VERUS INVESTMENTS LIMITED

ABN 59 009 575 035

24 January 2007

Company Announcement Office
Australia Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Ms

RE: ST GABRIEL 2 & SW EDWARDS PROSPECTS

As described in our release dated 3 January 2007 the Company has executed a Master Participation Agreement ("MPA") with AUS-TEX Exploration, Inc. ("AUS-TEX") a wholly owned subsidiary of Austin Exploration Limited, a company listed on the ASX.

The MPA facilitates an investment by way of a farm-in by Verus Investments Limited ("Verus") to the St Gabriel 1 well located in Ibreville in onshore South Louisiana, some 8 miles southeast of the state capitol, Baton Rouge.

Verus has now completed its due diligence investigations and has made a decision to proceed with the farm-in of a further two prospects. The two prospects are the St Gabriel 2 well also located in Iberville in onshore South Louisiana and the SW Edwards well located in the South West Edwards Field in Hinds County some 25 miles south west of the State Capitol, Jackson.

Summary

The **St Gabriel 1** well (Verus - 7.45% Net Royalty Interest) has an estimated most likely recoverable oil and gas resource as follows:

- **27.3 billion cubic feet (BCF) of potentially recoverable gas; and**
- **3,600,000 barrels of potential recoverable oil.**

A spud date for the St Gabriel 1 well will be made shortly.

The **St Gabriel 2** well (Verus - 14.85% Net Royalty Interest) has an estimated potential resource (from the U and W Sand only) of up to:

- **8.0 billion cubic feet (BCF) of potential recoverable gas; and**
- **250,000 barrels of potential recoverable oil.**

St Gabriel 2 is expected to spud in late February 2007.

The **SW Edwards** well (Verus – 9.405% Net Royalty Interest) has an estimated potential resource (from the Rodessa Formation Sands only) of up to:

- **2.86 billion cubic feet (BCF) of potentially recoverable gas; and**
- **1,096,000 barrels of potential recoverable oil.**

SW Edwards is expected to spud in late April 2007.

Background

St Gabriel 2 Prospect

The St Gabriel Prospect 2 is located in the prolific onshore Gulf Coast Basin of Louisiana. Verus will earn a 25.0% working interest in St Gabriel 2 by paying 50% of the drilling costs. This will revert to a 20.0% working interest (14.85% net royalty interest) after pay out of drilling costs if the well is brought into production.

As stated above estimates of the potential resource (from the U and W Sand only) range up to:

- 8.0 billion cubic feet (BCF) of potential recoverable gas; and
- 250,000 barrels of potential recoverable oil.

The St Gabriel 2 Prospect was identified by a field study, in which several zones which flowed gas and condensate as well as oil, in 1947 were identified. All but one of these zones were considered to be sub-economic and not produced at the time but they would be commercial at today's hydrocarbon prices. At the current prices they would have been completed for production. It should also be noted that the then operator of the well, Shell, is a major company and the majors are, and were, predominately interested in large discoveries and large flow rates.

The prospect has been generated by interpretation of 3D seismic, sub-surface mapping and a study of the results of the Shell 10 Gueymard well, which is to be re-entered. This study has identified pay zones which were successfully drill stem tested (U & W Sand) and produced hydrocarbons, both gas and liquids.

The T Sand, which is not included in the above resource range of up to 8.0 billion cubic feet of gas (BCF) and 370,000 barrels of oil but which is a significant producing interval in the area, was tested by Shell and flowed 47 barrels of oil per day (BOPD) along with 224 barrels of salt water per day (BWPD). The zone was squeezed off and abandoned, as it was considered to be uneconomic, at that time. Additionally the un-perforated section of the P Sand, not included in the possible resource calculations, if successfully flow tested, could add to these possible resources.

It should be noted that recent drilling, in late 2006, by Goodrich Petroleum in the Goodrich Gueymard 1 well located to the north of the same northern bounding fault as the proposed St Gabriel 2 well, encountered hydrocarbons. The Goodrich well is north-east of and down dip of the proposed St Gabriel 2 location and that company reported the flaring of gas from a drill stem test of an interval of the of the T Sand. They also reported hydrocarbon saturation over a 60 foot interval of this sand. An interval of the T Sand was tested and flowed gas at the rate of 5.00 cubic feet of gas per day (MMCFD). However when perforating the well for production the flowing interval was damaged and could not be produced. Goodrich then perforated a lower quality sand above the T Sand and obtained a stabilized flow rate of 1.04 million cubic feet of gas per day (MMCFD) along with 93 barrels of condensate per day (BCPD) and no water.

Verus's technical due diligence indicates that the risk for this prospect is regarded as relatively low. Existing production infrastructure for any production are close to the proposed location of the St Gabriel 2 Prospect. Accordingly if the well is successful, development and sales will quickly follow.

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SW Edwards Prospect

The SW Edwards Creek Prospect is located in the South West Edwards Field in Hinds County some 25 miles south west of the State Capitol, Jackson, in the South West Edwards Field. The Operator of the well is Flex Energy L.L.C. (Flex) of Lafayette, Louisiana.

Verus will earn a 12.5% working interest in SW Edwards by paying 31.25% of the cost of drilling to the casing point of the proposed well and by paying 29.41% of the additional cost from casing point through completion. This will revert to a 10.0% working interest (9.405% net royalty interest) after pay out of drilling costs if the well is brought into production.

The prospect has been mapped up on 2D and 3D seismic data. A stratigraphic cross section, derived from well logs has also been prepared. Electric log analysis and side wall core analysis of data from nearby and existing wells have high graded the prospect.

As stated above the most likely resource range (for the Rodessa Formation Sands only) is up to:

- 2.86 billion cubic feet (BCF) of potentially recoverable gas;
- 1,096,000 barrels (BBLs) of potential recoverable oil.

SW Edwards Prospect is a re-entry of the existing First Energy Montgomery 29-6 1 well. A study of the results of this well have identified 12ft of by-passed pay in the Rodessa Formation sands. Mapping incorporating new 3D seismic data indicates that the location is structurally high on both the Rodessa Formation and the Sligo Formation, another productive sand in the area. The proposed well will be side tracked from a depth of 7,000ft to intersect the target zones in an up-dip location, approximately 800 ft north west of the surface location. Closure on both the upper and lower Rodessa Formation sands extends over some 670 acres.

The target zones will be intersected approximately 50 ft higher than in the Montgomery 29-6 1 well and some 21 ft of net pay is expected. The Sligo Formation, also productive in the area, will be intersected in a structurally high location.

Again, Verus's technical due diligence as indicated that the risk of not encountering hydrocarbons at the proposed location is low, given the production from the field and the mapped by-passed pay in the well to be re-entered, Montgomery 29-6 1. The proposed location is sited on a structural closure on a producing trend. All the target horizons are productive in the area.

The juxaposition of reservoir, seals and source rocks is well established in the area of the prospect, as is trapping geometry. As it is a multi-target well it is considered that some, at least, of the target zones will host hydrocarbons.

It should be noted that existing infrastructure for any production are within 8500ft of the proposed location of the SW Edwards Prospect. Accordingly if the well is successful, development and sales will quickly follow.

Please contact me on 02 9233 2520 or 0416 220 007 if you have any queries in relation to the above.

Yours sincerely

Dean L Gallegos
Chairman