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Austin Engineering Announces \$29.7 million Equity Raising and Additional Board Members

Brisbane, 26 May 2016: (Austin Engineering Limited – ASX trading code: ANG)

Austin Engineering Limited (“Austin”) today announces an equity raising as the next major step in the refinancing of its senior debt facilities, as well as important additions to its board of directors.

Share Placement and Entitlement Offer

Austin is undertaking a significant recapitalisation via a Share Placement to raise \$1.67 million and a 2-for-1 Renounceable Entitlement Offer to raise \$28.1 million, collectively raising approximately \$29.77 million. The proceeds from the equity capital raising will be used for debt reduction purposes.

The Share Placement of 20,908,911 fully paid ordinary shares at an issue price of \$0.08 per share is being made to institutional and sophisticated investors utilising Austin’s placement capacity under Listing Rule 7.1 and accordingly no shareholder approval will be required. Shares issued under the Share Placement will be eligible to participate in the Entitlement Offer.

The Entitlement Offer is being offered to all eligible shareholders and approximately 351 million new shares will be issued by Austin under the Entitlement Offer. New shares under the Share Placement and Entitlement Offer will rank pari-passu in all regards with existing ordinary shares. Eligible Shareholders who take up their full entitlement may also subscribe for additional new shares from a pool of those not taken up by eligible shareholders as at the closing date of the Entitlement Offer (Shortfall Facility).

Eligible shareholders will be entitled to subscribe for 2 new shares at \$0.08 per share for every 1 Austin share held as at 7:00pm (Australian Eastern Standard Time) on Monday, 6 June 2016.

The offer price of A\$0.08 per share represents a 50% discount to the closing price of Austin shares on 23 May 2016 (being the last trading day before announcement of the Entitlement Offer) and a discount of 25% to the theoretical ex-rights price (TERP) of A\$0.107. Blue Ocean Equities Pty Ltd is the Lead Manager to the Share Placement and Underwriter to the Entitlement Offer.

Mr Peter Pursey AM, Executive Chairman, said “We have today announced a share placement combined with a fully underwritten entitlement offer which is the culmination of our recent refinancing activities. The proceeds of the offer will allow for the full repayment of Austin’s current syndicated senior debt facilities and provide the company with a balance sheet that allows Austin to benefit from an improved capital structure and lower funding costs. Austin is now in a position to focus on managing organic business growth and capitalise on the expected recovery in its leading trays and buckets business, both in Australia and internationally”.

All Austin directors holding shares have stated that they intend to take up their entitlements to the extent that their financial circumstances permit.

Business update

Austin updated the market on business performance on 18 May 2016. This was released at the same time as the announcement by Austin of the sale of its COR Cooling division for approximately \$14 million.

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In that update, Austin noted:

- its sales and EBITDA are anticipated to be stronger in the second half compared with the first half of the financial year;
- repairs and maintenance, both on-site and off-site, continue to provide an increasing base load of activity. This base load positions Austin well to drive margin increases as production volumes recover in its core trays and buckets business. Austin has a large backlog of outstanding tenders and, while orders continue to be delayed, signs are encouraging overall; and
- it reaffirmed its prior guidance for underlying EBITDA within the range of \$8 to \$12 million for the year ended 30 June 2016.

In addition, Austin noted in that update recent progress of the business including:

- production of its 32 tray order for a major iron ore producer out of its Perth operations has commenced, with much of the delivery to occur during FY17;
- the Calama operation in Chile has recently been awarded two important multi-year contracts that further cements Austin's footprint in the region. These contracts comprise off-site repair with a major long term client with \$11m of revenue over two years and an addition to a current contract with Antofagasta Minerals for an additional \$1.5m over three years;
- the Indonesia business on Batam Island has secured a large bucket order and 4 trays delivering revenue of \$1.9m for delivery between May and July 2016;
- Austin has recently secured a sizeable new order for 17 trays in its Westech business. The majority of these are expected to be invoiced in June 2016; and
- the Peru operation has secured an order for 6 trays for a large copper project. These trays are expected to be provided during June 2016.

Capital structure

The proceeds of the capital raising will be used to retire all of Austin's existing syndicated senior debt facilities. Austin notes that the banks in its senior syndicate, and their advisers, have been very collaborative with Austin throughout the refinancing process.

Austin will shortly look to put in place new facilities which will provide it with financial flexibility, support organic business growth and to reduce its aggregate cost of funding.

Austin is focused on "right-sizing" the Company's gearing and, these new facilities will be of a small size relative to the large asset base of the company and seek to ensure Austin adopts a conservative gearing policy.

Update on CEO process

The Board has interviewed a number of promising candidates for the position of Chief Executive Officer and an appointment is expected to be finalised in the coming 1-2 months. The market will be advised in due course.

In the interim, the Board continues to pursue and implement the business changes arising as outcomes of the Strategic Review conducted earlier in 2016.

Mr Pursey added, "The Strategic Review was motivated by opportunities that the Board and management saw to improve the way in which Austin interacts with its customers, to improve sales productivity and service and, ultimately, provide opportunities for cost reduction, production efficiencies and earnings growth".

