

# Austin Engineering Ltd (ABN 60 078 480 136) and controlled entities

Results for announcement to the market

Preliminary Final Report for the year ended 30 June 2017

<b>Results</b>	<b>Year to 30 June 2017 \$m</b>	<b>Year to 30 June 2016 \$m</b>
<b>Revenue from continuing operations</b>	<b>234.344 up 24.5 % from</b>	<b>188.169</b>
<b>Net profit/(loss) after tax for the year from continuing operations attributable to members</b>	<b>(27.633) up 8.0 % from</b>	<b>(30.022)</b>

## **Brief explanation of results**

### *Continuing operations*

Revenue and net loss after tax for the year ended 30 June 2017 were significantly improved from the corresponding period as a result of internal efficiency and profitability gains complimented by improved market conditions in the mining services sector.

- An increase in the sale of Austin products, bodies and buckets, particularly in the second half of the financial year
- Strengthened client coverage and engagement promoting the productivity benefits of Austin's products, resulting in increased orders
- Engineering designs to meet client expectations for cost per tonne reductions
- Engineering solutions to improve manufacturing methodologies while reducing costs

A review of the market conditions of the group and the results of these operations for the year is set out in the announcement released to the market on 31 August 2017, a copy of which is attached herewith on page 13 to 14. Please also refer to the associated presentation that was released to the market on 31 August 2017.

## **Dividends and Dividend Reinvestment Plans**

There were no interim or final dividends paid during the year ended 30 June 2017.

There were no dividend reinvestment plans in operation during the period.

## **Net Tangible Assets per Security**

	<b>Year to 30 June 2017 Cents</b>	<b>Year to 30 June 2016 Cents</b>
Net tangible asset backing per ordinary security (cents)	16.5	19.0

## **Control Gained or Lost Over Entities Having a Material Effect**

There were no acquisitions or disposals undertaken during the year ended 30 June 2017.

## **Associates or Joint Ventures**

There are no associates or joint ventures.

## **Audit**

The financial data in this report is in the process of being audited, pending completion of the Company's statutory financial report and the issue of the accompanying independent auditor's report. The audit process has not identified any material adjustments or misstatements that require the financial data included in this preliminary final report to be corrected.



# **Austin Engineering Ltd (ABN 60 078 480 136) and controlled entities**

Results for announcement to the market

Preliminary Final Report for the year ended 30 June 2017

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**Austin Engineering Ltd**  
**Financial Highlights**  
**For the year ended 30 June 2017**

	<b>Change %</b>	<b>Consolidated entity</b>	
		<b>2017 \$000</b>	<b>2016 \$000</b>
<b>Continuing operations</b>			
Revenue	24.5	234,344	188,169
Statutory EBITDA	62.5	(7,730)	(20,590)
Normalised EBITDA	100.2	14,263	7,126
Loss before tax	33.9	(25,026)	(37,859)
Loss after tax	8.0	(27,633)	(30,022)
Basic loss per share (cents)	75.4	(4.94)	(20.07)
Dividend per share	-	-	-
Net assets	(18.1)	112,178	137,021

**Significant movements**

Revenue and net loss after tax for the year ended 30 June 2017 were significantly improved from the corresponding period as a result of internal efficiency and profitability gains complimented by improved market conditions in the mining services sector.

The improved activity and revenue growth increased requirements for working capital. Trade and other receivables increased by \$15.941m and inventories increased by \$15.803m, whilst trade and other payables increased by \$19.152m.

Operating cash outflows of \$14.842m for the financial year were predominately a result of an increase in working capital of \$14.352m from improved trading volumes.

The Company utilised proceeds from the capital raising undertaken during the year (refer note 8) to fund the group working capital requirements.

Property, plant and equipment and intangible assets decreased during the year, mainly due to impairment, depreciation and amortisation, offset by modest capital expenditure.

Impairment charges of \$19.815m have been allocated against goodwill of \$16.045m (2016: \$3.520m), to identifiable intangible assets of \$3.170m (2016: nil) and to property, plant and equipment \$0.600m (2016: \$5.540m). Refer to Note 4 for more detailed information.

