ASX RELEASE
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AUSTAL LIMITED EMPLOYEE INCENTIVE OPTION PLAN

Austal Limited advises that it has established the Employee Incentive Option Plan ("the Plan"). The Plan is open to senior management having regard to their potential contribution to the growth and profitability of the Austal Limited group.

The objectives of the plan are to attract and retain exceptional employees and align key employee behaviour toward the growth and profitability of the group.

The options will have an exercise price equal to the volume weighted average trading price of Austal shares over the 5 trading days prior to an offer being made. For the options to vest, the total shareholder return of Austal Limited shares must exceed the Small Industrials Accumulation Index over a three year period.

A total of 140,000 options have been granted today.

It is expected that further employees will become eligible under the rules of the plan following release of the 2007 Annual Result to the Australian Stock Exchange. Participation and allocations under the Plan will be overseen by the Nomination and Remuneration Committee of the Board.

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