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Board changes

Austin Engineering is pleased to announce today its intention to make two new appointments to its Board of Directors in the coming four weeks:

1. Mr Jim Walker – Jim has over 40 years of experience in the resources sector. He is currently non-executive Chairman of Macmahon Holdings Limited, Chairman of the WA State Training Board and a non-executive director of Programmed Maintenance Services Group Limited, Seeing Machines and RACWA Holdings Pty Ltd. Jim was formerly Managing Director and Chief Executive Officer of WesTrac Pty Ltd, a director of Seven Group Holdings Ltd and National Hire Group Limited and was formerly National President of the Australian Institute of Management. Jim is a graduate member of the Australian Institute of Company Directors (AICD) and Australian Institute of Management (AIM WA).
2. Mr Christopher Indermaur – Chris has over 30 years of experience in large Australian companies in engineering and commercial roles. He is currently the non-executive Chairman of Posiedon Nickel Limited and Medibio Limited. Chris 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 Ltd. Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

These appointments will become effective on or before completion of the capital raising.

The Board welcomes the new appointments and looks forward to their contribution and ability to draw on their extensive industry knowledge and wide experience in manufacturing, procurement, operations, finance and governance.

Mr Pursey said, "The two directors announced today have extensive expertise and a long track record of roles in industry sectors of direct relevance to Austin's business. Austin is pleased to attract additional directors of this calibre".

As a result of the increase in the size of the Board arising from these appointments, Mr John Nicholls has decided to resign, effective as the Board additions are made.

Mr Nicholls has made a strong contribution to the Company since joining the Board on 1 September 2015. In particular, he has played an active role in the strategic review conducted by the Company and business action planning, was a member of the Nomination and Remuneration Committee involved in the CEO search process, led the executive team responsible for the recent sale of COR Cooling and made important contributions to the current capital raising process.

Mr Pursey said, "John has been a valuable contributor to the Board and provided strong insights into governance and financial matters and manufacturing and mining sector business processes. His fellow directors will miss his involvement in charting the future direction of the company".

Further steps may be taken as part of Board renewal activities in due course, including with the appointment of a new Chief Executive Officer.

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Entitlement Offer timetable

The Entitlement Offer will be open from 10:00am Tuesday, 7 June 2016 to 5:00pm Thursday, 23 June 2016. Eligible shareholders can choose to take up all, part or none of their Entitlement. The new shares will commence trading on Friday, 1 July 2016.

| Indicative key dates for the Entitlement Offer* | Date |
|---|----------------------------|
| Announcement of Entitlement Offer | Thursday, 26 May 2016 |
| Share Placement DvP settlement | Tuesday, 31 May 2016 |
| Placement shares allotted | Wednesday, 1 June 2016 |
| 'Ex' Date - Entitlement Offer and Rights Trading starts | Friday, 3 June 2016 |
| Record Date for the Entitlement Offer | 7pm, Monday, 6 June 2016 |
| Entitlement Offer opens | Tuesday, 7 June 2016 |
| Rights Trading ends | Thursday, 16 June 2016 |
| Entitlement Offer closes | 5pm, Thursday 23 June 2016 |
| Shortfall settlement date and Issue Date | Thursday, 30 June 2016 |
| Allotment of shortfall shares and trading commences | Friday, 1 July 2016 |

* *The Company reserves the right, in consultation with the underwriter, and subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the closing date of the Entitlement Offer or accepting late applications, without notice. The commencement of quotation and trading of new shares is subject to confirmation from ASX*

Further information

Eligible shareholders wishing to participate in the Entitlement Offer should carefully read the Entitlement Offer booklet.

The Entitlement Offer will be made under section 708AA of the Corporations Act 2001 (Cth). Accordingly, the Company will not prepare a prospectus or other disclosure document. The Company will release a copy of the Entitlement Offer booklet and the entitlement and acceptance form to ASX no later than Tuesday 7 June 2016 and send a copy to all Retail Shareholders on this date. Those shareholders who the Company determines to be ineligible shareholders will also be notified.

For further details regarding the Entitlement Offer, shareholders are advised to refer to the Investor Presentation released to the ASX.

Blue Ocean Equities Pty Ltd is the Lead Manager to the Share Placement and Lead Manager and Underwriter to the Entitlement Offer.

Austin Engineering was advised throughout the refinancing process by Flagstaff Partners and Thomson Geer, including in relation to the capital raising.

Peter Pursey AM
Executive Chairman

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Important Notice

This announcement is not an offer or an invitation to acquire securities. In particular, this release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US Person' as defined in Regulation S under the US Securities Act of 1933 (**Securities Act**) (**US Person**) or in any other jurisdiction. This announcement may not be released or distributed in the United States or to any US Person. Any securities described in this announcement have not been, and will not be registered under the Securities Act or the securities law of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, or to, or for the account of or benefit of, any US Person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act.

Forward-looking statements

This release contains forward-looking statements. The words 'forecast', 'estimate', 'likely', 'anticipate', 'believe', 'expect', 'project', 'predict', 'outlook', 'guidance', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this release include statements regarding our strategy, future operational and financial results, acquisitions, future projects, the results of the Entitlement Offer and the use of proceeds therefrom. You are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements, opinions and estimates provided in this release are based on assumptions and contingencies that are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements are subject to known and unknown risks and uncertainties, there can be no assurance that actual outcomes will not differ materially from forward-looking statements and readers are cautioned not to place undue reliance on these forward looking statements. The Company assumes no obligation to update or revise these forward-looking statements to reflect any change in expectations or assumptions.

About Austin Engineering

Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, and Indonesia. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American, Mexican and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit www.austineng.com.au.