



Austin Exploration Limited

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ASX Announcement

Key points:

- **Option acquired on Kentucky natural gas field**
- **Austin announces a strategic shift from oil and gas exploration to a more significant focus on development of known hydrocarbon resources.**

Austin Exploration Limited ("Austin") (ASX code: AKK) today announced that it has acquired an option to obtain an interest over tested natural gas fields in Kentucky, USA. The Park City Gas Field will provide Austin with access to known gas in place and will enable its investment strategy to be moved toward development of these hydrocarbon resources.

David Schuette, Austin Managing Director, said: "After a review of the resource size, production potential and investment requirements, it was clear this would be a perfect asset for Austin Exploration Limited."

The acquisition of this Option gives Austin the opportunity to focus the bulk of its resources on the development of hydrocarbons in this geographic area, thus providing Austin with the potential for a more stable cash flow.

Key Features of the Option are:

- ▶ Option to acquire an interest from Resource Energy Technology, LLC in the Park City Gas Field, Kentucky USA
- ▶ Interest available - 63% net revenue interest in wells to be drilled
- ▶ Initial obligation to fund the drilling of 4 wells at the rate of 1well per month in Phase 1 of the project
- ▶ Option also includes the first well currently being drilled and access to infrastructure being built by ATMOS Energy
- ▶ Phase 2 envisages a minimum 20 well and maximum 50 well drilling program on similar terms and entitling Austin to earn a 63% net revenue interest in the wells drilled and the amount of acreage that will drain the affected area.
- ▶ Option expires 31 December 2007, during which period Austin will undertake due diligence investigations

The Company also noted that the following companies are completing the pipeline, the processing plant and the market delivery systems for gas recovered from the subject area.



Largest Natural Gas Only Utility in the USA

- Providing the pipeline and processing plant infrastructure
- Publicly traded on the NYSX as ATO

<http://www.investquest.com/iq/a/ato/ne/news/ato121906.htm>



Proprietary Nitrogen Extraction Technology

- Implementing the Nitrogen removal infrastructure at the plant

<http://www.hnngdevelopment.com>



9,495 Kilometres of Delivery Pipeline

- Providing a gas purchase and distribution point

<http://www.txgt.com/>



22,852 Kilometres of Delivery Pipeline

- Providing a gas purchase and distribution point

<http://www.tennesseeadvantage.com>

Ends...

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<http://www.austinexploration.com.au/newsletter.asp>

About The Park City Gas Field

The field is located in Edmonson County, Kentucky, USA. The project adjoins the southwestern boundary of the Mammoth Cave National Park. Major access routes include US Highway 31EW and I-65. Oil and Gas production has historically been quite significant in



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the western portion of central Kentucky in Warren, Edmonson and Barron counties. Production occurs in shallow Devonian and Mississippian age formations. Previously, oil production in the Devonian age formation was the primary oil and gas pay zone. More recent discoveries of natural gas in the shallow Mississippian age formations initiated an interest in natural gas exploration and development in these areas.

Geology

The initial focus of the project is located on the southeastern edge of the Illinois Basin, a large depositional basin which extends over portions of western Kentucky, Southern Illinois and western Indiana. Subsurface formations in the area of the project regionally dip to the northwest. Major high angle east-west or similar trending normal faults are located along geological strike west of this prospect. These are a portion of the Rough Creek Fault System in western Kentucky.

Well records at the Kentucky Geological Survey and from independent oil and gas producers, indicate that the primary oil and gas pay zones in the projects are in the Ft. Payne, Sellersburg, Dutch Creek and Clear Creek formations. Previous drilling has discovered natural gas in the Ft. Payne. The other formations have produced commercial oil production. Each of these pay zones produce from carbonate rock with distinct sedimentary and reservoir characteristics.

Conclusions

Infill drilling and additional drilling along the current Park City Fort Payne trends should result in the development of additional reserves. The New Albany shales add significant high-side reserve potential. The Devonian oil shows are very encouraging because nearby wells have tested hundreds of BOPD from Devonian and older carbonates. Gas shows in the Salem-Warsaw carbonates indicate additional pay potential because nearby wells have recorded flow rates as high as 2 MMCFGPD.

About Austin Exploration Limited

Austin Exploration (Austin) is an oil and gas development company with assets in Australia and the United States. Utilising a broad industry network developed from over 30 years of noteworthy investment and acquisition experience by its executive team, Austin seeks to identify suitable development prospects, conduct thorough geological and engineering evaluations and then identify suitable farm-in partners for long term development of these prospects.

Austin is listed on the Australian Securities Exchange (ASX code: AKK).

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled and/ or reviewed by Mr. Donald F. Reck Jr. M.S (Chief Technology Officer) of the company and Mr. David M. Schuette (Managing Director) of the company. All individuals are either a full-time employee, officer and/or are leading the company's drilling and operations efforts. Engineering and Geological reports from the following sources were also reviewed prior to this release.

- Kentucky Geological Survey
- Resource Energy Technologies, LLC of Kentucky
- Atmos Gathering LLC of Kentucky
- Waggoner and Associates, LLC of Illinois
- Production Metering and Testing of Breckenridge TX.
- Louisville Gas and Electric of Kentucky
- Pantechs Laboratories Inc of Texas
- Carl A. Davis, Engineer, Alberta Canada
- Jack Wheat, Petroleum Geologists, Kentucky

Mr. Reck has been a member of the American Association of Petroleum Geologists since 1976 and the chief geologist for DMS Exploration since 2000. Prior to that date, he has consulted too many USA oil and gas exploration companies including Rio-Tex Inc., Trio Exploration, Medders Oil Co., Texaco, Conoco and Strategic Petroleum. Mr. Reck is also a former Exploration Geologist with Tenneco Oil and Conoco. He has consulted to Geoscience Data Management, Inc. and Advanced Micromagnetics. He holds Bachelor of Science degree in geology from Grand Valley State College in Allendale Michigan and a master of science in geology from Sul Ross University in Alpine Texas.

Mr. Schuette is founder of DMS Exploration, an independent Texas oil and gas operator. Prior to founding DMS Exploration, he held executive positions with French Petroleum and Torch Energy Advisors in Houston, Texas. Mr. Schuette has over 20 years experience as an advisor to and as an investor in the USA oil and gas industries.

Mr. Schuette and Mr. Reck have sufficient experience of relevance to the styles of hydrocarbon entrapment and the types of deposits under consideration, and to the activities undertaken to qualify as a Competent Person(s) as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Schuette and Mr. Reck hereby consent to the inclusion of the information in this release and the form and context in which it appears

For more detailed information on these executives please visit the Austin Exploration Limited website at <http://www.austinexploration.com/OurTeam.asp>