

Notice of Annual General Meeting

Notice is given that an Annual General Meeting of shareholders of Austin Engineering Limited (the **Company**) will be held at 10:00am (AWST) Friday 22 November 2019 at Perth Convention and Exhibition Centre, Vocus Suite, 21 Mounts Bay Road, Perth, Western Australia 6000.

This is an important document and requires your attention.

This document should be read in its entirety. If you are in any doubt how to deal with this document, please consult your legal, financial or other professional advisor.



Agenda

Financial Statements and reports

To receive and consider the financial statements and the reports of the Directors and the Auditor for the financial year ended 30 June 2019.

Resolution 1 Re-election of Mr Chris Indermaur as Non-executive Director

To consider, and if thought fit, pass the following as an ordinary resolution:

'To re-elect Mr Chris Indermaur, in accordance with ASX Listing Rule 14.4, who retires with effect from the end of the Annual General Meeting and, being eligible, offers himself for re-election.'

Resolution 2 Election of Mr David Singleton as Non-executive Director

To consider, and if thought fit, pass the following as an ordinary resolution:

'That Mr David Singleton, who retires after having been appointed as a Director of the Company on 15 April 2019, in accordance with rule 3.3 of the Company's constitution, and being eligible for re-election, be elected as a Director of the Company.'

Resolution 3 Adoption of Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution under section 250R(2) of the Corporations Act:

'That the Remuneration Report for the year ended 30 June 2019 be and is hereby adopted'.

Notes:

- (1) The vote on this resolution is advisory only and does not bind the Directors or the Company.
- (2) If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the Company's Directors (other than a Managing Director) must stand for re-election.

A voting exclusion statement applies to this item of business (see below).

Resolution 4 Approval for grant of performance rights to Mr Peter Forsyth, Managing Director

To consider, and if thought fit, pass the following as an ordinary resolution:

'That for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the grant of 3,151,515 Performance Rights and the issue or transfer of Shares on vesting to Mr Peter Forsyth, in accordance with the terms and conditions of the Company's Performance Rights Plan and as described in the Explanatory Memorandum accompanying this Notice of Meeting.'

A voting exclusion statement applies to this item of business (see below).

Voting exclusion statements

The resolutions above are subject to the following voting exclusions.

Resolution 3 (Adoption of Remuneration Report)

The Company will disregard and not count any votes cast on Resolution 3 by:

- any member of the Company's Key Management Personnel whose details are included in the Remuneration Report and any Closely Related Party of such a member; and
- any member of the Company's Key Management Personnel, and any Closely Related Party of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote.

Resolution 4 (Approval for grant of performance rights to Mr Peter Forsyth, Managing Director)

The Company will disregard and not count any votes cast in favour of Resolution 4 by or on behalf of:

- any member of the Company's Key Management Personnel, and any Closely Related Parties of such a member, who is appointed as an **undirected proxy** for a person who is entitled to vote; and
- Mr Peter Forsyth or any of his associates.

Exceptions to voting exclusions

However, the Company need not disregard a vote in respect of any of the above resolutions if it is:

- cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (i.e., a Directed Proxy Form); or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides (even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel).

Please refer below to the important information about the appointment of proxies in relation to the above resolutions.

To consider any other business as may be lawfully put forward in accordance with the Constitution.

Specific comments relating to the resolutions are set out in the Explanatory Memorandum.

Dated: 10 October 2019

By order of the Board



Sophie Raven
Joint Company Secretary

Notes

1. The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the Share register at 7.00pm (Brisbane time) on Wednesday, 20 November 2019. Accordingly, those persons are entitled to attend and vote at the meeting.
2. If you are eligible, you may vote by attending the meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.
3. To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.
4. A member who is entitled to vote at the meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of the Company.
5. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
6. The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.
7. To be effective, the proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding of the meeting or any adjourned meeting:
 - a. at its registered office at
Kings Row 1, Level G,
52 McDougall Street
Milton Qld 4064;
 - b. by facsimile to its registered office
on fax number +61 7 3271 3689; or
 - c. at its share registry,
Computershare Investor Services:
GPO Box 242
Melbourne VIC 3001

