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The Company Announcements Office
Australian Stock Exchange Limited
Electronic Lodgement System

Dear Fellow Austin Exploration, Limited Shareholders,

Austin Exploration Limited provides drilling update on 5 prospects.

The Directors of Austin Exploration Limited (ASX code: AKK) report that progress is going well at four of our five prospects being developed at this time. However we have had an unsatisfactory outcome with our St Gabriel 1 prospect.

St. Gabriel 1 – Louisiana, USA

Drilling at the company's the first well in the St. Gabriel region, the St. Gabriel I prospect, reached a depth of 10,292 feet. Our initial target depth was 10,800 feet, but we encountered abnormally high pressure formations before reaching our target depth. Unfortunately, the high pressured gradients made it unfeasible and imprudent to continue drilling. Therefore, we were unable to reach the targeted "W" sands.

Obviously we are disappointed with this outcome as we had very strong geological and 3D seismic evidence supporting this project and were encouraged by three gas shows during drilling.

The company remains committed to exploring in new locations within this same field which has been a prolific producer over a long period of time. To date, it has yielded 83 billion cubic feet of gas and 35 million barrels of oil.

St. Gabriel II – Louisiana, USA

The company is now moving forward on its St. Gabriel II project. In this case, we are re-entering a well Shell Oil Company previously drilled and produced. Shell produced the oil, but left gas reserves at a time when the gas market in the United States had not developed. The "W" sand in this well was subject to a limited entry drill stem test flowing gas at a rate of 5.8 million cubic feet per day with a flowing pressure of 4800 psi with no water at a depth of 11,150 feet.

Site work will begin in mid-March, and well work will begin in early April.

Verus Investments Limited will own a 20 percent working interest in this well after payout.

SW Edwards – Louisiana, USA

Land and title work is presently being conducted for the Montgomery 29-6 No. 1ST. That work is anticipated to be complete by the end of March, with well site work beginning in early May. Actual rig work is anticipated to begin by June.

Similar to St. Gabriel II, this will be a re-entry of a well that has logged pay sands.

Verus Investments Limited will own a 12.5 percent working interest in this well upon completion.

Jetter Branch – Louisiana, USA

It is anticipated site work will begin in mid-March, and the well will spud in mid-April on the Lewis Louisiana Properties No. 1 in Jetter Branch.

PEL 73 Prospect – Yorketown, Australia

Drilling in the Yorketown region of South Australia began operating 18 February. The company has since set and cemented the surface casing at 432 meters, and drilling has progressed to 832 meters. We are pleased to report progress is going well and we anticipate reaching our target depth of 1,855 meters by 20 March.

Conclusion

Our rationale is to establish a diverse portfolio with an income base that, from time to time, will enable us to undertake higher risk but higher reward projects. We continue to pursue this plan.

The St Gabriel 1 project, had it been successful, could have been a significant development for our Company however it represents one of four projects we are drilling in the first six months of this calendar year.

Within 3 months of listing we reported success at our Polecat Creek project in Texas and within 6 months of listing had added and funded three new prospects bringing to a total of seven the number of prospects in our portfolio.

The PEL 73 prospect at Yorketown in South Australia is in the process of drilling and we are fully funded for a further 3 moderate risk projects, two of which are re-entries of existing wells.

We are currently negotiating and in discussions regarding the acquisition of several income producing properties and seeking low-risk quality tenements .We will inform you as these developments unfold.

Yours faithfully,

AUSTIN EXPLORATION LIMITED



David M. Schuette

Managing Director