

**Austin Engineering Limited**  
**Directors' report**  
**For the half-year ended 31 December 2022**

The Directors present their report on the Consolidated entity consisting of Austin Engineering Limited ("Company" or "Austin") and the entities it controlled at the end of, or during, the half-year ended 31 December 2022. Throughout the report, the Consolidated entity is referred to as the Group.

**Directors**

The following persons were Directors of the Company during the half-year to 31 December 2022 and up to the date of this report, unless otherwise stated:

- Jim Walker
- Chris Indermaur
- Sy van Dyk
- David Singleton
- Linda O'Farrell (appointed 1 September 2022)

**Financial highlights**

		<b>Consolidated</b>	
	<b>Change</b>	<b>31 December 2022</b>	<b>31 December 2021*</b>
	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>Continuing operations</i></b>			
Revenue	43	114,120	79,916
Reported EBITDA	(33)	7,757	11,517
Profit before tax	(52)	4,068	8,559
Profit after tax	(86)	978	6,810
Basic earnings per share (cents)	(85)	0.17	1.17
Net cash provided by / (used in) operating activities	393	14,257	(4,866)

\*Balances for the prior period have been re-presented to exclude results from discontinued operations. Refer to Note 5 of the financial report.

**Review of continuing operations**

The financial performance and position of the Group was particularly affected by the following events and transactions during the six months to 31 December 2022:

On 23 August 2022, the Group acquired Australian mining equipment manufacturer, Mainetec Pty Ltd ("Mainetec") for a total consideration of \$17.85 million. Mainetec contributed to revenues of \$13.7 million in the 4.5 months of H1FY23, with a premium range of "Hulk" buckets which will complement Austin's JEC-HP high performance and standard bucket ranges, as well as bolster the Company's presence on the East Coast of Australia by leveraging Mainetec's existing strong market share in the region.

The Group's achieved an increase in revenues from continued operations for the period of 43% and revenues of \$114.1 million (H1FY22: \$79.9 million), due to Austin's 2.0 business strategy contributing to improve sales in all regions, a wider product offering and the acquisition of Mainetec.

The Group's reports normalised results from continuing operations with earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$12.2 million and EBITDA margin of nearly 11% (H1FY22: 12.5%) adjusted for the following one-off items:

- Mainetec acquisition and integration cost of \$1.8 million
- Business restructure cost of \$0.4 million
- Foreign exchange loss (net) of \$2.1 million, consistent with the guidance issued in relation to the presentation of foreign exchange differences (H1FY22: foreign exchange gain of \$1.6 million)
- Indonesian Batam expansion cost of \$0.1 million

The EBITDA margin fell below the H1FY22 level due to operational disruption in the business during capacity expansion works in Indonesia, Australia and Chile, as well as the impact of the ongoing issues in the West Australian business unit as previously reported and the manufacturing equipment upgrades, including replacement of some major equipment. However, Austin's operational efficiency will be significantly improved for many years to come because of the expansion works and upgrades to its manufacturing equipment. The Group enters the second half with a significant amount of this work completed, aside from some further plasma cutter installations for increased capacity in Chile, Australia and Batam which will be completed by April 2023.

The Group's net profit after tax ("NPAT") of \$1.0 million, a decrease of 86% on prior corresponding period ("pcp") (\$6.8 million) and includes:

- Finance cost of \$0.7 million against the pcp of \$0.3 million resulting from the acquisition and financing of Mainetec,
- Depreciation & amortisation cost of \$3.0 million compared to pcp of \$2.6 million
- Tax expenses of \$3.1 million compared to pcp of \$1.7 million due to the unrecognised tax benefit in relation to the business units that resulted in a current year tax loss position.

Net debt position of \$4.6 million at 31 December 2022, excludes the application of AASB 16: Leases of \$18.0 million (FY22 \$14.3 million) and Mainetec deferred consideration of \$6.7 million compared with a net debt position of \$1.2 million at 30 June 2022.