or fax number (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555.
8. Any proxy form received after this deadline including at the meeting will be treated as invalid.
9. A person appointed as proxy may vote or abstain from voting as he or she thinks fit except in the following circumstances:
 - a. The proxy holds a Directed Proxy Form;
 - b. Where the proxy is voting in relation to a Remuneration Resolution and the proxy is either a Key Management Personnel for the Company or a Closely Related Party and holds an Undirected Proxy Form; and
 - c. The proxy is required by law or the Company's constitution to vote in a certain manner or abstain from voting.
10. Clause 9b. does not apply if the Chairman of the meeting is appointed as proxy and his appointment expressly authorises the Chairman to exercise the proxy even if the resolution is a Remuneration Resolution.
11. If you appoint the Chairman as your proxy and have not directed him how to vote, you are expressly authorising the Chairman to cast your Undirected Proxy Form in accordance with his intentions set out below.
12. The Chairman intends to vote all Undirected Proxy Forms in favour of all resolutions including Remuneration Resolutions.
13. The following definitions apply in this document:
 - a. **ASX** means ASX Limited or the securities exchange it operates, as the context requires.
 - b. **Closely Related Party** means the closely related parties of Key Management Personnel as defined in the Corporations Act, and includes certain members of their family, dependants and companies they control.
 - c. **Company** means Austin Engineering Ltd ACN 078 480 136.
 - d. **Corporations Act** means the *Corporations Act 2001* (Cth).
 - e. **Directed Proxy Form** means a proxy form which specifies how the proxy is to vote.
 - f. **Directors** means the directors of the Company from time to time (each a **Director**).
 - g. **Key Management Personnel** of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration report (as set out in the Directors' Report included in the Company's 2019 Annual Report) (**Remuneration Report**) identifies the Company's Key Management Personnel for the financial year to 30 June 2019.
 - h. **Listing Rules** means the Listing Rules of the ASX.
 - i. **Performance Period** has the meaning given in the Explanatory Memorandum accompanying this document.
 - j. **Performance Rights Plan** means the Company's Performance Rights Plan adopted by the board on 20 December 2013 as amended.
 - k. **Remuneration Resolution** means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel and includes Resolutions 3 and 4 in this Notice of Meeting.
 - l. **Share** means a fully paid ordinary share in the capital of the Company.
 - m. **Undirected Proxy Form** means a proxy form that does not specify how the proxy is to vote.
 - n. **Vesting Conditions** are the conditions that must be satisfied for a Right to vest and entitle the holder to the value of a Share (which may be satisfied either in cash and/or in Shares).

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist shareholders with their consideration of the resolutions to be put to the Annual General Meeting to be held at 10:00am (AWST) on Friday 22 November 2019 at Perth Convention and Exhibition Centre, Vocus Suite, 21 Mounts Bay Road, Perth, Western Australia, 6000.

The Explanatory Memorandum should be read with, and forms part of, the accompanying Notice of Annual General Meeting.

Financial Statements and Reports

As required by law, the financial report, Directors' report and Auditor's report are laid before the Annual General Meeting. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. Members will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and content of the Auditor's report. There is no requirement however for members to approve the reports.

Resolutions 1 and 2 – Background

ASX Listing Rule 14.5 and rule 3.6 of the Company's constitution requires the Company to hold an election of Directors each year.

In accordance with the ASX Listing Rule 14.4, Mr Indermaur, who was first appointed as Non-executive Director in July 2016, will retire from the office of Director with effect from the end of the Annual General Meeting and submits himself for re-election by shareholders as a Non-executive Director of the Company.

Rule 3.3 of the Company's constitution also requires that Mr Singleton, who was appointed as a Non-executive Director by the Board on 15 April 2019, automatically retires and is eligible for re-election by shareholders as a Non-executive Director of the Company.

Profiles for Mr Indermaur and Mr Singleton follow.

The Board regularly reviews the independence of each Non-executive Director and undertakes an annual review in accordance with the ASX Corporate Governance Principles and Recommendations, the Corporations Act and the Board Charter. The Board considers all of the current Non-executive Directors to be independent, including each of the Directors seeking election.

Resolution 1 Re-election of Mr Chris Indermaur as Non-executive Director

Mr Chris Indermaur has over 30 years of experience in large Australian companies in engineering and commercial roles. He is currently a non-executive director of Centrex Mining Limited and Austal Limited. Mr Indermaur was formerly the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Limited. Mr Indermaur recently held board positions at Poseidon Nickel Limited (to 1 October 2018) and Medibio Limited to 31 December 2018.

