



AUSTIN
EXPLORATION

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



Fourth Quarter Activity Report FY2012

For the three months ended
30 June 2012

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OVERVIEW OF OPERATIONS AND ACTIVITIES

Austin Exploration Limited (“Austin” or “the Company”) (ASX:AKK) maintains working interests and net revenue interests in five proven oil and gas provinces in the United States and Australia.

During the last quarter the Company significantly advanced its 500-squared program, progressing an aggressive multi-state drilling program in Colorado, Texas, Mississippi, and Kentucky and continuing to reduce non-essential operating costs.

Highlights for the Quarter

- Austin’s first HiLo Prospect well in Adams County, Mississippi, Bourke #4, flows naturally to the surface at an Initial Production rate of 248 BOPD.
- Company first horizontal well spudded at the Niobrara Pathfinder Project in Fremont County, Colorado, drilling is underway.
- Good progress made on 3 vertical well pilot program at Austin’s Texas Birch Prospect in Burleson County, Texas. Birch #2 Stern Well nearing completion to target depth and logs run in the next few days. Birch #3 Schwartz Well spudded and drilling is now underway.
- Over AUD \$1 million of non-essential annualised operating costs stripped out of the business.
- No safety or phase 1 environmental incidents.
- Strategic alliance has been established with Sunoco for haulage.
- Strategic alliance with Les Wilson Drilling Inc. strengthened, with Rig #30 in Colorado (Pathfinder Project) and rig currently being deployed to Kentucky to drill Russell 6.
- Gustavson Associates have been commissioned to perform an independent resource/reserves study encompassing all of the Company’s projects.
- \$21,090,509 cash on hand at the end of the quarter provides for a strong financial position to advance our aggressive drilling planned for Niobrara and Eagle Ford projects (equivalent to 70% market cap).
- Substantial work is happening at Austin since the funds were obtained in late April. During May and June final preparations involving engineering, safety certification, dozers, graders, trucks, contracts, permits, roads, pads, surface casings and rigs have all taken place and now, during July, the deployment of 5 rigs and drilling is underway.

North American Assets

Adams County, Mississippi

- AKK holds a 50% Working Interest in the HiLo Prospect in Adams County, Mississippi
- General Manager: Mr Aaron Goss
- Primary objectives are Parker and Campbell Sands Formations
- Secondary objectives include the Wilson, Baker, and Benbrook Sands

As announced earlier this week, Austin’s third Mississippi well and first for the HiLo Prospect, Bourke #4, is flowing oil to the surface under natural pressure at a 24 hour initial production rate of 248 BOPD which exceeded Austin’s pre-drill expectations. The Company has now moved to immediately organise the necessary production facilities in support of the Bourke #4 well. On the back of this high flow rate the Company also

confirmed that it's in advanced discussions with its Mississippi based partner to drill a fourth well in the same oil field as the Bourke #4 well.



Mississippi Bourke #4 – HiLo Prospect



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Burleson County, Texas

- AKK holds a 93.5% Working Interest in the 5000-acre Texas Birch Prospect
- General Manager: Mr Aaron Goss
- Primary objective is the Eagle Ford Shale – 3 vertical well program to test this formation underway
- Other objectives include Austin Chalk, Taylor Sands, Buda and Georgetown formations

Austin Exploration is currently progressing a three vertical pilot well program to test the Eagle Ford Shale within the Texas Birch Prospect area and conduct a triangular formation analysis. This is designed to identify the area within the Company’s 5000 acre property that shows the most attractive overall characteristics for oil production.

Austin’s B2 target depth of approximately 9400’ is projected to be reached in coming days which is the #2 Stern Well. Electronic logs will be run in the Taylor Sands, Austin Chalk and Eagle Ford formations shortly after drilling is completed. The Company witnessed oil shows in the mud cutting returns. Strong gas shows were also experienced in the Taylor Sands formation, as was the case in the Birch #1 Krueger Well.

