Austin Exploration Limited ACN 114 198 471

Based in Adelaide Australia: listed on the Australian Securities Exchange ("AKK")

ASX ANNOUNCEMENT **17 December 2009**

For Immediate Release

The Manager
Companies Announcements Officer
Australian Stock Exchange
Electronic Lodgement

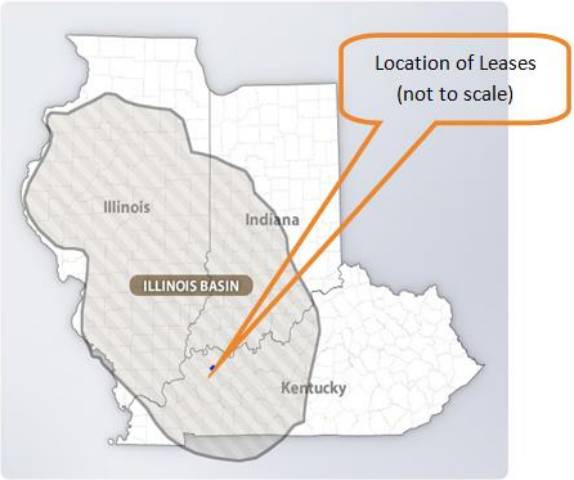
Acquisition of Oil Producing Asset Completed

- **Aus-Tex enters agreement with KOS Energy, LLC of Vancouver to develop an oil producing project in the prolific Illinois Basin of western Kentucky, USA**
- **Joint development program delivers a 100% equally shared working interest**
- **Low cost acquisition provides short term payback**
- **First well completed and currently averaging 10-22 barrels of oil production per day**
- **Four additional wells targeted for completion by end of March 2010**
- **Quality infrastructure in place, with oil transport and sales contracts completed.**

Dear Sir/Madam

The board of Austin Exploration Limited (ASX: "AKK") is pleased to announce that its U.S. subsidiary, Aus-Tex Exploration Inc., today completed a set of joint development and operating agreements with KOS Energy, LLC of Vancouver, British Columbia.

The development area represents the first drilling and re-completion efforts for Aus-Tex in the renowned Illinois Basin.



Five of the nine total wells held by current acreage are the initial focus for the two companies. These five wells reside on one contiguous lease that produced 472,500 barrels of oil from the Tar Springs formation during the period of 1956-1977. The first of these five wells, the Russell 2 has already undergone a partial re-completion of the Tar Springs formation and is now back on production at daily rates between 10 and 22 barrels of oil per day. A water remediation procedure is currently being

scheduled that should stabilize this wells production nearer the higher daily rate. No less than one 220 barrel storage tank of oil is currently being sold each month from this single well.

The two companies are now focused on the recently drilled and cased 2,700 foot Russell 1A well. The 1A found two potential pay zones in the McClosky oil formation that, if successful would be the primary recovery formation with no depletion. This well has a completion rig scheduled to begin work in January 2010 and will represent the first test on this acreage of the more productive McClosky oil formation. The Tar Springs formation is also present in this well. The remaining three Tar Springs wells will be completed in the months of February and March 2010. The shallower Penn formation may also be tested at a later date.

Additional acreage and drilling opportunities will be added to the venture as they arise. The combination of current oil production from the Tar Springs formation, in place storage, pumping and electrical infrastructure provide the two companies with immediate income and development opportunities.

About the Asset

The leases are located in northwest Kentucky. The initial focus area comprises three leases located in a prime oil producing region in the Illinois Basin. Aus-Tex and KOS Energy have identified a geologic fault on the southern edge of the acreage that indicates a large volume of oil is trapped and recoverable. Historical well production also supports this belief. A significant amount of data has been collected about the oil trap and has been sent to an independent geologist for the development of a reserve report. The McClosky formation is the focal point of the research because clearly identified PIIP oil reserves would support additional drilling of 2,700 foot wells similar to the Russell 1A.

