



26th February 2007

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Dear Fellow Austin Exploration, Limited Shareholders,

Austin Exploration Limited announces drilling operations in Louisiana and Australia continue to progress well.

St. Gabriel I Prospect – Louisiana, USA

The Directors of Austin Exploration Limited (ASX code: AKK) are pleased to report that the drilling is continuing at the St. Gabriel 1 prospect in Louisiana – reaching a depth of 9,800 feet as of Sunday February 25th. We have run and cemented casing down to 9,350 feet. We encountered a good gas show at 9,475 feet. Evaluation of this show will occur as part of the complete evaluation process once we reach our target sands.

The company anticipates reaching our target depth of 10,800 feet, or a depth sufficient to test our target sands, within ten days.

Australian listed investment company Verus Investments Limited will own a 10% working interest in this prospect after payout.

PEL 73 Prospect - Yorketown, South Australia

Austin Exploration is also pleased to report the drilling rig in Yorketown, South Australia, began operating on 18th February. Drilling in the first week reached a depth of 432 meters. Casing has been run and cemented down to this depth and drilling has recommenced. The company anticipates reaching the target depth of 1,855 meters in approximately 20 days.

Summary

We are very encouraged with the progress the company has made to date with both the Louisiana and Australian projects.

Yours faithfully,

AUSTIN EXPLORATION LIMITED

A handwritten signature in black ink, appearing to read 'Neville Wayne Martin', written over the company name.

Neville Wayne Martin

Director