



8 March 2007

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Electronic Lodgement System

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Dear Fellow Austin Exploration Limited Shareholders

St Gabriel I

Subsequent to the Company's release on 5 March 2007 in respect to the result of the St Gabriel I well, the Company has received enquiries from shareholders for a further explanation on the future of the St Gabriel I well, given that target depth was not achieved.

The St Gabriel I well was halted at 10,292 feet after encountering an abnormally high pressure formation. The high pressure formation was not expected and is considered unusual in the St Gabriel Field. As a result, the target depth of 10,800 feet, which was designed to test the "W" sands, was not achieved.

Although it was mechanically possible to continue drilling the St Gabriel I well to target depth, an additional string of casing would have been required. The Company's drilling engineers estimated the cost of drilling the additional 500 feet to target depth at between AUD\$1.0 million to AUD\$1.3 million. Drilling risk due to the high pressure would still exist if the Company had proceeded, and there would have been no guarantee that target depth would have been reached.

In consideration of this, the Company thought it technically and economically prudent to release the drilling rig and begin a thorough review of all of the data acquired during the drilling, and to ascertain the geological reasons leading to this high pressure formation.

There are a number of options open to the Company and its joint venture partners in respect to the St Gabriel I well. These are as follows:

1. Re-enter the existing St Gabriel I well at a later date and drill to target depth;
2. Re drill the St Gabriel I well from the surface utilising a larger drill diameter and setting another casing string from the surface. This option will mean that the well will be more expensive to drill but would most probably have a higher degree of success in reaching the "W" formations, but not necessarily guaranteeing an economic success; or

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3. Seek farm-in partners to conduct either 1 or 2 above. This option would dilute the Company and its joint venture partners' equity interest in the St Gabriel I well on a pro-rata basis, but would not require any additional funding from Austin Exploration Limited.

The Company does not envision undertaking either option 1 or 2 until it has established more significant production from other wells and prospects currently in the Company's investment portfolio and completed a thorough study of the data provided from St. Gabriel I.

In light of the data received from drilling St Gabriel I to 10,292 feet, the Company will also be reviewing its geological interpretation to ensure that the "W" sands remain a valid target.

The St. Gabriel Field is also producing other opportunities that offer immediate re-entry into previously producing wells, and which data indicates the location of unproduced reserves.

Participants in the St Gabriel I well are:	Working Interest
AUS-Tex (a wholly owned subsidiary of Austin Exploration Limited)	65.0%
Rio Bravo Energy Partners, LLC	15.0%
Verus Investments Limited	10.0%
Private Australian interests	10.0%

In Summary

The Company's strategy is to have a balanced portfolio of a currently producing well (Polecat), combined with a prospect portfolio that contains high risk, moderate risk and low risk opportunities, and which are designed to deliver value to our shareholders over the near and long term. All current prospects in the portfolio are currently fully funded and scheduled.

We expect site works on the St. Gabriel 2 well to begin construction in the coming weeks.

Yours faithfully

AUSTIN EXPLORATION LIMITED

per 

Neville Martin

Non-Executive Director