Inventories increased by \$22.9 million as work in progress and raw materials increased to satisfy demands for the second half of the financial year activity and to reduce supply risk. The increased stock levels are expected to cater to the increasing turnover in H2FY23 and aligns with the Group's strategy to reduce costs and ensure deliveries are not disrupted. Trade and other payables increased by \$18.7 million from 30 June 2022 to \$79.6 million, primarily as a result of an increase in customer advance payments of \$13.3 million, an increase in trade payables of \$5.8 million and a decrease in other payables of \$0.4 million. Advance payments from customers is an outcome of Austin's revised policy to seek down payments on orders.

Further details in relation to the review of the operations of the Group during the half-year and the results of these operations is set out in the media statement and separate results presentation released to the market on 21 February 2023.

### **Going concern basis for preparation**

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors confirm that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

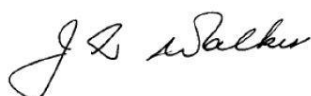
### **Lead Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

### **Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors.



**Jim Walker**  
**Non-Executive Chair**  
Perth  
21 February 2023

## **DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED**

As lead auditor for the review of Austin Engineering Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Austin Engineering Limited and the entities it controlled during the period.



**Dean Just**  
**Director**

**BDO Audit Pty Ltd**

Perth, 21 February 2023

**Austin Engineering Limited**  
**For the half-year ended 31 December 2022**

**Consolidated Financial Statements**

Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Directors' declaration	20
Independent auditors' review report	21

**Austin Engineering Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2022**

		<b>Consolidated</b>	<b>31 December</b>	<b>31 December</b>
		<b>2022</b>	<b>2021*</b>	
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	
<b>Revenue from continuing operations</b>	3	114,120	79,916	
Raw materials and consumables used		(17,369)	(11,847)	
Changes in inventories and work in progress		(22,862)	(11,144)	
Employment expenses		(27,143)	(26,328)	
Subcontractor expenses		(11,976)	(7,320)	
Occupancy and utility expenses		(2,603)	(1,580)	
Depreciation expense		(2,844)	(2,459)	
Amortisation expense		(128)	(152)	
Production operational expenses		(11,450)	(6,918)	
Other expenses	4	(12,962)	(3,262)	
Finance costs		(715)	(347)	
<b>Profit before income tax</b>		<b>4,068</b>	<b>8,559</b>	
Income tax expense		(3,091)	(1,749)	
<b>Profit from continuing operations</b>		<b>977</b>	<b>6,810</b>	
Loss from discontinued operations	6	(993)	(1,026)	
<b>(Loss) / Profit for the period</b>		<b>(16)</b>	<b>5,784</b>	
<b>Other comprehensive income</b>				
<i>Item that may be reclassified to profit or loss</i>				
Foreign currency translation differences, net of tax		5,027	(2,399)	
<b>Other comprehensive income for the period</b>		<b>5,027</b>	<b>(2,399)</b>	
<b>Total comprehensive income for the period</b>		<b>5,011</b>	<b>3,385</b>	
(Loss) / Profit is attributable to:				
Owners of Austin Engineering Limited		(16)	5,784	
Total comprehensive income for the period is attributable to:				
Owners of Austin Engineering Limited		5,011	3,385	
		<b>Cents</b>	<b>Cents</b>	
<b>Earnings per share from continuing operations attributable to the owners of the Austin Engineering Limited:</b>				
Basic earnings per share	7	0.17	1.17	
Diluted earnings per share	7	0.16	1.16	
<b>Earnings per share from continuing and discontinued operations attributable to owners of the Austin Engineering Limited:</b>				
Basic earnings per share	7	0.00	0.99	
Diluted earnings per share	7	0.00	0.99	

\*Balances for the prior period have been re-presented to exclude results from discontinued operations. Refer to Note 5.

