

17 December 2013

FUNDING GROWTH IN SOUTH AMERICA

Austin Engineering Limited (**Company** or **Austin**) advises that it is undertaking a placement to raise up to approximately \$30 million (before costs) to fund its South American expansion plans (**Placement**). The Placement will be to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act.

In addition, the Company presently intends to enable its retail investors to participate in a Share Purchase Plan at the same price as the Placement which is expected to be made in January 2014.

Funding South American growth

The funds raised under the Placement and any subsequent retail offer will be used to fund the following South American expansion initiatives:

- (**Part payment of Servigrut business**) payment of the balance of the purchase price for the Servigrut business announced on 7 October 2013;
- (**Peru capacity expansion**) the Company is in the planning stages of a new manufacturing facility in Peru;
- (**Brazil**) the potential acquisition of Brazilian workshops; and

Earnings guidance

The Company is expecting a full-year earnings FY 2013/14 result in the range of \$40 to \$50 million EBITDA with 80% of the full year result being achieved in the second half of FY 2013/14.

The Company believes that its second half year earnings will be driven by current orders on hand, Servigrut's contribution to earnings, the new maintenance contracts for Coldelco's Ministro Hales mine (announced 7 August 2013) and Gabriela Mistral (Gaby) mine (announced 13 August 2013) and the anticipated contribution from Vale (once formal confirmation of the award of contract as been received).

Receipt of indicative and non-binding proposal from Bradken Limited

The Company announces that it has received an unsolicited confidential indicative, non-binding and highly conditional proposal from Bradken Limited (**Bradken**) an existing 21.5% shareholder, to acquire all of the shares in the Company which it does not own for Bradken shares at a fixed exchange ratio of 0.75 Bradken shares for every one Austin share (**Proposal**).

The Board's initial view is that there is potentially benefit in combining the companies but believes the Proposal undervalues Austin. Accordingly, the Board has indicated a willingness to engage in exploratory discussions with Bradken in relation to its Proposal.

The outcome of the exploratory discussions is speculative. Shareholders should note that there is no certainty that these exploratory discussions will progress to any further meaningful discussions or due diligence or that any agreement or transaction will eventuate from the current or any future discussions or diligence enquiries.

Accordingly, the Company intends to focus on the business and its organic internal/external growth and debt/equity funding strategies that it has previously adopted and announced to the market.

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