



29th January 2007

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Dear Fellow Austin Exploration, Limited Shareholders,

Austin Exploration Limited announces commencement of drilling at our St Gabriel I prospect in Louisiana

The Directors of Austin Exploration Limited (ASX code: AKK) are pleased to announce that the spudding in of our St Gabriel I prospect occurred at 11:30 am Louisiana time on January 25th.

St. Gabriel I Prospect

The St Gabriel I prospect has a potential recoverable resource range from a low case of 1.82 million barrels of oil and 13.6 billion cubic feet of gas to a high case of 5 million barrels of oil and 36 billion cubic feet of gas based on independent geological assessment.

The full drilling program is expected to last 4 weeks. We will provide the market with meaningful updates as the program proceeds. The projected date to have an “intermediate” full suite of open hole logs for analysis is February 14th at an estimated depth of 9,900 feet. This should assist with correlation and determination of hydrocarbon potential of the upper pay horizons, the “P” & “T” sands. The plan is then to set production casing and drill on to the target “U” & “W” sands at a total estimated depth of 10,800 feet and then run a final full suite of logs for analysis.

The well is currently at a depth of 2885' and surface casing is being set and then drilling will proceed.

This program represents a major step in the Company's development and is one of five prospects we expect to drill within the next three months, all of which are fully funded.

Yours faithfully

AUSTIN EXPLORATION LIMITED

A handwritten signature in blue ink, appearing to read 'D.M. Schuette', with a long horizontal flourish extending to the right.

David M. Schuette

Managing Director