*The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Austin Engineering Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2022**

		<b>Consolidated</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2022</b>	<b>2022</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		30,382	20,781
Trade and other receivables		46,940	54,530
Inventories	5	63,224	40,362
Other receivables and other assets		12,378	14,443
		<b>152,924</b>	<b>130,116</b>
Assets classified as held for sale	6	1,129	1,109
<b>Total current assets</b>		<b>154,053</b>	<b>131,225</b>
<b>Non-current assets</b>			
Property, plant and equipment		42,462	37,247
Intangible assets		30,491	11,588
Deferred tax assets		8,830	11,185
Right-of-use assets		15,097	12,005
Other non-current assets		9,018	10,894
<b>Total non-current assets</b>		<b>105,898</b>	<b>82,919</b>
<b>Total assets</b>		<b>259,951</b>	<b>214,144</b>
<b>Current liabilities</b>			
Trade and other payables		79,605	60,888
Financial liabilities	9	31,998	22,000
Current tax liabilities		2,936	2,883
Provisions		4,294	6,026
Lease liabilities		3,980	2,998
		<b>122,813</b>	<b>94,795</b>
Financial liabilities directly associated with assets classified as held for sale	6	-	-
<b>Total current liabilities</b>		<b>122,813</b>	<b>94,795</b>
<b>Non-current liabilities</b>			
Financial liabilities	9	10,644	-
Provisions		1,336	765
Lease liabilities		14,036	11,264
<b>Total non-current liabilities</b>		<b>26,016</b>	<b>12,029</b>
<b>Total liabilities</b>		<b>148,829</b>	<b>106,824</b>
<b>Net assets</b>		<b>111,122</b>	<b>107,320</b>
<b>Equity</b>			
Share capital	10	155,052	154,466
Accumulated losses		(35,820)	(34,059)
Reserves		(8,110)	(13,087)
<b>Total equity</b>		<b>111,122</b>	<b>107,320</b>

*The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Austin Engineering Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2022**

		Contributed equity \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Accum- ulated losses \$'000	Total \$'000
Consolidated	Notes					
<b>Opening balance at 1 July 2021</b>		<b>154,133</b>	<b>1,428</b>	<b>(16,839)</b>	<b>(47,962)</b>	<b>90,760</b>
<b>Total comprehensive income for the period:</b>						
Profit for the half-year		-	-	-	5,784	5,784
<b>Other comprehensive income:</b>						
Currency translation differences		-	-	(2,399)	-	(2,399)
<b>Total comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>(2,399)</b>	<b>5,784</b>	<b>3,385</b>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued under dividend reinvestment plan (net of share issue costs)		150		-	-	150
Share-based payments		-	(714)	-	-	(714)
Conversion of performance rights		157	(157)	-	-	-
Dividends provided for or paid		-	-	-	(1,740)	(1,740)
		<b>307</b>	<b>(871)</b>	<b>-</b>	<b>(1,740)</b>	<b>(2,304)</b>
<b>Balance at 31 December 2021</b>		<b>154,440</b>	<b>557</b>	<b>(19,238)</b>	<b>(43,918)</b>	<b>91,841</b>
<b>Opening balance at 1 July 2022</b>		<b>154,466</b>	<b>2,909</b>	<b>(15,996)</b>	<b>(34,059)</b>	<b>107,320</b>
<b>Total comprehensive income for the period:</b>						
(Loss) / Profit for the half-year		-	-	-	(16)	(16)
<b>Other comprehensive income:</b>						
Currency translation differences		-	-	5,027	-	5,027
<b>Total comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>	<b>5,027</b>	<b>(16)</b>	<b>5,011</b>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued under dividend reinvestment plan (net of share issue costs)	10	33	-	-	-	33
Share-based payments		-	503	-	-	503
Conversion of performance rights	10	553	(553)	-	-	-
Dividends provided for or paid		-	-	-	(1,745)	(1,745)
		<b>586</b>	<b>(50)</b>	<b>-</b>	<b>(1,745)</b>	<b>(1,209)</b>
<b>Balance at 31 December 2022</b>		<b>155,052</b>	<b>2,859</b>	<b>(10,969)</b>	<b>(35,820)</b>	<b>111,122</b>

