

austinengineering^{LTD}
annual general meeting 2007



Notice of Annual General Meeting

In accordance with rules 13.2 and 13.3 of the Company's constitution, notice is hereby given that the Annual General Meeting of members of Austin Engineering Limited will be held at the offices of BDO Kendalls, Cockle Bay Room, Level 19, 2 Market Street, Sydney, NSW 2000, on Friday, 23 November 2007 at 9.30am Sydney time, to consider and, if thought fit, to pass the following resolutions:

ORDINARY BUSINESS

Item 1 - Financial statements and reports

To receive the Financial Report in respect of the Company and its controlled entities for the period ended 30 June 2007, together with the Directors' Report in relation to that financial period and the Auditor's Report in respect of that Financial Report.

Item 2 - Resolution 1 - Remuneration report

To consider and, if thought appropriate, pass the following resolution as a non-binding ordinary resolution under section 250R(2) of the Corporations Act 2001 (Cth):

"That the Remuneration Report for the year ended 30 June 2007 be and is hereby adopted."

Item 3 - Resolution 2 - Re-election of Director

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

"To re-elect as a Director Mr Eugene Fung who retires by rotation in accordance with the constitution of the Company and, being eligible, offers himself for re-election as a Director."

Item 4 - Approval of grants of options to Directors

Resolution 3

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

"That for the purposes of Part 2E.1 of the Corporations Act 2001 (Cth) and Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, shareholder approval is given for:

- (a) the grant to Mr Michael Buckland, or his nominees of 500,000 options, on the terms and conditions as outlined in the explanatory memorandum attached the notice of meeting; and*
- (b) the issue and allotment of 500,000 fully paid ordinary shares to Mr Buckland on exercise of the options in accordance with the terms and conditions of the grant."*

Resolution 4

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

"That for the purposes of Part 2E.1 of the Corporations Act 2001 (Cth) and Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, shareholder approval is given for:

- (a) the grant to Mr Peter Fitch, or his nominees of 250,000 options, on the terms and conditions as outlined in the explanatory memorandum attached the notice of meeting; and*
- (b) the issue and allotment of 250,000 fully paid ordinary shares to Mr Fitch on exercise of the options in accordance with the terms and conditions of the grant."*

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Resolution 5

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

“That for the purposes of Part 2E.1 of the Corporations Act 2001 (Cth) and Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, shareholder approval is given for:

- (a) the grant to Mr Peter Pursey, or his nominees of 250,000 options, on the terms and conditions as outlined in the explanatory memorandum attached the notice of meeting; and*
- (b) the issue and allotment of 250,000 fully paid ordinary shares to Mr Pursey on exercise of the options in accordance with the terms and conditions of the grant.”*

Item 4 - Approval of grants of options to Directors

Resolution 6

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

“That for the purposes of Part 2E.1 of the Corporations Act 2001 (Cth) and Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, shareholder approval is given for:

- (a) the grant to Mr Eugene Fung, or his nominees of 250,000 options, on the terms and conditions in the explanatory memorandum attached the notice of meeting; and*
- (b) the issue and allotment of 250,000 fully paid ordinary shares to Mr Fung on exercise of the options in accordance with the terms and conditions of the grant.”*

Voting exclusion statement

The Company will disregard any votes cast on resolutions 3 to 6 by Messrs. Buckland, Fitch, Pursey and Fung or their associates. However, the Company will not disregard a vote if:

- a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or*
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides.*

Item 5 - Appointment of auditor

Resolution 7

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

“That BDO Kendalls (Qld) be appointed auditors of the Company with immediate effect.”

Notice of Annual General Meeting

Item 6 - Ratification of previous issues of shares

Resolution 8

To consider and if thought fit to pass, with or without amendment, the following resolution:

"That for the purposes of Listing Rule 7.4 and for all other purposes, the shareholders approve the previous issue of 2,025,000 fully paid ordinary shares in the Company, details of which are set out in the explanatory notes included in this Notice of Meeting."

