



ASX ANNOUNCEMENT
2011

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

- **Good progress with first well on Austin's largest ever drilling project**

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 first well on the Company's Eagle Ford Shale project at the Birch Prospect in Bureson County, Texas.

As previously advised, drilling of the Krueger #1 well by Coastal Rig #7 commenced last week as Austin's first well to be drilled on the Eagle Ford prospect in which Austin has a 93.5% interest.

Since spudding of the well on Tuesday last week, good progress has been achieved with cement casing run after reaching the targeted depth of 4323 feet for surface casing.

Drilling has now resumed as the well progresses to the planned total depth of 9200 feet (2804 metres) which is expected to be reached next week.

Primary targets are the Eagle Ford formation, a hydrocarbon bearing sequence expected to be intersected at ~8,700 feet, and the Austin Chalk, which is expected to be intersected at ~8,300 feet. Other potential hydrocarbon bearing formations that are expected to be intersected include the Taylor Sand formation (~6,500 feet), the Buda lime formation (~9,000 feet) and the Georgetown Lime formation (~9,100 feet)."

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.

The Eagle Ford Shale, with an interpreted thickness of 300 feet, is the source rock for the Austin Chalk, and is a hydrocarbon producing formation of significant importance due to its ability to produce both gas and higher levels of oil than other traditional shale plays. It contains a much higher carbonate shale percentage which can total upwards of 70% in south Texas. In addition, the brittle nature of the hydrocarbon bearing sequence makes the Eagle Ford shale more amenable to fracing, improving the potential flow rates from wells drilled into this formation.

Austin Exploration Limited ACN 114 198 471

Listed on the Australian Securities Exchange ("AKK")

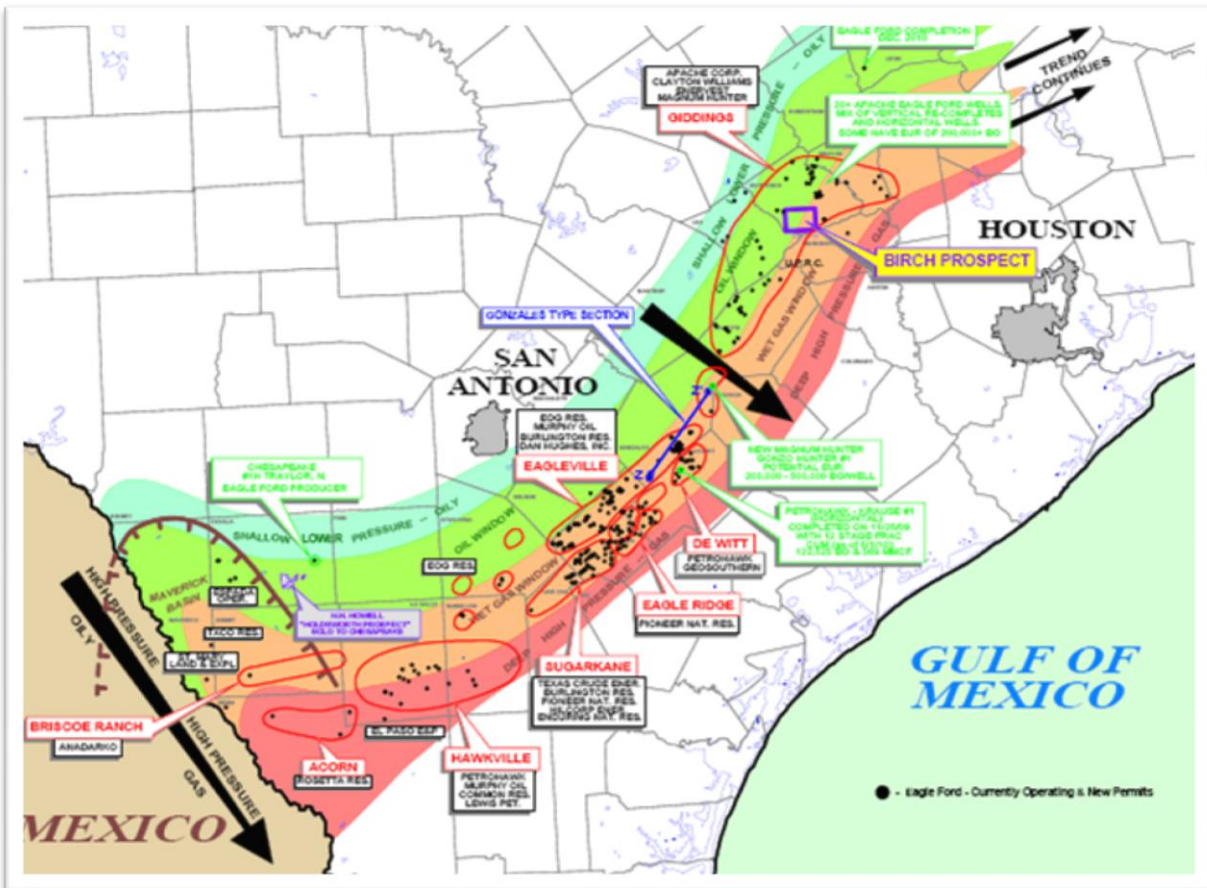


Figure 2: Project location, demonstrating location in oil/wet gas window of the play

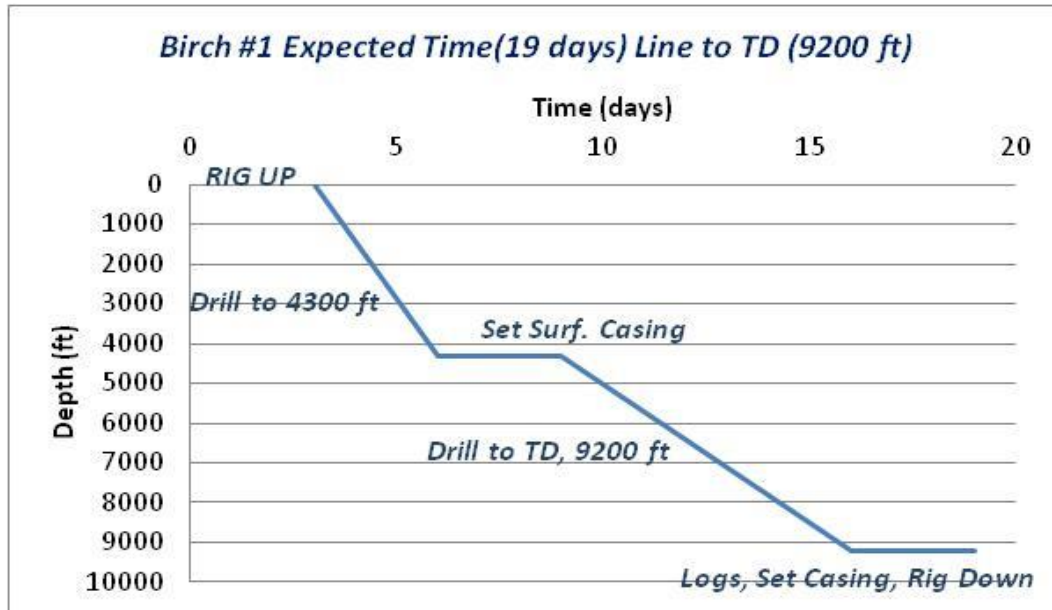


Figure 3: [Krueger #1 Expected Vertical Well Time Line]

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 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)