*The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Austin Engineering Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2022**

	Notes	31 December 2022 \$'000	Consolidated 31 December 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		130,216	88,095
Payments to suppliers and employees		(113,790)	(91,460)
Interest received		623	482
Finance costs		(1,465)	(760)
Income tax refund		-	27
Income tax paid		(2,300)	(1,514)
<b>Net cash provided / (used in) by operating activities</b>		<b>13,284</b>	<b>(5,130)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and assets held for sale		-	872
Payments for property, plant and equipment		(2,255)	(2,554)
Payments for intangibles		(116)	(267)
Net payment for acquisition of subsidiary	11	(10,089)	-
<b>Net cash used in investing activities</b>		<b>(12,460)</b>	<b>(1,949)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		12,967	30,638
Repayment of borrowings		(1,700)	(19,360)
Repayment of lease liabilities		(2,903)	(1,547)
Dividends paid to shareholders		(1,712)	(1,590)
<b>Net cash provided by financing activities</b>		<b>6,652</b>	<b>8,141</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,476</b>	<b>1,062</b>
Cash and cash equivalents at the beginning of the period		20,781	9,824
Effects of exchange rate changes on cash and cash equivalents		2,125	(26)
<b>Cash and cash equivalents at end of period</b>		<b>30,382</b>	<b>10,860</b>

*The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.*



**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2022**

## **1 Basis of preparation of half-year financial statements**

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by Austin Engineering Limited ("Austin") during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange and *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### **Going concern basis of preparation**

The Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis of preparation remains appropriate.

**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2022**

## 2 Segment information

Management has determined that the strategic operating segments comprise of Asia-Pacific (for mining equipment, other products, repair and maintenance services and corporate activities located in Australia and Indonesia), North America (for mining equipment and other products located in the USA) and South America (currently Chile for mining equipment, other products and repair and maintenance services).

Executive management monitors segment performance based on EBITDA from continuing operations. Segment information for the period ended 31 December 2022 and 31 December 2021 is as follows:

	Asia-Pacific		North America		South America		Total	
	HY23	HY22	HY23	HY22*	HY23	HY22	HY23	HY22*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>								
Total segment revenue from external customers	64,858	43,570	32,636	23,644	16,626	12,702	114,120	79,916
EBITDA from continuing operations	3,730	6,235	5,043	1,788	(1,017)	3,494	7,756	11,517
Profit before tax	706	3,833	4,409	1,356	(1,047)	3,370	4,068	8,559
<b>Other segment information</b>								
Depreciation and amortisation	2,165	1,799	415	400	392	412	2,972	2,611
<b>Continuing and discontinued operations</b>								
Total segment assets - 31 December	136,858	85,906	63,060	44,837	60,033	53,752	259,951	184,495
Total segment assets - 30 June	100,044	88,408	58,364	39,780	55,736	49,160	214,144	177,348
Total segment liabilities - 31 December	106,858	67,315	24,988	12,963	16,983	12,376	148,829	92,654
Total segment liabilities - 30 June	72,994	58,045	22,921	10,407	10,909	18,136	106,824	86,588

\*Balances for the prior period have been re-presented to exclude results from discontinued operations as disclosed in Note 5.

Corporate expenses are incurred in Australia and the majority of these costs are recharged across the Group.

Asset and liability amounts are measured in the same way that they are measured in the financial statements. Segment assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

The reconciliation of EBITDA to profit before income tax is as follows:

	Continuing and discontinued operations		Continuing operations	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021*
	\$'000	\$'000	\$'000	\$'000
<b>Reported EBITDA</b>	<b>7,446</b>	<b>10,548</b>	<b>7,755</b>	<b>11,517</b>
Depreciation expense	(3,261)	(2,583)	(2,844)	(2,459)
Amortisation expense	(129)	(154)	(128)	(152)
Finance costs	(966)	(278)	(715)	(347)
<b>Profit before income tax</b>	<b>3,090</b>	<b>7,533</b>	<b>4,068</b>	<b>8,559</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations as disclosed in Note 5.