Voting exclusion statement

The company will disregard any vote cast on this resolution by any person who participated in the issue of shares being approved and any associate of those persons. However, the company will not disregard a vote if:

- a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or*
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides*

Item 7 - Approval of ESOP

Resolution 9

To consider and if thought fit to pass, with or without amendment, as an ordinary resolution the following:

"That, in accordance with ASX Listing Rule 7.2. exception 9 and for all other purposes, the shareholders approve and authorise the Company to issue securities under the Executive Share and Option Plan (ESOP) details of which are set out in the explanatory notes included in this Notice of Meeting."

Voting exclusion statement

The company will disregard any vote cast on this resolution by the Directors and any associate of the Directors. However, the company will not disregard a vote if:

- a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or*
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides*

Dated 19 October 2007

BY ORDER OF THE BOARD



Colin Anderson
Company Secretary

Notice of Annual General Meeting

NOTES

1. For the purposes of Regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the voting entitlements for the purposes of the Meeting will be based on the registered holdings as at 7.00pm Sydney time on 21 November 2007. Accordingly those persons will be entitled to attend and vote at the meeting.
2. You may vote by attending the Meeting in person, by proxy, attorney or authorised representative.
3. A proxy form is enclosed with the Notice. If an additional proxy form is required, the Company's share register will supply it on request.
4. Each shareholder who is entitled to attend and vote at the General Meeting has a right to appoint a proxy. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then each proxy may exercise one-half of the votes. Fractions of votes will be disregarded. A proxy need not be a shareholder of the Company.
5. To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 48 hours before the meeting:
 - a) at its share registry, Advanced Share Registry Services, PO Box 1156, Nedlands, WA, 6909 or fax number +61 8 9389 7871;
 - b) by facsimile to its registered office on fax number +61 7 3271 3689; or
 - c) at its registered office at 173 Cobalt Street, Carole Park, Qld, 4300.
6. Proxies given by any corporate shareholder must be executed in accordance with its constitution, or under the hand of a duly authorised officer or attorney.
7. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is the Chairman, the proxy must vote on that item and in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

Explanatory Statement to Notice of Annual General Meeting

This statement has been prepared to assist members with their consideration of items of business proposed for the Company's Annual General Meeting to be held at the offices of BDO Kendalls, Cockle Bay Room, Level 19, 2 Market Street, Sydney, NSW 2000 on Friday, 23 November 2007 at 9.30am Sydney time.

Item 1 - Financial statements and reports

As required by law, the Financial Report, Directors' Report and Auditor's Report are laid before the AGM. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. There is no requirement however for members to approve the reports.

Item 2 - Resolution 1 - Remuneration report

The Corporations Act 2001 (the Act) requires that a resolution be put to the members to adopt the Remuneration Report as disclosed in the Directors' Report. The vote on this resolution is advisory only and non-binding. 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 Directors and the link between remuneration and the Company's performance; and
- › Details the remuneration arrangements in place for each Director.

While there is no legal requirement to abstain from voting, the Board believes it appropriate that none of the Directors, the named executives or their associates should vote on the remuneration resolution, except as directed by any proxies.

Item 3 - Resolution 2 - Re-election of Director

Eugene Fung is a corporate lawyer and partner of a national law firm. He advises both listed and unlisted companies regularly on corporate finance matters, mergers and acquisitions, corporate governance and the ASX listing rules. He is a member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia and holds a graduate Diploma in Applied Finance from FinSIA (formerly the Securities Institute of Australia). Eugene Fung was appointed a Director of the Company on 21 April 2004.

The Directors (with Mr Fung not voting) recommend that shareholders vote in favour of this resolution.

Item 4 - Resolutions 3 to 6 - Approval of grant of options to Directors

Remuneration policy

The Company's remuneration policy is set out in detail in the Annual Report.

In summary, the objective of the policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of the Managing Director is reviewed annually by the Board through a process that considers individual key performance indicators and overall performance of the Company. Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors and their contribution towards the performance of the Company. The Board considers that there should be an appropriate mix of remuneration comprising cash and securities for all Directors to link the remuneration of the Directors to the financial performance of the Company.