The third vertical well in this program, Birch #3 Schwartz Well, has also been spudded and drilling is currently underway. The Company will pursue the same strategy as the first two Birch Prospect wells – log and test the Taylor, Austin Chalk, Eagle Ford Shale and various formations.

A comprehensive study of the Eagle Ford Shale will begin on completion of the Birch # 3 well. Through this study, the Company will analyse and identify the best candidate or best location for its first horizontal Eagle Ford well. The log analysis will confirm the best location for a horizontal well. It is intended that a multiple stage fracture will be used for completion.

The Company is looking forward to completing this 3 well vertical pilot program and deciding the most attractive location for development of its first horizontal well into the Eagle Ford. The Company may also benefit from economic rates of production and cash flow from a vertical well whilst this location process takes place.

During drilling operations in both Birch #1 and Birch #2, the Company witnessed encouraging oil shows in the Austin Chalk. The Company believes it can achieve higher rates of oil production in a vertical well from the Austin Chalk, while still pursuing analysis of the Eagle Ford Shale. The Company’s engineering team will perforate the Austin Chalk in the B#2 well to test this theory. The Austin Chalk, as the name suggests, is a “chalky” textured formation that is naturally fractured. As such, the Company’s engineering team believes the Austin Chalk will react more favourably to a vertical well stimulation than that of the Eagle Ford, given the Eagle Ford is a shale formation.

Production from the Birch # 1 vertical well, with an IP of over 100 Bbld, has been sporadic. The Company believes that the perforation holes are being clogged up by a down-hole paraffin build stemming from the formation material of the Eagle Ford. A work-over rig is being deployed to the site where a treatment formula will be applied to clear the perforation holes so the well may resume full time production. This work is expected to start by early August 2012. Two additional zones of the Eagle Ford will be tested via perforations as this Eagle Ford formation is over 250 feet in thickness.



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The Company has solidified its view that to achieve commercial production rates from the Eagle Ford Shale, horizontal and multi-stage frac drilling is required. Due to the tight nature of the Eagle Ford Shale, maximum oil liberation is achieved only by opening and expanding the natural fractures of the formation, achieved through hydraulically fracturing the shale in a horizontal well.

A comprehensive gas gathering engineering and economic study is also under way at the Birch site to determine the most efficient and effective routes for the gas gathering and eventual sales.



Birch #3 Schwartz Well



Birch #1 Krueger Well

Fremont County, Colorado

- AKK holds 85% of the leases in the 11,560 acre Pathfinder Project in the Denver-Julesburg Basin, Colorado
- General Manger: Ms Ola Akrad
- Primary objective is the Niobrara Shale
- Secondary objective is the Pierre Shale

The horizontal drilling campaign is underway at Austin's Niobrara Project in Colorado, with the Company's first horizontal well, Pathfinder C 11 – 12 #1, spudded in June. The Company used a mud based drilling solution to drill to 1241 ft and surface casing has been successfully set.

The Company's engineering team has changed its drilling fluid from a Mud based solution to a complex air & foam based solution to drill through the complex Pierre Shale. The Company plans to put the Pierre Shale behind casing before it drills further down to it proposed vertical target depth of approximately 6000ft. The Pierre formation has a very high horizontal stress and is very difficult to drill as has been experienced by many operators in the area. Even with this drilling difficulty there are 5 Pierre wells producing very good results nearby the Pathfinder project. The Company is currently progressing very slowly through the top of the Pierre formation and has allotted extra time and capital to get through this highly complex formation.

After the target vertical depth is reached, the Company plans to log the 5 benches of the Niobrara Shale. Following this analysis the drill rig will move back up hole and start building the curve for the horizontal leg into the Niobrara shale. It is expected that the length of the horizontal will be approximately 4000ft to 5000ft. Multiple fracture stages are planned for the horizontal leg of this well.

Austin Exploration looks forward to making progress and capitalising on the high potential and value that it believes this project will bring to the Company.