**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2022**

### 3 Revenue

	Consolidated 31 December 2022 \$'000	31 December 2021* \$'000
Revenue from contracts with customers	112,976	79,732
Other income	1,144	184
<b>Total revenue from continuing operations</b>	<b>114,120</b>	<b>79,916</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations as disclosed in Note 5.

#### (a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following types and geographical regions:

Revenue from contracts with customers	Asia-Pacific		North America		South America		Total	
	HY23	HY22	HY23	HY22*	HY23	HY22	HY23	HY22*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sale of Goods</b>								
Truck Bodies	26,783	27,648	29,490	20,321	9,161	5,642	65,434	53,611
Buckets	10,115	1,403	2,339	-	-	-	12,454	1,403
Other Goods	16,431	5,992	902	3,323	47	860	17,380	10,175
<b>Total Sale of Goods</b>	<b>53,329</b>	<b>35,043</b>	<b>32,731</b>	<b>23,644</b>	<b>9,208</b>	<b>6,502</b>	<b>95,268</b>	<b>65,189</b>
<b>Services</b>								
On-Site Services	5,635	78	-	-	1,533	1,647	7,168	1,725
Off-Site Services	5,192	7,928	-	-	4,898	3,959	10,090	11,887
Other Services	12	447	-	-	438	484	450	931
<b>Total Services</b>	<b>10,839</b>	<b>8,453</b>	<b>-</b>	<b>-</b>	<b>6,869</b>	<b>6,090</b>	<b>17,708</b>	<b>14,543</b>
<b>Revenue from contracts with customers</b>	<b>64,168</b>	<b>43,496</b>	<b>32,731</b>	<b>23,644</b>	<b>16,077</b>	<b>12,592</b>	<b>112,976</b>	<b>79,732</b>
<b>Timing of Revenue Recognition</b>								
At a point in time	53,329	35,043	32,731	23,644	9,208	6,502	95,268	65,189
Over time	10,839	8,453	-	-	6,869	6,090	17,708	14,543
<b>Revenue from contracts with customers</b>	<b>64,168</b>	<b>43,496</b>	<b>32,731</b>	<b>23,644</b>	<b>16,077</b>	<b>12,592</b>	<b>112,976</b>	<b>79,732</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations as disclosed in Note 5.

#### **4 Other expenses**

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>31 December 2021*</b>
	<b>\$'000</b>	<b>\$'000</b>
Consultancy	2,886	1,195
Insurance	986	1,218
Administration costs	827	770
Information technology costs	570	589
Travel expenses	1,239	254
Other expenses	4,376	802
Foreign exchange losses / (gains)	2,078	(1,566)
<b>Balance at the end of the period</b>	<b>12,962</b>	<b>3,262</b>

#### **5 Inventories**

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At cost:</b>		
Raw materials and consumables	35,663	19,525
Work in progress	25,247	20,485
Finished goods	2,314	352
<b>Balance at the end of the period</b>	<b>63,224</b>	<b>40,362</b>

#### **Raw material, consumables and work in progress**

Inventories consist of raw materials, consumables and work in progress and are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the same.

## 6 Discontinued operations

### (a) Discontinued operations

During the prior year, the Group closed its operations in Peru and Canada including, retrenching staff, transferring assets to other Austin business units and disposing of assets. The decision to discontinue the operations was made based on the current and future expected market conditions in Peru and Canada as well as the overall Group strategy and hub and spoke model. As Canada has been treated as a closure for discontinued operation purposes, the right-of-use asset and lease liability have not been reclassified as held for sale. No indicators of impairment were identified in relation to this asset as at 31 December 2022.

The current period and comparative profit and cash flows from discontinued operations for the period are set out below.