The Directors consider this remuneration policy to be a sensible and balanced policy which aligns the interests of shareholders and all Directors.

In accordance with the remuneration policy, shareholder approval is sought for the grant of options to Directors.

Explanatory Statement to Notice of Annual General Meeting

Corporations Act and Listing Rules requirements

Section 208 of the Act provides that the Company must not give a financial benefit to a related party except under certain circumstances including circumstances in which the shareholders approve the giving of the financial benefit.

Listing Rule 10.11 provides that a listed company must not issue or agree to issue any equity securities (which includes options over unissued shares) to a related party without the approval of shareholders.

Accordingly, shareholder approval is sought under Section 208 and Listing Rule 10.11 for the proposed grant of options to Directors.

Section 219 Information

In accordance with Section 219 of the Act the Directors provide the following information:

Related parties

The related parties to whom the proposed resolutions would permit the financial benefit to be given are the Directors of the Company, namely, Messrs Buckland (Managing Director), Fitch (Non-Executive Chairman), Pursey (Non-Executive Director) and Fung (Non-Executive Director).

Nature of financial benefit

The nature of the proposed financial benefit to be given is the grant of the following unlisted options to acquire fully paid ordinary shares in the capital of the Company on the terms and conditions set out in this explanatory note:

Name of Director	Number of Options to be Granted
Michael Douglas Buckland	500,000
Peter George Fitch	250,000
Peter Louis Pursey	250,000
Eugene Fung	250,000

Recommendations

Each of the Directors (with Messrs Buckland, Fitch, Pursey and Fung absent when appropriate and not voting) recommend that shareholders vote in favour of each of the resolutions.

Directors' Interests

None of the Directors (other than those Directors stated where appropriate) have any personal or other interest in the outcome of the resolutions.

Explanatory Statement to Notice of Annual General Meeting

Opportunity Costs

(i) Dilution of Capital

If all options are exercised the capital structure of the Company will be as follows:

	Existing Capital Structure	After Grant of Options
Ordinary shares	46,616,412	46,616,412
Options	1,875,000	3,125,000
Fully diluted	48,491,412	49,741,412

Until exercised the grant of the options will not impact on the number of ordinary shares on issue in the Company. But if all Directors' options were exercised, an additional 1,250,000 ordinary shares would be issued representing approximately 2.6% of all ordinary shares (on a fully diluted basis).

(ii) Foregone capital inflow

The rights of option holders to, and the obligation of the Company to issue, fully paid ordinary shares at an exercise (issue) price of \$2.00 each may result in capital foregone by the Company to the extent that the market price of the Company's securities exceeds the issue price of the shares under the options on the day of allotment of the shares by the Company.

Taxation

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed grant of the options.

Other information

There is no other information known to the Company or any of its Directors that is reasonably required by shareholders in order to decide whether or not it is in the Company's interest to pass the proposed resolution that is not contained in this Notice and Explanatory Note.

Value of benefit

The options will not be listed on the Australian Securities Exchange (ASX) and accordingly have no readily identifiable market value.

However, the options have been valued at 35.2 cents each by the Directors using the valuation model contained in the International Accounting Standards Board's Exposure Draft ED2 "Share Based Payment". This model is based on the Black-Scholes Model, which is a function of the relationship between a number of variables principally being the share price, the option exercise price, the time to expiry, the risk free interest rate and the volatility of the Company's underlying share price.

The application of the model therefore requires a number of inputs, some of which must be assumed. The material assumptions used in the model were:

- › Average share price of the Company for the three weeks leading up to 29 August 2007 (being the date on which the Board of Directors agreed upon the grant of the options, subject to shareholder approval) of \$1.45;
- › Exercise price of the options is \$2.00 each;
- › Expiry date of options is 1 December 2010;
- › Risk free rate is 5.62%;
- › A volatility factor of 59.4%. This measure was determined having regard to the low and high values of the Company shares traded on the Australian Securities Exchange for the 12 month period from 28 August 2006 to 27 August 2007; and
- › An annual dividend yield of 2.5% over the period of the options.