Qualifications:

- Bachelor of Engineering (Mechanical) and Graduate Diploma of Engineering (Chemical) (both from Curtin University);
- Bachelor of Laws and Master of Laws (Queensland University of Technology); and
- Graduate Diploma in Legal Practice (Australian National University).

Special responsibilities:

- Chair of the Nomination and Remuneration Committee
- Member of the Audit and Risk Committee
- Member of the Safety Committee.

Directorships held in other listed entities:

- Austal Limited from 19 October 2018
- Centrex Metals Limited from 1 July 2017

The Directors (with Mr Indermaur abstaining) recommend that shareholders vote in favour of this Resolution.

Resolution 2 Election of Mr David Singleton as Non-executive Director

Mr David Singleton is the Chief Executive Officer (CEO) and Managing Director of Austal Limited. Prior to this, Mr Singleton was CEO and Managing Director of mineral explorer, Poseidon Nickel Limited (2008-2016) and engineering and project services contractor, Clough Limited (2003-2007). Mr Singleton has vast international business experience gained in senior executive roles in Europe and the USA. He was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London and spent three years as CEO of Alenia Marconi Systems, based in Italy. Mr Singleton has served as a member of the National Defence Industries Council in the United Kingdom, and as a board member and Vice-President (Defence) of Intellect, a leading trade association for the UK technology industry.

Qualifications:

- Honours degree in Mechanical Engineering (University College London)
- Honorary Doctorate of Engineering (Edith Cowan University)

Special responsibilities:

- Member of the Nomination and Remuneration Committee
- Member of the Audit and Risk Committee
- Chair of the Safety Committee.

Directorships held in other listed entities:

- Austal Limited from 4 April 2016

The Directors (with Mr Singleton abstaining) recommend that shareholders vote in favour of this Resolution.

Resolution 3 Adoption of the Remuneration Report

The Corporations Act requires that a resolution be put to the members to adopt the Remuneration Report as disclosed in the Directors' report contained in the Company's 2019 Annual Report. The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting.

The remuneration report:

- Discusses the Company's policy on remuneration of Key Management Personnel and the link between remuneration and the Company's performance; and
- Details the remuneration arrangements in place for each Key Management Personnel.

Under Section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Company or its Directors. Although the vote is advisory, the Directors recognise this vote as an indication of shareholder sentiment and have careful regard to the outcome of the vote and any discussion when setting the Company's remuneration policies.

The Corporations Act states that if 25% of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs then shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must be considered for re-election.

Key Management Personnel and their Closely Related Parties are excluded from voting on this resolution in certain circumstances – please see the notes to Resolution 3.

The Chairman of the meeting intends to vote all Undirected Proxy Forms in favour of this resolution.

Noting that each current Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, and that each of them (and their Closely Related Parties) would be excluded from voting on the Resolution, the Board recommends that Shareholders vote in favour of adopting the Remuneration Report).

In accordance with section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company.

Resolution 4 – Background

Remuneration of Mr Peter Forsyth

Mr Peter Forsyth's remuneration package for the year ended 30 June 2019 (as detailed in the Company's 2019 Annual Report) comprised:

Cash Salary \$	Cash Bonus \$	Super-annuation \$	Long Term Benefits Leave \$	Share based payments \$	Total \$
490,000	200,000*	25,000	–	59,650	774,650

* The cash bonus paid during the year ended 30 June 2019 was in respect to performance for the year ended 30 June 2018.

Resolution 4

Approval for grant of performance rights to Mr Peter Forsyth, Managing Director

i. Proposed grant of performance rights

Listing Rule 10.14 provides that a listed company must not permit a Director to acquire securities under an employee incentive scheme without shareholder approval. Accordingly, approval is sought under Listing Rule 10.14 for the proposed grant of 3,151,515 Performance Rights to Mr Peter Forsyth as part of a broader executive incentive program under the Company's Performance Rights Plan. Where approval for the issue of securities is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

The Performance Rights are proposed to be granted on the terms and conditions of the Company's Performance Rights Plan.

