



AUSTIN EXPLORATION LIMITED ACN 114 198 471

Australian Stock Exchange Announcement

Friday 30 October 2009

The Manager
Companies Announcements Office
Australian Stock Exchange
Electronic Lodgement

Dear Sir/Madam

SETTLEMENT OF PARTICIPATION AGREEMENT

Please find attached the details of the settlement of the Participation Agreement between Austin Exploration Limited and Newtak Pty Ltd in relation to a dispute regarding the Participation Agreement which had previously been announced to the market on 4 April 2008.

For further information, please contact: -

Graham Seppelt 0419 035 297

On behalf of the Board

Graham Seppelt
Secretary

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SETTLEMENT OF PARTICIPATION AGREEMENT

Austin Exploration Limited (**Company**) today announced that it had reached agreement with Newtak Pty Ltd as trustee for the Newtak Unit Trust (**Newtak**) for the settlement of a dispute regarding the Participation Agreement previously announced on 4 April 2008 (**Agreement**).

Under the Agreement, Newtak advanced USD\$2,250,000 to the Company to fund the drilling of wells and other work in the Park City Gas Field in Kentucky, USA. As disclosed in the Company's Annual Report, this funding was repayable on a 2-for-1 basis, requiring a total of USD\$4,500,000 to be repaid to Newtak. The funding was repayable from production revenue, or from any other source determined by the Company.

Newtak had made certain allegations that the Company was liable to compensate it as a result of certain alleged misrepresentations concerning the Park City Gas Field and reduced royalties to which Newtak would have been entitled as a consequence of a reduction in the number of wells drilled.

The Company has agreed to settle the dispute by:

- a) payment of the USD\$4,500,000 referred to above;
- b) paying additional compensation of USD\$500,000 compensation for the reduction in royalties.

The Company has also agreed to reduce the exercise price of the 7,573,036 options due to Newtak under the Agreement (refer to page 53 of the Company's 2009 Annual Report) from \$0.24 to \$0.10 per option and to shorten the exercise period from three years to 18 months from the date of issue.

The settlement is subject to the Company raising capital of at least AUD\$7,000,000 under the Prospectus lodged on 22 October 2009. Newtak will retain its royalty interest in the 17 existing wells but will not receive a royalty interest in any future wells drilled in the Park City Gas Field.

The Company has therefore agreed to pay to Newtak USD\$5,000,000 in consideration of the settlement of Newtak's claims under the Participation Agreement and the release of the Company and its subsidiary, Aus-Tex Exploration Inc, from any and all liability under that Agreement and all claims associated with it.

This amount will be satisfied by:

- a) the payment of USD\$2,000,000 in cash; and
- b) subject to all necessary shareholder approval, the issue to Newtak and/or its nominees of USD\$3,000,000 worth of fully paid ordinary AKK shares at AUD\$0.05/share and 33,707,870 options over unissued shares, exercisable at \$0.10 each and expiring 2 years from the date of issue.

The exchange rate for the conversion is fixed at USD\$0.89/AUD\$1.00.

Shareholder approval will be sought at the Company's 2009 Annual General Meeting and, if necessary, at a further General Meeting. In the event that shareholder approval is not obtained prior to 31 January 2010, Newtak and the Company must negotiate in good faith for satisfaction of the remaining USD\$3,000,000.

The Company advises that one of its Directors, Mr Dominic Pellicano, is an ultimate beneficiary under the Newtak Unit Trust.

For further information, Contact:

Mr Graham Seppelt

Company Secretary
0419 035 297