Some relatively minor variables were excluded in the calculation as theoretically the Black-Scholes model prices options that are only exercisable on a specific date whereas the options proposed to be issued are exercisable at any time on or before the stated expiry date. The total value of the options, after the application of all assumptions and variables, is \$176,086.

Explanatory Statement to Notice of Annual General Meeting

Current Remuneration of Directors

	Salary/Fees \$	Bonuses \$	Motor Vehicle Benefits \$	Total \$
M.D. Buckland*	239,800	107,910	32,040	379,750
P.G. Fitch	50,000	-	-	50,000
P.L. Pursey	45,000	-	-	45,000
E. Fung	45,000	-	-	45,000
Total	379,800	107,910	32,040	519,750

*In accordance with his executive service agreement, Mr Buckland's remuneration was reviewed with effect from 1 September 2006. Bonuses represent the maximum possible bonuses if specified KPIs are achieved in the 2007-2008 financial year.

Directors' interest in shares and options

The Directors' current interests (before the proposed grant) in shares and options are as follows.

Director	Number of Shares	Number of Options
M.D. Buckland	2,463,448	500,000
P.G. Fitch	603,448	-
P.L. Pursey	534,000	250,000
E. Fung	308,448	250,000

Use of funds

All funds received from the exercise of the options will be applied towards the working capital and cash requirements of the Company at the time of the exercise of the options.

Proposed date of issue of the options

If the proposed resolution is passed, the Company will grant the options to the Directors immediately and in any event not later than one month after the resolution is passed.

Option terms

- 1) Each option entitles the option holder or his nominee to one fully paid ordinary share in the capital of Austin Engineering Limited.
- 2) The options shall expire on 5.00pm Brisbane time three years from the date of grant ("expiry date").
- 3) The options are exercisable at a price of \$2.00 at any time prior to the expiry date ("exercise price").
- 4) The options are not transferable.
- 5) All shares to be allotted pursuant to the exercise of Options will be allotted within 10 business days of exercise of the Options and will rank pari passu in all respects with Austin Engineering Limited's then existing ordinary fully paid shares. Subject to the securities of Austin Engineering Limited being listed on ASX and to any restrictions imposed on the Options or shares issued upon exercise of the Options under the Listing Rules of ASX, Austin Engineering Limited will apply for Official Quotation by ASX of all shares issued upon exercise of the Options on or before the third business day on which the ASX is open after the date of allotment of the shares.

Explanatory Statement to Notice of Annual General Meeting

- 6) A certificate will be issued for the Options. Exercise of the Options is effected by completing the notice of exercise of the Options on the reverse side of the option certificate and surrendering the certificate to Austin Engineering Limited together with the required exercise price. If there is more than one Option on a certificate and prior to the Expiry date of those Options are exercised in part, Austin Engineering Limited will issue another certificate for the balance of the Options held and not yet exercised.
- 7) There are no participating rights or entitlement inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, Austin Engineering Limited will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- 8) If the Company makes an issue of ordinary shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of the Option will be reduced according to the following formula:
New exercise price = $O - \frac{E[P-(S+D)]}{N + 1}$
O = the old exercise price of the option.
E = the number of underlying shares into which one option is exercisable.
P = the average market price per of Share (weighted by reference to volume) of the underlying shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
S = the subscription price of a share under the pro rata issue.
D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
N = the number of shares with rights or entitlements that must be held to receive a right to one new share.
- 9) In the event of any reconstruction (including a consolidation sub-division, reduction or return) of the issued capital of Austin Engineering Limited, the number of Options or the exercise price of the Options or both shall be reconstructed (as appropriate) in the manner required by the Listing Rules of ASX. In such event Austin Engineering Limited has the power to vary the number of Options or the exercise price of the Options or the number of the shares to be issued upon exercise of the Options or any all of these as the Directors reasonably consider necessary solely in order to comply with the Listing Rules. This compliance with the Listing Rules will be applied whether the securities of Austin Engineering Limited are listed or not on ASX.
- 10) Austin Engineering Limited will at least 10 business days before the Expiry Date of the Options send notices to the option holders stating the name of the option holder, the number of Options held and the number of securities to be issued on exercise of the Option, the exercise price, the due date for payment, the consequences of non-payment.
- 11) Words and expressions in these terms and conditions of grant which are used in the ASX's Listing Rules have the same meanings given to them in the Listing Rules.