Les Wilson Rig # 30. Drilling at the Company's Pathfinder project underway in Colorado

Kentucky Exploration LLC

- AKK holds a 50% [working interest] in a Joint Venture project covering approximately 3000 acres (1000 acres under option) in Kentucky
- Multiple shallow well re-entry plan underway
- General Manager: Mr Timothy Hart

Intensified engineering concepts continue to be designed and applied to the Company's 50% Joint Venture project in Kentucky USA. Austin's General Manger for Kentucky, Mr Timothy Hart, has been working with the engineering team on a plan to further boost its production in Kentucky. Since 2011 the Company has increased its daily production from approximately 0.7BOPD to approximately 25 BOPD. With the plan that has been finalised for 2012, the Company is confident it will continue this success.

The Joint Venture has purchased a 102 acre parcel of land in Poole County, Kentucky. The property consists of approximately 9 wells that were shut in during the 1950's and 1960's due to the low oil prices of the time making it not economically viable to continue production. These wells were producing at rates ranging from 10bbls to 20 bbls when shut in. With the technological advancements that have occurred in the last 50-60 years the Company is confident that it can re-enter these wells and achieve economic and profitable rates of production.

In conjunction with the Company's strategic drilling partner, Les Wilson Drilling Inc, a recompletion rig is being deployed to the Company's Tapp lease in coming days. The Company plans to re-enter and complete two wells on this lease. Following this, the Les Wilson work-over rig will be deployed to the Company's oil field in Sebree County where it plans to re-enter and complete a further two wells that were shut in some 25 years ago due to the low oil prices of the time. This will be the largest and most advanced drilling machine that the Company has used in Kentucky since it began acquiring acreage in 2008.

The Company looks forward to beginning this four well recompletion program in coming days, increasing its oil production and adding further value to its project in Kentucky.

Australian Assets

Cooper Basin, South Australia – PEL 105

- AKK holds a 50% working interest in PEL 105 covering an area of 437 square kilometres in the Cooper Basin, South Australia
- Joint venture with Beach Energy (ASX: BPT)