	31 December 2022 \$'000	31 December 2021* \$'000
Revenue	-	1,411
Expenses	(978)	(2,437)
Income tax	(15)	-
<b>Loss from discontinued operations</b>	<b>(993)</b>	<b>(1,026)</b>
Net cash outflow from operating activities	(973)	(264)
Net cash outflow from investing activities	(20)	(90)
Net cash outflow from financing activities	-	(672)
<b>Net decrease in cash generated by discontinued operations</b>	<b>(993)</b>	<b>(1,026)</b>

\* Balances for the prior period have been re-presented to include results from discontinued Peruvian and Canadian operations as stated above.

### (b) Assets and liabilities classified as held for sale and discontinued operation

The Group intends to dispose of properties and equipment that it no longer requires in the next twelve months. The properties and equipment are located in Peru and Australia.

	31 December 2022 \$'000	30 June 2022 \$'000
Plant and equipment – Peru	823	803
<b>Discontinued operations</b>	<b>823</b>	<b>803</b>
Plant and equipment – Australia (Mackay)	306	306
<b>Other assets held for sale</b>	<b>306</b>	<b>306</b>
<b>Total assets classified as held for sale</b>	<b>1,129</b>	<b>1,109</b>
Financial liabilities directly associated with discontinued operations	-	-

Assets are classified as held for sale when its carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

## 7 Earnings per share

	Consolidated 31 December 2022 Cents	31 December 2021* Cents
<b>Basic earnings per share</b>		
From continuing operations	0.17	1.17
From discontinued operations	(0.17)	(0.18)
<b>Total basic earnings per share</b>	<b>0.00</b>	<b>0.99</b>
<b>Diluted earnings per share</b>		
From continuing operations	0.16	1.16
From discontinued operations	(0.16)	(0.17)
<b>Total diluted earnings per share</b>	<b>0.00</b>	<b>0.99</b>
<b>Reconciliation of earnings to profit / (loss)</b>	<b>\$ '000</b>	<b>\$ '000</b>
From continuing operations	978	6,810
From discontinued operations	(993)	(1,026)
<b>(Loss) / Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share</b>	<b>(16)</b>	<b>5,784</b>

\* Balances for the prior period have been re-presented to exclude results from discontinued operations as disclosed in Note 5.

	Number of Shares	Number of Shares
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share	582,305,417	580,775,398
Effect of dilutive securities - share based performance rights	48,136,952	7,022,162
<b>Used to calculate diluted earnings per share</b>	<b>630,442,369</b>	<b>587,797,560</b>

## **8 Dividends**

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Recognised amounts</b>	<b>\$'000</b>	<b>\$'000</b>
Fully franked dividend for the year ended 30 June 2021 of 0.3 cents per share, paid on 30 September 2021	-	1,740
Fully franked dividend for the year ended 30 June 2022 of 0.3 cents per share, paid on 27 October 2022	1,745	-
<b>Total Recognised amounts</b>	<b>1,745</b>	<b>1,740</b>

A portion of shareholders participated in the Dividend Reinvestment Plan in respect of \$0.03 million. The cash outflow of the above dividends for the half year was \$1.712 million (2022: \$1.59 million).

### **Dividends not recognised at the end of the reporting period**

In the prior year, on 24 February 2022, the directors declared an interim dividend of 0.2 cents per share out of retained earnings as at 31 December 2021. This amount of \$1.16 million was paid on 6 April 2022. No dividend was declared in relation to the current period.