Item 5 - Resolution 7 - Appointment of auditor

The Company's auditor, Rothsay Chartered Accountants, has applied for the consent of ASIC to resign from the position of Company auditor with effect immediately after the Chairman declares the result for resolution 1.

By law, the Company must appoint an auditor to fill any vacancy in the office of auditor at the AGM following the creation of the vacancy.

The Company has received a nomination for BDO Kendalls (Qld) to be appointed as the auditor of the Company. The nomination was received within the timeframes prescribed by the law. A copy of the nomination is attached.

The Company has received the written consent of BDO Kendalls (Qld) to act as the auditor of the Company as required by law with immediate effect.

Explanatory Statement to Notice of Annual General Meeting

Item 6 - Resolution 8 - Ratification of previous issues of shares

Under listing rule 7.1, a listed company is prohibited from issuing or agreeing to issue equity securities without shareholder approval if in doing so it would mean that the number of equity securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period.

Under listing rule 7.4, however, an issue of shares made without specific approval under listing rule 7.1 is treated as having been made with approval for the purpose of listing rule 7.1 if the original issue did not breach listing rule 7.1 and is subsequently approved by ordinary shareholders.

As at the date of the Notice of Meeting, the Company has conducted placements to:

- › certain clients of Southern Cross Equities Limited; and
- › executives on the exercise of their options under the Executive Share and Option Plan (ESOP).

The Company has issued 5.07% of its 15% placement capacity. Accordingly, the Company wishes to restore its placement capacity used up by the placement of those shares by seeking approval under listing rule 7.4 for the issue of those shares.

The effect of obtaining shareholder approval will be that the shares issued will be treated as having been made in accordance with listing rule 7.1, and, as a result, the Company's ability to issue the number of shares permitted under listing rule 7.1 without shareholder approval will not be affected by the placements.

In accordance with listing rule 7.5, the Directors provide the following information:

Placement to investors

- › Date of issue: 16 July 2007
- › Type of issue: Placement of shares as part of a capital raising consisting of a share purchase plan and placement
- › Terms of the shares issued: Fully paid ordinary shares
- › Number of shares issued: 1,500,000
- › Issue price: \$1.53
- › Allottees: Paradise Investment Management
Thorney Investments
Adam Smith Asset Management
Naos Asset Management
- › Use of funds: Retire bank debt and provide working capital and funds to consider potential business acquisitions

Placement to executives

- › Dates of issue: 19 February 2007, 29 August 2007, 7 September 2007 and 4 October 2007
- › Type of issue: Executive Share and Option Plan
- › Terms of the shares issues: Fully paid ordinary shares
- › Number of shares issued: 525,000
- › Issue price: \$0.50
- › Basis of determining allotment: Executives eligible to participate in ESOP
- › Use of funds: Provide working capital and funds to consider potential business acquisitions

The directors unanimously recommend that shareholders vote in favour of the proposed resolution.

Explanatory Statement to Notice of Annual General Meeting

Item 7 - Resolution 9 - Approval of ESOP

Under listing rule 7.1, a listed company is prohibited from issuing or agreeing to issue equity securities without shareholder approval if in doing so it would mean that the number of equity securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period (Placement Threshold).

Listing rule 7.2 sets out the exceptions to listing rule 7.1.

Exception 9 states that listing rule 7.1 will not apply to an issue under an employee incentive scheme if (amongst other exceptions not applicable here) within 3 years before the date of issue holders of ordinary securities have approved the issue of securities under the scheme as an exception to this rule. The notice of meeting must have included each of the following:

- › A summary of the terms of the scheme.
- › The number of securities issued under the scheme since the date of the last approval.
- › A voting exclusion statement.