Words and expressions used in this section have the same meaning as those words and expressions in the Plan Rules except as otherwise defined in this Explanatory Memorandum.

ii. Information required by Listing Rules

Listing Rule 10.15A requires certain information to be given to shareholders for the purposes of approval under Listing Rule 10.14. This information is supplied in the table below.

Name of Director	Peter Forsyth
Details of proposed issue	
Maximum number of Performance Rights to be approved under Resolution 4	3,151,515 Performance Rights
Issue price	Nil
Names of any persons referred to in Listing Rule 10.14 entitled to participate in the Performance Rights Plan	Peter Forsyth

Name of Director	Peter Forsyth
Date by which the Performance Rights will be granted	If approved, the Performance Rights are expected to be granted on or about 2 December 2019 and the Shares issued no later than 3 years after the date of the meeting.
Terms of loan in relation to the grant of Performance Rights	Not Applicable
Required statements	Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approved for the issue of securities obtained under Listing Rule 10.14. Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.
Details of previous issues	
Securities issued to persons under Listing Rule 10.14 since the last shareholder approval	A total of 8,257,768 Performance Rights, including 2,145,923 to Mr Peter Forsyth (as approved by shareholders on 23 November 2018), 1,390,810 to functional managers, 3,004,295 to local managers and 1,716,740 to employees for succession planning and key skilled staff. The rights issued to Mr Peter Forsyth, the functional managers and local managers were based on certain performance hurdles as disclosed in the Annual Report and on continued employment with the Company. The rights assigned to succession planning and key skilled staff were based solely on continued employment with the Company. All performance rights have a \$Nil acquisition and exercise price.
Other commercial considerations	
Performance Period	1 July 2019 – 30 June 2022
Expiry Dates	5 years after the grant of Performance Rights

a. Vesting Conditions

- Performances conditions as outlined below.
- In order for the Performance Rights to vest, Mr Forsyth must remain employed by the Company during the Performance Period (except in the case of death, disablement etc) and the Vesting Conditions must be satisfied.

b. Performance conditions

- 50% of the Performance Rights will vest on meeting Total Shareholder Return (TSR) target (TSR Performance Rights); and
- 50% of the Performance Rights will vest on meeting Earnings Per Share (EPS) growth target (EPS Performance Rights)

(i) TSR performance criteria

50% of the Performance Rights granted to Mr Forsyth are subject to a TSR performance condition (as described below) over the respective Performance Period. The Performance Rights will vest as follows:

TSR Performance (annually over 3 year period)	% of Performance Rights assessed under TSR performance condition to vest
Less than 15% CAGR* in TSR	0%
15% CAGR* in TSR	50%
CAGR* between 15% and 25% in TSR	50% + straight line increase in % awarded until 25% is achieved
At 25% CAGR* in TSR	100%

* CAGR (Compound Annual Growth Rate)

TSR will be calculated by the Board as the difference in Share price over the Performance Period, plus the value of Shares earned from notionally reinvesting dividends received over this period, expressed as a percentage of Share price at the beginning of the Performance Period.

TSR will be determined on the following basis:

- Dividends are re-invested on the ex-dividend date;
- Share prices are calculated as the volume weighted average sale price of Shares on the ASX for the 30 days preceding the start of the Performance Period and the 30 days up to and including the end of the Performance Period;
- Tax and any franking credits (or similar) will be ignored; and
- The board has the discretion to disregard any abnormal, non-recurring or one-off items.

(ii) EPS performance criteria

50% of the Performance Rights granted to Mr Forsyth are subject to an EPS performance condition (as described below) over the respective Performance Period. The Performance Rights will vest as follows:

EPS Performance (annually over 3 year period)	% of Performance Rights assessed under EPS performance condition to vest
Less than 15% CAGR* in EPS	0%
15% CAGR* in EPS	50%
CAGR* between 15% and 25% in EPS	50% + straight line increase in % awarded until 25% is achieved
At 25% CAGR* in EPS	100%

* CAGR (Compound Annual Growth Rate)

EPS will be determined by the Board in accordance with Accounting Standard AASB 133 'Earnings per Share' subject to the adjustments as described below.

In determining EPS, the Board has the discretion to disregard earnings reasonably attributable to businesses acquired by the Group after 1 July 2019 and/or abnormal one off events.

The Directors (with Mr Forsyth abstaining) recommend that shareholders vote in favour of this Resolution.