

Austin Exploration Limited

Building a balanced portfolio of hydrocarbon prospects

24 October 2007

ASX Announcement

Well Name: Lil' Bit (Kenedy Ranch #11 Well, Kenedy County, Texas, USA)

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Drilling underway at Lil' Bit prospect

Austin Exploration Limited ("Austin") (ASX code: AKK) is pleased to announce that a drill rig and the turn-key operations team have arrived at its recently acquired oil and gas prospect, the Lil' Bit prospect, Kenedy County, Texas, US, and that drilling has begun.

David Schuette, Austin Managing Director, said that the Lil' Bit prospect represents a significant opportunity for Austin's US-based operations.

"This prospect has the potential to bring an immediate positive impact to the company," Mr Schuette said.

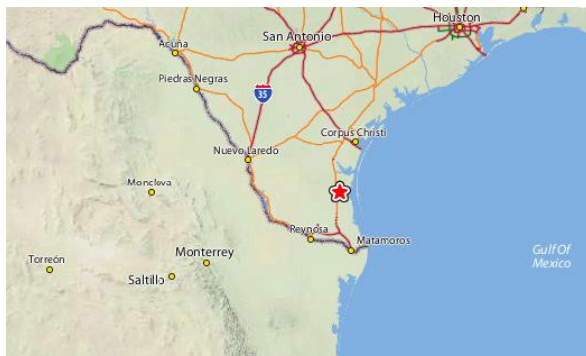
Austin entered into a farm-in agreement for the 640 acre Lil' Bit prospect in September 2007, lured by its close proximity to producing wells and sound infrastructure in the most prolific oil and gas producing area of Texas.

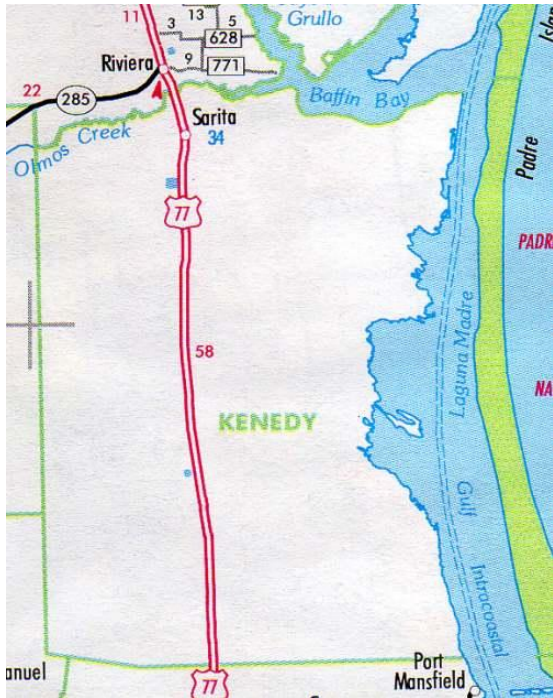
"This turn-key drilling agreement is a new approach for Austin as it will eliminate any cost over-run exposure while guaranteeing that the operator will hit target depth at a fixed cost," he said.

Estimates of the amount natural gas believed to be recoverable from known area prospect reservoirs under existing economic and operating conditions from 6 to 9 billion cubic feet gas for the project.

The lease is situated in the R. Ramirez Survey, approximately 17 miles east of Sarita in Kenedy County, Texas. An approximate total depth of 7100 feet subsurface should be sufficient to adequately test the Marg Frio formation located there.

Geographic References:





The company advises that more information will be announced upon receipt of the test results.

Ends...

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About Austin Exploration Limited

Austin Exploration (Austin) is an oil and gas exploration company with a balanced portfolio of hydrocarbon prospects in Australia and the United States.

Austin's business model is to develop a portfolio of hydrocarbon assets with a balance of low-risk prospects combined with a prudent mix of high risk, higher return opportunities based on its capital availability. Utilising its technical competence and extensive industry network, Austin seeks to identify suitable risk profile prospects, conduct an evaluation and then identify suitable farm-in partners.

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

Statement of Working Interests

| Lil' Bit (Kenedy County, Tx) | | | |
|-------------------------------------|---|--|-----------------------------|
| Party | Working Interest Before Casing Point BCP | Working Interest After Casing Point ACP | Net Revenue Interest |
| Austin Exploration | 66.6700% | 25.0000% | 18.750% |
| DMS Partners LP | 0.0000% | 25.0000% | 18.750% |
| Three Rivers LP | 6.2500% | 6.2500% | 4.690% |
| Ameristate Exp LLC | 27.0800% | 43.7500% | 32.810% |
| TOTAL | 100.000% | 100.000% | 100.000% |

Competent Persons Statement:

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled 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, officers and/or are leading the company's drilling and operations efforts.

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 to 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>