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Franking credits</b>	<b>\$'000</b>	<b>\$'000</b>
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021 - 30.0%)	22,897	24,144

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## 9 Financial liabilities

	Consolidated			
	31 December 2022		30 June 2022	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Bank overdraft	198	-	-	-
Bank borrowings (i)	27,634	7,334	22,000	-
Deferred consideration (ii)	3,417	3,310	-	-
Hire purchase liabilities	749	-	-	-
<b>Balance at the end of the period</b>	<b>31,998</b>	<b>10,644</b>	<b>22,000</b>	<b>-</b>

**(i) Bank borrowings:**

In August 2021, the Group entered into a \$35.0 million global financing arrangement provided by HSBC Bank Australia Limited and is used to support the working capital requirements of the Group. The facility has a number of financial covenants being, a borrowing base ratio > 1.00, interest cover ratio > 4 times, leverage ratio < 2.25 times and debt service cover ratio of >1.5. As at 31 December 2022, the Group has complied with all covenants. During the current period, the Group borrowed an additional \$11.0 million as a term loan facility to fund the acquisition of Mainetec Pty Ltd ("Mainetec").

**(ii) Deferred consideration:**

Deferred consideration relates to the amounts payable to the former shareholders of Mainetec over a two-year period to 30 June 2024. Refer Note 12 for details in relation to the acquisition.

## 10 Equity - issued capital

	31 December 2022		30 June 2022	
	Number of shares	\$'000	Number of shares	\$'000
<b>Ordinary shares</b>				
Opening balance	581,727,804	154,466	580,074,317	154,133
Conversion of performance rights	1,515,152	553	858,372	157
Share issued for dividend reinvestment plan (net of share issue costs)	96,628	33	795,115	176
<b>Balance at end of the period</b>	<b>583,339,584</b>	<b>155,052</b>	<b>581,727,804</b>	<b>154,466</b>

On 26 October 2022, 1,515,152 performance rights were converted into 1,515,152 ordinary shares at an exercise price of nil. These conversions were made in accordance with the terms of the Group's performance rights plan.

On 27 October 2022, 96,628 ordinary shares were issued at an exercise price of 0.339 cents. This issue of capital was made in accordance with the terms of the Group's dividend reinvestment plan.



**Austin Engineering Limited**  
**Notes to the consolidated financial statements**  
**For the half-year ended 31 December 2022**

## **11 Business combination**

On 23 August 2022, Austin Engineering Limited acquired 100% of the issued shares in Mainetec Pty Ltd, an engineering and fabrication business, for consideration of \$17.85 million. Transfer of Mainetec shares was completed on 11 October 2022 after the transfer of the initial cash consideration of \$11.12 million to the vendors of Mainetec. Significant judgement was involved in the determination of 23 August 2022 as the acquisition date as this was the date on which Austin obtained control of Mainetec. This was the date from which Austin had the power to direct the relevant activities of Mainetec and had exposure to the variable returns from Mainetec and the ability to use its power to affect those returns.

Mainetec's premium range of "Hulk" buckets will complement Austin's JEC-HP high performance and standard bucket ranges, as well as bolster the Company's presence on the East Coast of Australia by leveraging Mainetec's existing strong market share in the region.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<b>23 August 2022</b>
<b>Purchase consideration</b>	<b>\$'000</b>
Cash paid	11,120
Deferred consideration	6,727
<b>Total purchase consideration</b>	<b>17,847</b>

The provisional allocation of the purchase price to assets and liabilities as a result of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$'000</b>
Cash and cash equivalents	1,031
Trade receivables	4,315
Inventories	6,079
Other receivables and other assets	439
Property, plant and equipment	2,417
Intangible assets - Customer relationships	5,443
Intangible assets - Intellectual property	2,159
Intangible assets - other intangibles	14
Right-of-use assets	3,039
Trade and other payables	(9,188)
Financial liabilities	(2,327)
Provisions	(1,515)
Lease liabilities	(3,077)
Deferred tax liabilities	(2,281)
<b>Net identifiable assets acquired</b>	<b>6,548</b>
<b>Goodwill</b>	<b>11,299</b>

The goodwill recognised is attributable to the assembled workforce, growth opportunities available to Mainetec and synergies with Austin's existing business, including opportunities for cross-selling and efficiencies arising from the expanded business footprint.

(i) **Purchase consideration – cash outflow**

The net cash outflow in the period relating to the acquisition was \$10.09 million, being cash consideration of \$11.12 million less net cash acquired of \$1.03 million.

