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ASX ANNOUNCEMENT

22 March 2012

## Performance Rights Plan and Management Incentive Scheme

- **Richard Cottee commences as Non-Executive Chairman**
- **Issue of Incentive Options to Executive Directors**
- **Performance Rights Plan to support production and expansion of US Projects**
- **Issue of Performance Rights to Key Management to be approved by AKK shareholders**

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### Appointment of Richard Cottee

Austin Exploration Limited ("**Austin**" or "**the Company**") (ASX: AKK) confirms that Mr Richard Cottee has today joined the Company's Board of Directors as Non-Executive Chairman. Mr Richard Cottee is former CEO of Queensland Gas Corporation, one of Australia's most successful unconventional oil and gas industry growth stories, which was acquired by BG for \$5.7 billion. Mr Cottee was also the Managing Director of NRG Energy's Northern European business unit based in London where he gained a wealth of additional international energy experience.

As an incentive to join the Company, the Company has agreed (subject to shareholder approval) to issue to Mr Cottee 5,000,000 fully paid ordinary shares in the Company ("**Shares**") and 15,000,000 listed options, exercisable at \$0.055 cents, and expiring on 6 July 2013 ("**Options**"). The Options are in the same class as the current I Class Listed Options on issue, with ASX Code AKKOA.

Mr Cottee's achievements, reputation and industry contacts will provide great benefit to the Company in the future and have already had a substantial impact on the level of investor support.

The issue of the Shares and Options to Mr Cottee is subject to approval by the Company's shareholders.

### Issue of Incentive Options to Current Directors

The Company has agreed (subject to shareholder approval) to issue to both Mr Guy Goudy and Mr Mark Hart 10,000,000 Options. The Options are in the same class as the current I Class Listed Options on issue, with ASX Code AKKOA.

Mr Hart and Mr Goudy, both Executive Directors of the Company, have been awarded the Options as recognition for the efforts and commitment to the Company over the last 12 months. In light of significantly lower than average executive salaries, the Company considers the issue of the Options is a reasonable and appropriately incentive-based method to provide benefits to Mr Hart and Mr Goudy. The non-cash form of this benefit will allow the Company to continue to spend a greater proportion of its cash reserves on its operations than it would if alternative cash benefits were given to the directors.

The issue of the Options to Mr Hart and Mr Goudy will also be subject to approval by the Company's shareholders.



## Performance Rights Plan

As set out in the Company's Notice of Meeting dated 28 February 2012, the Company will be seeking shareholder approval for the adoption of an executive, director and employee performance rights plan ("**Plan**"). A summary of the terms and conditions of the Plan is set out in the Notice of Meeting.

If the Plan is approved, the Company will be able to grant entitlements to Shares ("**Performance Rights**") under the Plan, and issue Shares on conversion of Performance Rights, without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 3 year period. No Performance Rights have previously been granted under this Plan.

Unless subject to specific agreement with the Board, the grant or vesting of Performance Rights will be subject to the participant remaining employed or engaged by the Company.

The Company has agreed, subject to Shareholder approval, to grant Performance Rights to the Directors of the Company.

Each Key Performance Indicator must be met (as determined by the Board) on or before the Key Performance Date of the 31<sup>st</sup> of December 2012 for the Performance Right to vest. If the Key Performance Indicator is not achieved on or before the 31<sup>st</sup> of December 2012 the Performance Right will lapse.

The Performance Rights will be subject to the following vesting conditions based on Key Performance Indicators of the Company:

1. **Class 1 Performance Rights** – will vest if the volume weighted average price of the Company's shares as traded on ASX over 10 consecutive trading days in the 2012 calendar is equal to or greater than AUD\$0.05 (being double the Share price as at 31 December 2011).
2. **Class 2 Performance Rights** – will vest if the Company's wholly owned subsidiary, Aus-Tex Exploration Inc ("**US Subsidiary**"), at least doubles production for the year ending 31 December 2012, to a minimum of 122 BOPD (based on the US Subsidiary's production for the year ending 31 December 2011);
3. **Class 3 Performance Rights** – will vest if the Company at least doubles its cash flow for the year ending 31 December 2012, to a minimum of \$AUS2,912,285 (based on doubling the Company's gross cash flow for the year ending 31 December 2011);
4. **Class 4 Performance Rights** - will vest if, for the period from 1 January 2012 to 31 December 2012, the US Subsidiary does not have any Phase 1 environmental incidents;
5. **Class 5 Performance Rights** - will vest if, for the period from 1 January 2012 to 31 December 2012, the US Subsidiary has no lost time accidents.

The Company has agreed to seek Shareholder approval for grant of the following Performance Rights:

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# Austin Exploration Limited ACN 114 198 471

Listed on the Australian Securities Exchange ("AKK") and the OTC-QX International in the USA (AUN-XY)

Director	Class 1 Performance Rights	Class 2 Performance Rights	Class 3 Performance Rights	Class 4 Performance Rights	Class 5 Performance Rights	TOTAL
Richard Cottee	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	<b>6,000,000</b>
Mark Hart	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	<b>6,000,000</b>
Guy Goudy	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	<b>6,000,000</b>
Nigel Hartley	300,000	175,000	175,000	175,000	175,000	<b>1,000,000</b>
Dominic Pellicano	300,000	175,000	175,000	175,000	175,000	<b>1,000,000</b>
<b>Total</b>	<b>6,600,000</b>	<b>3,350,000</b>	<b>3,350,000</b>	<b>3,350,000</b>	<b>3,350,000</b>	<b>20,000,000</b>

A Performance Right granted under the Plan will not vest unless the relevant vesting conditions advised to the participant have been satisfied. The primary purpose for the issue of Performance Rights under the Plan is to provide a performance-linked incentive component in the remuneration package for the participating Directors and for the future performance of the participating Directors in guiding management with respect to strategy development and in monitoring the performance of the Company.

The Company is of the view that, given its stage of development, the vesting conditions set for the issue of each class of the Directors' Performance Rights are appropriate to attract, retain and motivate the Directors to execute the Company's current business plan.

### **Shareholder Approval**

The Company intends to seek shareholder approval for issue of the above securities (being the Shares and Options to Mr Cottee, the incentive options to Mr Hart and Mr Goudy and the Performance Rights to all Directors) when the next General Meeting is convened. The Company does not consider it necessary to call a meeting solely for the grant of the above securities to the Directors, and has agreed with the Directors to put the resolutions to Shareholders when the next General Meeting is required.

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### **ABOUT AUSTIN EXPLORATION:**

*Austin Exploration is an Oil and Gas Company with assets in Australia and the United States. Austin has strategically shifted its core focus towards non –conventional shale exploration in the United States. The Company has established a major presence in two of Americas most prolific oil and gas basins. Austin controls more than 11,000 acres in Colorado in the Niobrara Shale and over 5000 acres in Texas in the Eagle Ford Shale. Austin has producing oil and gas wells in Texas, Mississippi and Kentucky. Austin also has a highly prospective Oil and Gas License, PEL 105, in the Cooper Basin of South Australia. The company's wholly owned US Subsidiary, Aus-Tex Exploration Inc, turned cash flow positive in January 2011. Austin is listed on the Australian Securities Exchange (ASX code: AKK)*