The Company wishes to obtain approval to issue securities under the ESOP so that such issues will not be included in the Placement Threshold.

Summary of Plan

In accordance with listing rule 7.5, the company provides the following information:

- › The Company has established the Executive Share and Option Plan (**Plan**) to assist in the recruitment, reward, retention and motivation of employees deemed by the Board to be executives of the Company (**Participants**).
- › If an issue of shares under the Plan would result in a Participant owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all shares then on issue, the Company must not issue any shares to the Participant under the Plan.
- › The Board may at any time make invitations to Participants to participate in the Plan specifying the terms on which the shares or options are being made available.
- › Subject to any adjustment in the event of a bonus issue, rights issue or reconstruction of capital, each option is an option to subscribe for one share. Upon the exercise of an option by a Participant, each share issued will rank equally with other shares of the Company. The Company will not apply for quotation of the options on ASX. The Company must apply to ASX for official quotation of shares issued on the exercise of the options.
- › A Participant is not entitled to exercise any option if the exercise of that option could contravene the Constitution, Listing Rules or the Corporations Act.
- › Subject to the Listing Rules, if there is a bonus issue of shares (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of shares over which an option is exercisable will be increased proportionately.
- › Subject to the Listing Rules, if the Company undertakes a pro rata rights issue of shares (except a bonus issue), the exercise price of the options will be reduced to reflect the diluting effect of the rights issued.
- › If any reconstruction of the capital of the Company takes place (including capital return, buy back or cancellation), the number of options to which each Participant is entitled and/or the exercise price of the options must be reconstructed in accordance with the Listing Rules, in a manner which will not result in any benefits being conferred on Participants which are not conferred on shareholders.
- › If a takeover bid or other offer is made to acquire some or all of the issued shares of the Company, the Board must give written notice to Participants of the takeover bid specifying a period of no less than 5 business days during which the Participant may exercise all or any of their options.
- › If, under Part 5.1 of the Corporations Act 2001, the Court sanctions a compromise or arrangement proposed for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies which, would result in a change in the control of the Company, the Board must give written notice to Participants of the compromise or arrangement specifying a period of not less than 5 business days during which the Participant may exercise all or any of their options.

Explanatory Statement to Notice of Annual General Meeting

- › Subject to the Board's discretion and the specific terms and conditions of grant, an option not exercised will lapse on the earliest of:
 - › the date 10 years from the date the option was granted or 12 months after the death, total and permanent disablement or redundancy of the Participant (the Last Exercise Date);
 - › a determination of the Board that the Participant has, in the Board's opinion, been dismissed or removed from office for a reason which entitles a company in the Group to dismiss the Participant without notice or has committed any act of fraud, or done any act which brings the Group into disrepute;
 - › the date on which the Participant ceases to be employed by any member of the Group (other than due to the occurrence of death, total and permanent disablement or redundancy); or
 - › the surrender of the option by the Participant.
- › The Board may in its discretion allow a Participant to exercise all or any of their options provided that no options will be capable of exercise later than the Last Exercise Date.
- › The Board may make regulations and determine procedures to administer and implement the Plan.
- › The Plan is administered by the Board on a non-discriminatory basis.
- › The rules governing the operation of the Plan may be amended, waived or modified, at any time by resolution of the Board provided there is no reduction of rights of Participants. If an amendment reduces the rights of employees, it requires written consent of three-quarters of affected Participants.
- › The Plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding Shares issued under the Plan at that time.
- › The ESOP has not been approved by shareholders. Since the ESOP was implemented, 1,400,000 options and 525,000 shares have been issued.

The Directors unanimously recommend that shareholders vote in favour of the proposed resolution.

