



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

28 August 2012

Significant Hydrocarbons discovered in Colorado and Texas

- **Excellent log results at the Company's Pathfinder project in Colorado indicate high prospectivity for oil in the Niobrara Shale and horizontal section drilling to commence**
- **Large shows of oil and gas witnessed in the Austin Chalk at the Company's third well in Burleson County, Texas**
- **Company controls 93.5% of 5000 acre Texas Project and 85% of 11,500 acre Colorado project**

Austin Exploration reports significant progress has been made as its two flagship oil properties in Colorado and Texas. The exploration teams at both properties have confirmed significant discoveries of oil and gas which appear consistent with the experience of nearby established fields and company expectations.

During a particularly active and successful exploration period, COO Mr Guy Goudy, and VP for Engineering and Technology Mr Juan-Carlos Carratu, reported that the Company had overcome significant engineering challenges created by complex geology. This has justified the cautious approach of the exploration teams and led to the development of new, more cost efficient drilling techniques.

In particular, the General Manager for Colorado, Ms Ola Akrad and General Manager for Texas, Mr Aaron Goss, have both performed outstandingly for the Company in tirelessly leading their exploration teams to success during these demanding and operationally difficult times.

Austin Chairman, Mr Richard Cottee said the success of the drilling in Texas and Colorado keeps the Company on course to achieving a major increase in ground reserves. Mr Cottee said that the logs have returned better results than the most prolific oil producers in the DJ Basin which has validated the enormous potential that the Company sees in this project. He said the Company was now moving forward with a back to back horizontal drilling programme in Colorado and we should know the full impact of this significant discovery in

approximately 100 days. Mr Cottee said that such a move could advance the Company's programme to achieve oil production from one or both of N1 and B3 wells thereby substantially exceeding our 500 bopd target in calendar year 2013.

Operational update:

Colorado Pathfinder Project **Fremont County, USA.** **85 % Interest of 11,500 acres**

Pathfinder C 11 – 12 # 1 Well

Target depth (TD) of 5920 feet was successfully reached on Friday the 24th of August. A series of mud and electronic logs have been successfully run on location and the results are excellent. Oil sheens were also encountered in the mud returns whilst drilling at several intervals ranging from approx 3500ft to 5900 ft in the Pierre, Niobrara and Codell formations.

On the back of these excellent log results the Company has decided to drill two back to back horizontal wells at its Pathfinder project.

The logs indicate the presence of the Niobrara Shale in three benches(A,B &C) ranging from 5175 ft - 5453 feet, totalling approximately 200 feet thick of potential pay zones in the Niobrara.

A thorough analysis of the initial log data has been completed. These results have been analysed and compared to two of the most productive Niobrara wells in the Wattenberg Field (DJ Basin). In consultation with several geologists, geophysicists' and Petroleum Engineers, the log results from the Pathfinder #1 well appear comparable if not better than these wells.

Due to the "tight hole" confidentiality of this project, specific log readings and measurements cannot be made public at this time. However, the Company can confirm that resistivity levels are in the top echelon for productive wells in the DJ Basin. The Weatherford Mug logs reveal that the cuttings from the Niobrara have a very high organic content and that the well has intersected the oil productive window of Niobrara formation in the DJ Basin. Further, the Weatherford mud logs reveal a high brittleness index, low clay content and high levels of calcite which infers that the fracability of the well should be excellent.

Based on the above positive results indicated, the Company has decided to immediately proceed with the drilling of a horizontal well targeting production from the Niobrara formation. Multiple frac stages are planned for this well. The Company's completion policy allows for a 100 days to complete the well and put it into production. The initial production rates will be communicated to the market as they become available.

The Company is waiting on several more logs to decide the exact orientation of where the horizontal well will be placed. A thorough engineering analysis is underway which is expected to take approx 20 days to complete. In order to achieve maximum economic efficiencies and not have the rig sitting idle for 20 days, the company has decided to immediately skid (move) the rig and begin drilling a second Niobrara well on the same well pad.

This well will be designed so the horizontal leg will land directly in the productive section of Niobrara without drilling a vertical test well first. Following the completion of this the rig will then be skidded back to the original well location and the horizontal section will be completed.

The importance of this for the Company is that it will achieve two of its three well commitment that is required by June of 2013, for the company to hold its Colorado acreage. Secondly, by drilling two wells from the one well pad location, the Company will save approx USD\$500,000 on rig mobilization and demobilization costs, well pad construction costs, road construction costs etc.

The Pathfinder #1 well was drilled using a new technology called “Casing drilling” to better enable the drilling to successfully reach drill to its target depth. This highly advanced drilling technology was undertaken at the direction of the Company’s VP of Engineering and Technology, Mr Juan Carlos-Carratu. The most recent two wells drilled in Fremont County by other companies were unsuccessful in drilling through the problematic Pierre formation and these wells were plugged and abandoned. With the success adoption of the new technology, Austin will conduct an extensive analysis of this casing drilling technology as it believes it could be applied to all of its US properties with increased efficiencies that will ultimately lead to significantly lower drilling costs.

Texas Birch Project.

Burleson County, USA.

93.5% Interest over 5000 acres

Birch # 3 Schwartz/ Galbreath Well

The Company has successfully drilled its third well at its Texas Birch project to a total measured depth (MD) of 13,213 ft including a 4000 foot horizontal leg into the Austin Chalk formation. This makes Birch #3 the Company’s deepest ever well.

The Company believes it may have intersected a large oil reservoir at approximately 10,675 feet as a large gas kick produced a 40 foot gas flare whilst 20 barrels of oil were returned to the pits over several hours. During drilling, the well had several oil shows in the pits and a series of large gas kicks with readings reaching as high as 5404 units. This caused several delays during drilling as the gas has to be flared off until the pressures were sufficiently reduced to allow the resumption of drilling operations.

The nearest well to the Birch #3 Well, the Christico Tharp Unit #1 well, was drilled in 1990 and is approximately 1km away. This well produced approx 117,277 barrels of oil and 1,027,517 MCF (1.027Bcf) of gas from the Austin Chalk. The initial signs from the B3 well are that the two wells should have similar production capabilities. Based on the large volumes produced by the Christico well, the Company’s engineering team has replicated the design of this well.

When drilling through the Austin Chalk the oil and gas shows were considered so significant that the company decided it should produce and deplete the Austin Chalk ahead of exploring the Eagle Ford potential. Consequently, the Company has immediately moved forward with setting up production facilities for this well. The Company’s completion policy allows for a 100 days period to complete the well and put it into production. The initial production rates will be communicated to the market as they become available.

Birch #2 Stern Well

Several operational and drilling issues with the on-site work personnel were encountered whilst drilling this well. The Company's Management were not satisfied with the rig and a decision was made temporarily halt drilling operations. The well had reached a total depth of 8678 ft and was at the top of the Austin Chalk when drilling was halted.

The Taylor sand was encountered at 6,748-6,780 feet and has a gross thickness of 32-feet. This formation has been prolific gas producer in Texas for many years. Electronic logs were run and indicate good neutron porosity. Based on the logs and the thickness of the formation the Company believes that this well could produce commercial quantities of gas.

Aus-Tex's engineering team has now taken full control for the operations and drilling of this well. The Company expects to resume drilling this well in September.

Birch #1 Well

The B1 well continues to demonstrate high gas flows from the Taylor Sand formation and Company is proceeding to set this well up for early production and sales. With infrastructure and gas gathering pipelines located approximately 1 kilometre away, the cost of moving this well into production will be minimal and will further add to company cash flow.

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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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