



Austin Exploration Limited

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

ASX Announcement

14 January, 2011

For Immediate Release

The Manager
Companies Announcements Officer
Australian Stock Exchange
Electronic Lodgement

Austin Reaches Agreement with Newtak Pty Ltd concerning the Park City Oil and Gas Prospect in Kentucky USA

Dear Sir/Madam,

The Board of Austin Exploration Limited (Austin) (ASX: "AKK") is pleased to announce that its U.S. subsidiary, Aus-Tex Exploration Inc. (Austex), has reached agreement with Newtak Pty Ltd (Newtak) concerning the company's Park City oil and gas Participation Agreement in Kentucky, USA.

Significant operational terms of the new agreement are as follows:

- A joint venture will be formed between Aus-Tex and Newtak, named Kentucky Exploration LLC,(KEL), major terms of which are:
 - Austex and Newlak will each hold 50% of the units in KEL and after the initial contribution, will share profits and losses from the operation of the joint venture on an equal basis;
 - KEL will operate oil and gas wells in the Park City and Sebree prospects and other leasehold prospects which may be acquired from time to time by the joint venture;
 - KEL will operate and manage the joint venture; and
 - The joint venture will continue in operation until 2040 or until production ceases.
- The Park City project will be vendored into the joint venture.
- The Sebree project will be vendored into the new joint venture.

Capital Contributions to the Joint Venture

Under the current Participation Agreement between Austex and Newtak, Newtak provided USD2.25million dollars as loan moneys to Austex to develop the Park City prospect. The accrued liability against that loan in the Austin balance sheet is \$4,965,418, as at 30 June 2010. In addition Newtak was to receive overriding royalties calculated as 9.5% of the production and 7,573,056 Share Options at an exercise price of AUD0.25 per share as part of the agreement.

Under the new joint venture agreement, the two parties will provide initial capital contributions as follows:

- Austex will provide USD1.75million as equity to further develop the oil and gas fields and other projects;
- Austex will vend into the joint venture the Sebree prospect and the Park City prospect at an agreed value of USD500,000;
- Newtak will convert its USD2,250,000 loan to the Park City prospect to equity in the joint venture; and
- The new joint venture agreement will supercede and cancel the current participation agreement between Austex and Newtak.

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Mr Guy Goudy, President of Austex said "Through the further technical analysis of the Park City prospect that we have undertaken, the potential for the Sebree project once the current and future wells come back on production, and with the cooperation between Newtak and Austex, we will again be able to move forward with the Kentucky assets".

Shareholder Approval to be Sought

As this is a significant change in the company's operations, approval will be sought from shareholders at a General Meeting of Members which will be called shortly. Full details will be given to shareholders within the Notice of Meeting after it has been approved by all regulators.

The effective date of the commencement of this joint venture will be, and is subject to the approval of all regulatory bodies in Australia and USA and the approval of each company's boards and shareholders.

Please visit the Company web site for more information on the company and its current projects.

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

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