

**ASX**

AUSTRALIAN SECURITIES EXCHANGE

5 March 2007

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Neville Martin
Non-Executive Director
Austin Exploration Limited
Level 1, 67 Greenhill Road
Wayville, SA 5034

By facsimile: 8233 5556

Dear Neville

Austin Exploration Limited (the "Company")

ASX Limited ("ASX") refers to the following:

1. The announcement ("Announcement") lodged at 11.13 a.m. EDST on Monday 5 March 2007 entitled "Austin Exploration Limited provides drilling update on 5 prospects".
2. The Announcement advised the following,

"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 at our St Gabriel 1 prospect.

Drilling at the Company's first well in the St Gabriel region, the St Gabriel 1 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."

3. The decline in the Company's share price from a high of \$0.80 on 27 February 2007 to a low of \$0.345 on Monday, 5 March 2007, the day of the release of the Announcement.

As you are aware, listing rule 3.1 requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Furthermore, paragraph 17 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
 - *The information concerns an incomplete proposal or negotiation.*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - *The information is generated for the internal management purposes of the entity.*
 - *The information is a trade secret."*

Finally, I would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"Confidential" in this context has the sense of 'secret'..." and "Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Whether the Company considers that the information contained in the Announcement concerning the unsatisfactory outcome at the Company's St Gabriel 1 prospect (the "Information") was material to the Company?
2. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Information to be material.
3. If the answer to question 1 is "yes", when did the Company first become aware of the Information contained in the Announcement?

4. In relation to question 3, if this was before the release of the Announcement to the market, please identify any earlier announcement from the Company which disclosed the Information.
5. If there was no earlier announcement, and the Company became aware of the Information prior to the release of the Announcement, please advise why the Company did not release the Information to the market at an earlier time, or request a trading halt at that time, pending the release of the Announcement. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
6. In addressing question 5 above, please consider whether the decrease in the share price before the Announcement, indicated that confidentiality in relation to the Information was lost.
7. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

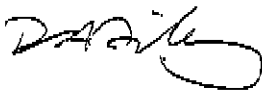
The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt at the commencement of trading on Wednesday, 7 March 2007, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Your response should be sent to me by e-mail at Dion.Silvy@asx.com.au or by facsimile on facsimile number (08) 8216 5099. It should not be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than 9.30 a.m. EDST, on Wednesday, 7 March 2007.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely,



Dion Silvy
Adviser, Issuers (Adelaide)



6 March 2007

Mr Dion Silvy
 Adviser, Issuers (Adelaide)
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Level 1, 67 Greenhill Road
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Dear Sir

Austin Exploration Limited - Further Price Query

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 www.austinexploration.com.au
 ACN 114 188 971

We refer to your faxed letter dated 5 March 2007, the contents of which are noted.

In response to the further questions raised in your letter, the Company advises as follows:

1. Yes. The information contained in the Company's announcement to the market at 11:13 am EDST on Monday 5 March 2007 (**Announcement**) was considered by the Company as material.
2. Not applicable.
3. The Company's USA office began a review of well logs for the St. Gabriel 1 well early on Friday 2 March 2007, and at approximately 5:30 pm EDST formed the view that it may not be prudent to continue drilling to target depth. The Company advised its joint venture partners of its interpretation shortly after this time. Communications continued with joint venturers on Saturday (3 March 2007) and Sunday (4 March 2007) until approximately 8:30 am EDST on Monday 5 March 2007, when the Company considered that the position of the joint venture was sufficiently confirmed, to enable an announcement to be made to the market. The Company considers that it was at this point that information for the purposes of Listing Rule 3.1 came into existence (**Information**). The Announcement was subsequently made to the market at 11:13 am EDST on Monday 5 March 2007.
4. Prior to the Announcement, the Company had made no earlier announcement to the market disclosing the Information contained in the Announcement.
5. Steps were put in place immediately to make the Announcement in compliance with Listing Rule 3.1, as soon as the Information came into existence. The

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Company does not consider the exceptions to Listing Rule 3.1 set out in Listing Rule 3.1A are relevant. In addition, given the short time between the Information coming into existence and the time of making the Announcement, a request for a trading halt did not, and does not, appear to be warranted. Upon becoming aware of the Information, the Company's standing procedures for preparing, checking and submitting the Announcement were initiated, and implemented in accordance with the requirements of the Listing Rules.

6. The Company is not aware of any loss of confidentiality of the Information contained in the Announcement. The Company's share price had, not surprisingly, trended downward for several days prior to Monday 5 March 2007, as major markets around the world recorded falls.
7. Given that there is an inevitable time factor between becoming aware of information, and preparing and checking an announcement and then submitting that announcement, the Company confirms that it is in compliance with the Listing Rules.

Yours faithfully

AUSTIN EXPLORATION LIMITED



Neville Martin
Non-Executive Director
Austin Exploration Limited