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Dear Fellow Austin Exploration, Limited Shareholders,

Austin Exploration Limited announces the successful completion of the due diligence process by Verus Investments Limited regarding their intention to proceed with investment in Austin's St Gabriel II and Southwest Edwards Prospects

The Directors of Austin Exploration Limited (ASX code: AKK) are pleased to announce that Verus Investments Limited, following their investment in our St Gabriel I prospect, has completed its independent geological assessment of Austin's St Gabriel II and Southwest Edwards prospects. The assessment has confirmed Verus's intention to proceed with their participation in these prospects.

As mentioned in our announcement of January 3rd, 2007, Austin has arranged for an additional A\$11,502,000 of capital (based on an exchange rate of AUD\$1 equals 78.92 US cents) from a commercial transaction with no shareholder dilution. This additional capital is denominated in US dollars and therefore creates no foreign exchange exposure for the Company.

The completion of this transaction will finance the drilling of three wells with no cost obligation for Austin. The two participants in the transaction are an Australian based private investment group and Verus Investments Limited, an ASX listed company. Both participants have been identified as reliable sources of capital with an ongoing appetite for participation in prospects Austin may generate. In addition, the Company has also significantly reduced its cost exposure associated with these prospects in the face of increased exploration industry costs both in Australia and the United States.

St. Gabriel II Prospect

The St. Gabriel II prospect represents gas behind pipe and has a development resource potential of 8 billion cubic feet of gas and 250,000 barrels of oil recoverable from three zones. This resource was determined based on electric log analysis, drill stem and production tests conducted by Shell Oil Company of the existing well.

The St. Gabriel II prospect was not included in Austin's IPO fundraising and in order to proceed with drilling this well while not calling on its shareholders, the Company has sold a 40% working interest to an Australian based private investment group and Verus Investments Limited, as reported in our announcement of January 3rd 2007.

The net outcome of this for Austin is that Austin will hold a 40% working interest and 30% net revenue interest in St Gabriel II and be fully funded for the drilling of this prospect.

Southwest Edwards Prospect

The Southwest Edwards Prospect is located in Hinds County, Mississippi, US, and is on trend with excellent production from several Upper Cretaceous reservoirs. The prospect is substantiated by subsurface control, 2-D seismic lines, and a 3-D seismic survey and will involve re-entering a previously drilled well and sidetracking 600-800 feet northwest. The well is designed to test apparent logged pay in two Rodessa Sands at a total depth of 13,250 feet. The estimated total cost of the well is \$3,338,000 and the estimated potential reserve from the project is 2.86 billion cubic feet of gas and 1,096,000 barrels of oil.

The Company has been able to sell down half of its 50% working interest in this prospect with the Australian private investment group committing to a 12.5% interest and Verus Investments Limited now committing to its 12.5%.

Austin will now be entitled to a 25% working interest and a 19% net revenue interest with a no cost obligation for drilling of the first well.

Summary

The results of Verus Investments Limited's due diligence process are extremely encouraging in that they validate the work we have done on our own behalf and provide third party validation of the prospects. Austin is pleased with the capacity and support our new investors lend to the opportunities we have created, and the value this brings to the shareholders.

Yours faithfully

AUSTIN EXPLORATION LIMITED

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a long, sweeping horizontal line that ends in a small hook.

Paul J Davies

Company Secretary

Chief Financial Officer