:

- i) 5,000 net acres targeted – material for AKK
- ii) Estimated recoverable reserves per vertical well at 200,000 barrels of oil
- iii) Located in the highly pressured “ Wet Oil & Gas window”
- iv) Production from Austin Chalk shows presence of oil
- v) Depth and pressure analogous to productive areas closer to the “core” of the EFS

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vi) Theory that where the chalk is not productive is because the oil remains in the shale source rock and these are the target areas

vii) Acquired nearby to Eureka Energy Ltd – who paid \$2,000 per acre vs \$400 per acre

EAGLE FORD BIRCH PROSPECT:

PROJECT TERMS AND COSTS:

Owner	Working Interest (WI)	Net Revenue Interest (NRI)
Aus-Tex Exploration	93.5%	70.125%
Operator	6.5%	4.875%
Royalty	0%	25%
Total	100%	100%

Item	Amount (US\$)
Acquisition \$400/acre (5000 acres)	\$2,000,000
Estimated Vertical Well (Drilling + Completion)	\$1,674,909
Estimated Horizontal Well (Drilling + Completion)	\$6,888,909

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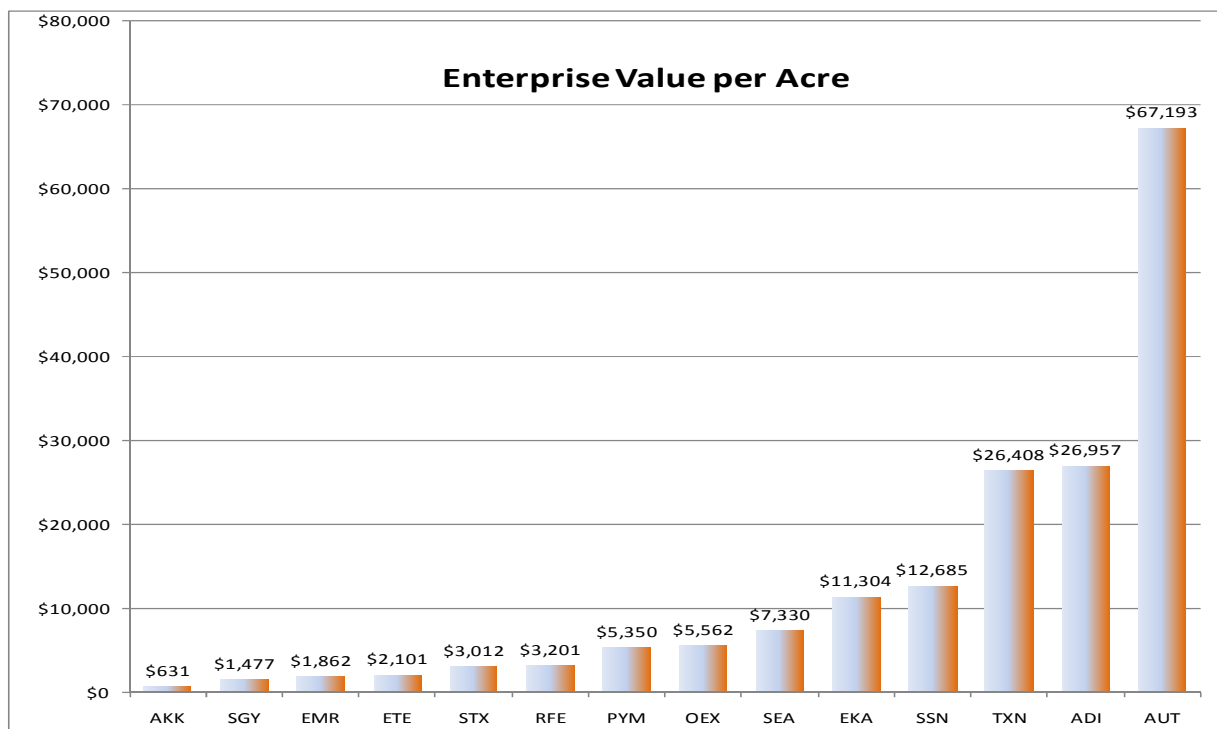
There are currently 24 Major Oil and Gas companies conducting operations in the Southern Texas Eagle Ford trend including Anadarko, Apache Corp., BP, Cabot Oil&Gas, Chesapeake Energy, ConocoPhillips, El Paso, EOG Resources, Exxon-XTO, Forest Oil, Goodrich, Hilcorp, Lewis Petro Properties, Murphy Oil, Petro Hawk, Pioneer Resources, Reliance, Rosetta Resources, Sharon Energy, Shell, SM Energy, St. Mary Land & Exploration, Swift Energy, Talisman, TXCO Resources.