Five wells on the property all produced oil prior to being shut-in several years ago. These five wells cumulatively had initial producing rates of 825 barrels of oil per day. The other two adjoining mineral leases currently hold additional wells with similar characteristics of the currently producing well. This held acreage is a small part of a much larger, well established oil field commonly referred to as the "Sebree Field". This well known field contains hundreds of oil and gas wells, as well as major transport and delivery infrastructure. The availability of this infrastructure reduces operating costs and drives more reliable and competitive delivery of services.

Completion Expectations

Expenses associated with lease acquisition, storage tanks, electrical and other typical infrastructure have already been funded by other parties and the first well is already in production. An initial Authorization for Expenditure (AFE) has been completed for the remaining four well recompletions. Total expenditures are estimated to be approximately $150,000 and would be shared equally by Aus-Tex and KOS. The completion timeframe for all wells covered by this AFE is the end of March 2010.

Production Expectations

Five of the nine wells are currently scheduled for completion by March. Aus-Tex anticipates cumulative production from these five wells will be between 100 and 220 barrels of oil per day, in which Aus-Tex has a 50% interest. The nearly completed 2,700 foot #1A well is anticipated to be the largest producer and will be completed first. This well should be in production by early January.

Held Interest

- Working Interest of 100%
  - 50% to Aus-Tex
  - 50% to KOS Energy
- Net Revenue Interest of 75%
  - 50% to Aus-Tex (37.5%)
  - 50% to KOS Energy (37.5%)
- Remaining Revenue Interest
  - 25% to seven individual interest holders

Aus-Tex has paid US$245,000 for this asset.

About the Illinois Basin

The Illinois basin is an oval depression covering approximately 60,000 mi2 (155,000 km2) in the U.S. Mid-Continent. The basin contains rocks consisting primarily of marine carbonates and, to a lesser extent, sandstone, shale, and siltstone.

The basin began as a failed rift. After the rifting episode, the basin began to form, initially by thermal subsidence (Late Cambrian through Middle Ordovician), as a thick succession of sandstone and carbonate rocks. Compressional stress apparently led to a decrease in the viscosity of the lithosphere, allowing the uncompensated load to subside more rapidly. Parts of the six primary stratigraphic sequences spanning are represented in the basin. From oldest to youngest, these include the Sauk, Tippecanoe, Kaskaskia, Absaroka, Zuni, and Tejas sequences. All are separated by major unconformities, especially on the flanks of the basin, and all represent major tectonic episodes in basin evolution.

Since the initial discovery in 1886, approximately 4 billion bbl of oil and an estimated 4 trillion cu. ft. of associated dissolved natural gas has been produced in the Illinois basin. Most petroleum in the basin has been produced from major anticlinal structures with stratigraphic trapping components. Oil and source rock analyses indicate that the New Albany Shale was the primary source of hydrocarbons in the Illinois basin; however, mixing of oils from older sources is probable. Long-distance migration of New Albany oil occurred in the basin.

Potential exists for increased reserves in the Illinois basin as a result of (1) strategic infill drilling to find bypassed mobile oil, estimated at more than 1 billion bbl; (2) secondary and tertiary methods to recover immobile oil, estimated at more than 4 billion bbl; (3) exploration for subtle traps; and (4) deep drilling into the thick, lesser known Cambro-Ordovician section.

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COMPETENT PERSONS STATEMENT

In accordance with ASX and AIM rules, the information in this release has been reviewed and approved by Mr. Stanley L. Lindsey, Chief Geologist, Austin Exploration Limited.

Mr. Lindsey holds a Bachelor of Science Degree in Geology with a minor in Chemistry and has over 28 years of oil and gas experience including exploration, development, operations, acquisitions and divestitures. His background also includes mapping, utilizing integration of 2-D and 3-D seismic with subsurface data and reserve calculations. He is a Certified Petroleum Geologist and has been a member of the American Association of Petroleum Geologists and the Houston Geological Society since 1979. He also belongs to the Society of Independent Professional Earth Scientists (SIPES).
Mr. Lindsey has the relevant experience within the industry and consents to the information in the form and context in which it appears.

Please visit the company web site for more information on the Park City area and other projects that Austin is involved with.
http://www.austinexploration.com/