Explanatory Statement to Notice of Annual General Meeting

Nomination for appointment of Auditor

15 October 2007

The Directors
Austin Engineering Limited
PO Box 64
CAROLE PARK QLD 4300

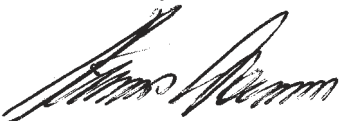
Dear Sirs,

Nomination of Auditor

I am a member of Austin Engineering Limited.

In accordance with section 328B(1) of the Corporations Act 2001 I hereby nominate BDO Kendalls (Qld) of Level 18, 300 Queen Street, Brisbane, Queensland 4001, to be appointed as auditor of Austin Engineering Limited at the Annual General Meeting of the company to be held on 23 November 2007.

Yours Faithfully



Stuart Lomax
(Shareholder)

Form of Proxy

If your address as shown here is incorrect mark "X" here and write correct address

Appointment of Proxy

I/we being member/s of **Austin Engineering Limited** and entitled to attend and vote hereby appoint

The Chairman of the Meeting (mark with an "X")

OR

Write here the name of your proxy if someone other than the Chairman of the Meeting

or failing the person named, or if no person is named, the **Chairman of the Meeting**, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at the offices of BDO Kendalls, Cockle Bay Room, Level 19, 2 Market Place, Sydney, NSW 2000, on Friday 23 November 2007 at 9.30am (Sydney time) and any adjournment of that meeting.

Important information

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have **not** directed your proxy how to vote on a particular Resolution, **please place a mark in the box at the left.**

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your undirected proxies even if he has an interest in the outcome of that Resolution and that votes cast by him, other than the proxy holder, will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the Resolution and your votes will not be counted in computing the required majority if a poll is called on this Resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Resolution.

Proxy Instructions

To instruct your proxy how to vote, insert "X" in the appropriate box against each Resolution set out below.

(if you do not instruct your proxy how to vote on a resolution, your proxy may vote as they think fit or abstain from voting)

Ordinary Business

- Resolution 1 - Adopting the Remuneration Report
- Resolution 2 - Re-election of Mr Eugene Fung as Director
- Resolution 3 - Grant of Options to Mr Michael Buckland
- Resolution 4 - Grant of Options to Mr Peter Fitch
- Resolution 5 - Grant of Options to Mr Peter Pursey
- Resolution 6 - Grant of Options to Mr Eugene Fung
- Resolution 7 - Appointment of BDO Kendalls (Qld) as Auditor
- Resolution 8 - Ratification of previous issues of shares
- Resolution 9 - Approval of ESOP

For	Against	Abstain*

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of shareholder(s) – This section must be signed in accordance with the instructions overleaf

Individual or first shareholder

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Form of Proxy

How to complete this Proxy Form

1. Your name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please mark the box and make the correction on the form. Security holders sponsored by a broker should advise their brokers of any changes. **Please note: you cannot change ownership of your securities using this form.**

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3. Voting on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such directions unless you indicate only a portion of your voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they chose. If you mark more than one box against a Resolution your vote on that resolution will be invalid.

4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and to vote on your behalf. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry (see contact details below) or you may copy this Proxy Form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the Proxy Forms do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of your votes. Fractions of votes will be disregarded.
- (b) Return both forms together in the same envelope.

5. Signing Instructions

You must sign this Proxy Form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint holding: where the holding is in more than one name, all of the shareholders must sign

Power of attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company's share registry. If you have not previously lodged the Power of Attorney, please attach a notarially certified photocopy of it to this Proxy Form when you return it.

Companies: where the company has a sole director who is also the company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can sign alone. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry (see address details below).

Lodgment of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the share registry address given below **not later than 48 hours before** the commencement of the meeting i.e. **no later than 9.30am (Sydney time) on 21 November 2007**. Any Proxy Form received after that time **will not** be valid for the scheduled Meeting.

Address of Company's Share Registry

Proxies can be delivered, mailed or faxed to:

Advanced Share Registry Services
110 Stirling Highway, Nedlands, Western Australia, 6009
P.O Box 1156, Nedlands, Western Australia 6909

Telephone: +61 8 9389 8033

Facsimile: +61 8 9389 7871