Aus-Tex Engineering staff is nearing completion of its due diligence which is expected to be completed within the next 30 days. The current study reveals an average Eagle Ford thickness of approximately 300 feet which dips gently to the South East. It ranges in depth from 8000 – 12,000 feet. Analogous Eagle Ford wells on trend when vertically drilled & fraced typically produce on initial flows of 250 BOPD and up to 1200 BOPD when horizontal drilling techniques are applied.

ENTERPRISE VALUE COMPARED WITH INDUSTRY PEERS

Based on the 25,000 acre net potential AKK would be the cheapest ASX listed company on EV/acre basis by a factor of 2 – trading at \$600 per acre. The next lowest peer is \$1,500 per acre and the average is ~\$10,000 per acre.

The comparisons are highlighted in the chart below.



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SHARE PURCHASE PLAN

The Company is pleased to offer its existing shareholders the opportunity to participate in a Share Purchase Plan to issue 71,428,572 shares to raise A\$2.5 million. Existing Shareholders will be offered a maximum of \$15,000.00 worth of shares at \$0.035. For every 2 shares taken up under the SPP the shareholder will receive 1 Class J, 12 month Option with a 5.5c exercise price. In case of applications exceeding A\$2.5 Million, the Company maintains the right to scale back.

Documentation for the SPP will be released to the ASX shortly. All shareholders on the register on the 11th May 2011 (Record Date) will be entitled to participate in the SPP.

PLACEMENT TO SOPHISTICATED INVESTORS

Otsana Pty Ltd trading as Otsana Capital has, on behalf of the Company, secured firm commitments for a placement of 228,572,429 shares to Professional & Sophisticated Investors to raise A\$8million at a price of A\$0.035c per share.

The Company will also be issuing 2 classes of options:

- i) 114,285,714 Class J, 12 month Options with a 5.5c exercise price.
- ii) 114,285,714 Class I, 24 month Options with a 5.5c exercise price.

The Company will issue:

- i) 1 I Class Listed Option for every 4 shares subscribed on a pro-rata basis to facilitate the capital raising.
- ii) 1 J Class Listed Option for every 4 shares subscribed on a pro-rata basis to facilitate the capital raising.

The Company will be seeking shareholder approval for this placement of shares and options, and for additional placements of shares and options to raise up to \$10,500,000 at a general meeting to be called shortly. At this meeting the shareholders will also be asked to approve the SPP described above.

COMPETENT PERSONS STATEMENT

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. David T. Greene, Sr. Reservoir Engineer, Fidelity Exploration and Production Company. Mr. Greene holds a Bachelor of Science Degree in Earth Science and a Master of Science Degree in Petroleum Engineering and has over 30 years of oil and gas experience including exploration drilling, completion and production. His background also includes evaluation, design and implementation of improved and enhanced oil recovery projects as well as pressure transient analysis, fluid properties and petrophysics. He is a member of the Society of Petroleum Engineers and the American Association

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of Petroleum Geologists. Mr. Greene has the relevant experience within the industry and consents to the information in the form and context in which it appears.

MEDIA AND INVESTOR CONTACT:

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