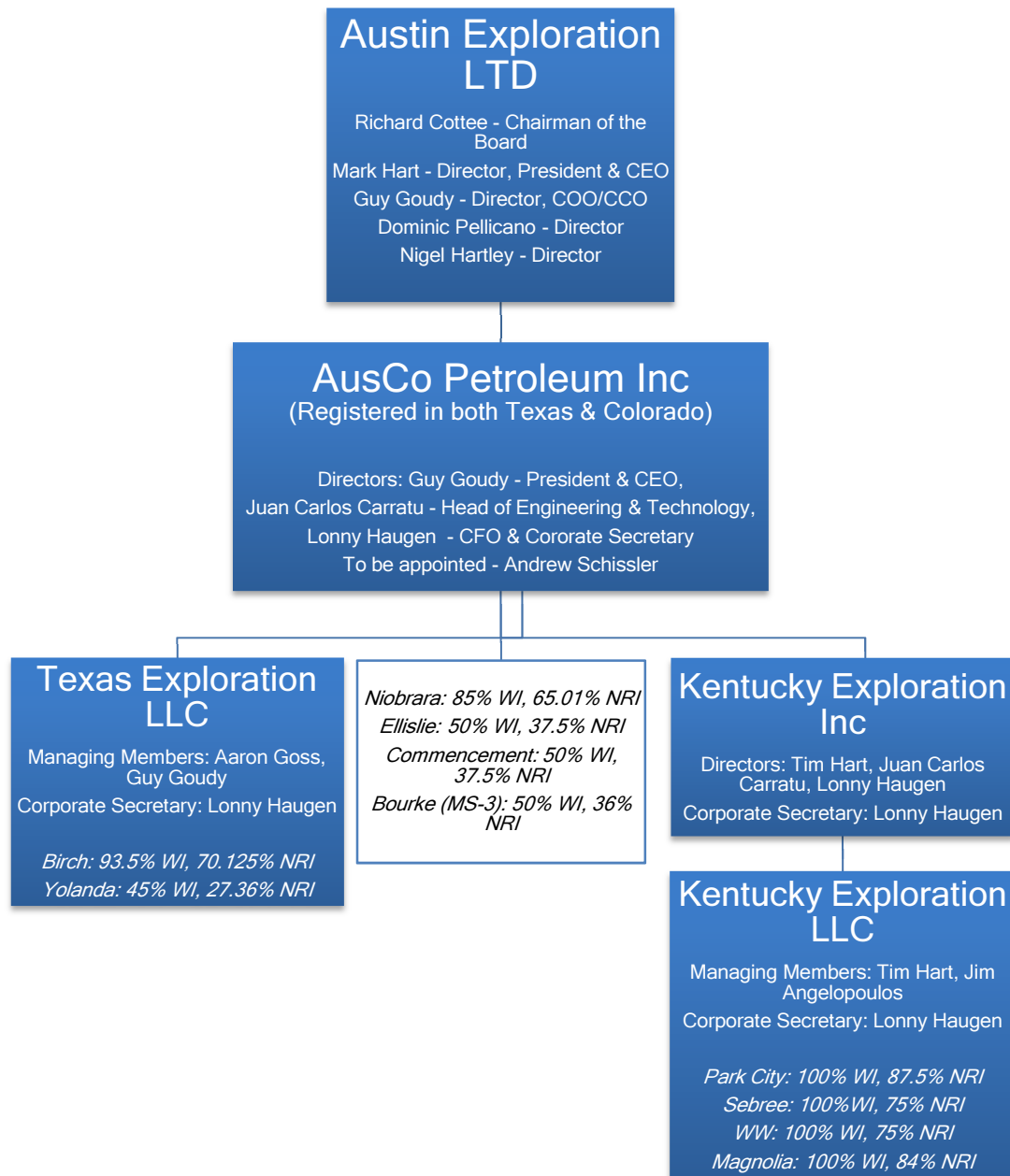
Licence Year 5 of PEL 105 commenced on 9 October 2009 and the relevant authority has granted a series of suspensions under section 90 and section 76A of the Petroleum and Geothermal Energy Act 2000.

These suspensions have been due to rainfall and ongoing flooding in the area of PEL 105. PEL 105 is located in a low laying region on the northern side of Coopers Creek and near the southern part of the Coongie Lakes. With the localised rainfall events across the Cooper Basin over summer 2011 and 2012, it is the Joint Venture's opinion that flooding and access may present further delays with drilling at this block. As such, the Company applied for and was successful in being granted an extension of the suspension by the South Australian Government. The 5th year of the work program will now commence on the 8th July 2013 and a minimum of one well must be drilled on this block.

Both companies continue to closely monitor the flooding conditions at PEL 105 and look forward to drilling this prospect as soon as weather permits.

Corporate Update

Under review from the Board of Directors the following changes have been made to the Corporate structures of the various entities and subsidiaries of Austin Exploration.



This structure strengthens the management team and company for further advancement in the future. The 3 business units, Colorado, Kentucky and the South Unit – Texas and Mississippi, have been arranged such that the General Managers and the engineering teams can manage the safety, environment, production, revenue, cost and cash flow by being in close proximity to their respective revenue generators – the wells. This structure accommodates the partnerships and contractual requirements that Austin has for its properties.

AusCo Petroleum was operationally cash flow positive for the quarter.

Chairman Richard Cottee attended in person the March 26 and June 5 board meetings at the Denver office.

Each of the directors attended the tour of US properties during May and June.

The Company also completed the quarterly management and engineering training program. As part of this program the company completed four safety certification programs for all of its management personnel. These safety courses were in rig safety, first aid, CPR, and material product safety data sheets (MSDS).

Further, the company has hired a CFO and a manager of accounting during the quarter.

The Company has not advanced at this stage the name change approved by shareholders while it takes advantage of the recent capital raising and review of corporate activity.

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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).