Acquisition-related costs of \$1.13 million are included in other expenses in profit or loss.

## **11 Business combination (continued)**

### **(ii) Acquired receivables**

Trade receivables of \$4.32 million are expected to be fully recoverable and are representative of the fair value of these receivables.

### **(iii) Revenue and profit contribution**

The acquired business contributed revenues of \$13.7 million and net profit of \$0.4 million to the Group for the period from 23 August 2022 to 31 December 2022. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary, together with the consequential tax effects.

### **(iv) Provisional allocation**

Given the timing of the acquisition, the initial accounting is incomplete. The principal areas still being completed are the valuation of acquired intangible assets, the determination of the fair value of acquired inventory and the finalisation of the deferred tax implications of the transaction.

### **(v) Post completion arrangements**

In addition to the deferred consideration noted above, under the terms of the acquisition agreement Austin also entered into a post-completion arrangement to incentivise further performance over a three-year period. Under this arrangement, up to \$6.00 million can be paid (in Austin shares) if various performance hurdles are met. Those incentive hurdles relate, respectively, to:

#### *General revenue – up to \$3.00 million*

Revenue from Mainetec's buckets business must equal or exceed an agreed annual revenue target in any financial year prior to 30 June 2025 (for the full earn-out amount to be paid). Revenue below a lower (but still substantial) baseline figure will not qualify for any payment, and payment will be pro-rated for revenue that exceeds the baseline (but is less than the target).

#### *Dipper revenue – up to \$2.00 million*

Aggregate revenue for the period 1 July 2022 to 30 June 2025 from worldwide sales of Mainetec sourced new dippers and related sales (but excluding sales that relate to existing work in progress and any further Australian refurbishing or rebuild work) must equal or exceed an agreed revenue hurdle. If aggregate revenue is below this, no amount is payable.

#### *New business offering – up to \$1.00 million*

Mainetec entering into a new (Australia wide) contract (for a new business line) at prices acceptable to Austin with a large Australian mining company (or any of its related bodies corporate) and four other operators prior to 30 June 2025. If these contracts are not entered into, no amount is payable.

The binding agreement was entered into between Austin, the three individual founders of Mainetec, and the three current shareholders of Mainetec (each of which is associated with one of the founders). Each of the three founders will be required to continue to be employed by Austin at the end of the three-year incentive period in order for the associated vendor to receive any earn-out shares. In accordance with the requirements of accounting standards, these post completion arrangements are considered share-based payments for employment services and will be expensed over the three-year service period, with the expense weighted based on the management's assessment of the probability that the relevant conditions will be met.

## **12 Contingent liabilities**

From time to time, the Group receives legal claims from former employees. The Directors are of the opinion that the likelihood of economic loss for the Group from claims pending at the reporting date is low and that the potential quantum of these claims is not material.

Other than the matters noted above and any guarantees that are issued to third parties arising out of dealings in the normal course of business, there are no contingent liabilities.

## **13 Events occurring after the reporting period**

On 12 January 2023, the Company announced a change in its senior manager structure. Current Chief Operating Officer ("COO"), Graham Bakehouse, was appointed to the new role of Chief Strategy Officer and Vincent D'Rozario was appointed as the Company's COO. Both appointments were effective 20 January 2023. At the time of his appointment, Vincent D'Rozario was offered 5,000,000 share options as part of the Company's incentive option plan.


There have not been any other matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Austin Engineering Limited**  
**Directors' declaration**  
**For the half-year ended 31 December 2022**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 19 are in accordance with the *Corporations Act* 2001, including:
  - (i) complying with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that Austin Engineering Limited will be able to pay its debt as and when they become due and payable.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'J L Walker', written in a cursive style.

**Jim Walker**  
**Non-Executive Chair**  
Perth  
21 February 2023

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, light blue BDO logo.

**Dean Just**

**Director**

Perth, 21 February 2023