**Austin Engineering Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**

	Notes	Consolidated entity	
		2017 \$'000	2016 \$'000
<b>Revenue from continuing operations</b>	3	234,344	188,169
<b>Expenses</b>			
Raw materials and consumables used		(68,535)	(39,938)
Changes in inventories and work in progress		15,803	(6,973)
Employment expenses		(102,018)	(87,593)
Subcontractor expenses		(14,388)	(10,451)
Occupancy and utility expenses		(6,431)	(13,054)
Depreciation expense		(10,311)	(10,277)
Amortisation expense		(883)	(863)
Production operational expenses		(13,239)	(10,055)
Other expenses		(33,451)	(31,608)
Finance costs		(6,102)	(6,156)
Impairment expense	4	(19,815)	(9,060)
<b>Loss before income tax</b>		<b>(25,026)</b>	<b>(37,859)</b>
Income tax (expense)/benefit		(2,607)	7,837
<b>Loss for the year from continuing operations</b>		<b>(27,633)</b>	<b>(30,022)</b>
<b>Loss from discontinued operation</b>		-	(10,433)
<b>Loss for the year</b>		<b>(27,633)</b>	<b>(40,455)</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Foreign currency translation differences, net of tax		(5,175)	(1,991)
<b>Other comprehensive income for the year</b>		<b>(5,175)</b>	<b>(1,991)</b>
<b>Total comprehensive income for the year</b>		<b>(32,808)</b>	<b>(42,446)</b>
Loss for the year is attributable to:			
Owners of Austin Engineering Ltd		(27,633)	(40,455)
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Ltd		(32,808)	(42,446)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the owners of Austin Engineering Ltd:</b>			
Basic loss per share (cents per share)	5	(4.94)	(20.07)
Diluted loss per share (cents per share)	5	(4.94)	(20.07)
<b>Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Ltd</b>			
Basic loss per share (cents per share)	5	(4.94)	(27.04)
Diluted loss per share (cents per share)	5	(4.94)	(27.04)

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

**Austin Engineering Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2017**

	Notes	Consolidated entity	
		2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,923	12,832
Trade and other receivables		45,312	29,371
Inventories		31,617	15,814
Current tax assets		545	1,809
Assets classified as held for sale		-	8,740
Other receivables and other assets		14,814	11,985
<b>Total current assets</b>		<b>96,211</b>	<b>80,551</b>
<b>Non-current assets</b>			
Property, plant and equipment		105,327	113,308
Intangible assets		16,768	37,268
Deferred tax assets		13,242	17,632
<b>Total non-current assets</b>		<b>135,337</b>	<b>168,208</b>
<b>Total assets</b>		<b>231,548</b>	<b>248,759</b>
<b>Current liabilities</b>			
Trade and other payables		55,661	36,509
Financial liabilities		17,045	19,657
Current tax liabilities		1,931	15
Provisions		5,927	8,247
<b>Total current liabilities</b>		<b>80,564</b>	<b>64,428</b>
<b>Non-current liabilities</b>			
Financial liabilities		32,446	32,593
Deferred tax liabilities		5,862	10,512
Provisions		498	4,205
<b>Total non-current liabilities</b>		<b>38,806</b>	<b>47,310</b>
<b>Total liabilities</b>		<b>119,370</b>	<b>111,738</b>
<b>Net assets</b>		<b>112,178</b>	<b>137,021</b>
<b>Equity</b>			
Share capital	8	153,927	145,829
Retained earnings		(30,500)	(4,595)
Reserves		(11,249)	(4,213)
<b>Total equity</b>		<b>112,178</b>	<b>137,021</b>

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

Austin Engineering Ltd  
Consolidated statement of changes in equity  
For the year ended 30 June 2017

Consolidated entity	Notes	Contributed Equity \$'000	Other Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Opening balance at 1 July 2015</b>		<b>87,344</b>	<b>1,842</b>	<b>(5,623)</b>	<b>35,860</b>	<b>119,423</b>
<b>Total comprehensive income for the year:</b>						
Loss for the year		-	-	-	(40,455)	(40,455)
<b>Other comprehensive income, net of tax:</b>						
Currency translation differences		-	-	(1,991)	-	(1,991)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(1,991)</b>	<b>(40,455)</b>	<b>(42,446)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of share capital	8	61,346	-	-	-	61,346
Share issue costs	8	(2,861)	-	-	-	(2,861)
Share-based payments		-	1,559	-	-	1,559
		<b>58,485</b>	<b>1,559</b>	<b>-</b>	<b>-</b>	<b>60,044</b>
<b>Balance at 30 June 2016</b>		<b>145,829</b>	<b>3,401</b>	<b>(7,614)</b>	<b>(4,595)</b>	<b>137,021</b>
<b>Balance at 1 July 2016</b>		<b>145,829</b>	<b>3,401</b>	<b>(7,614)</b>	<b>(4,595)</b>	<b>137,021</b>
<b>Total comprehensive income for the year:</b>						
Loss for the year		-	-	-	(27,633)	(27,633)
<b>Other comprehensive income, net of tax:</b>						
Currency translation differences		-	-	(5,135)	-	(5,135)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(5,135)</b>	<b>(27,633)</b>	<b>(32,768)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of share capital	8	8,416	-	-	-	8,416
Share issue costs	8	(318)	-	-	-	(318)
Share-based payments		-	(173)	-	-	(173)
Transfers		-	(1,728)	-	1,728	-
		<b>8,098</b>	<b>(1,901)</b>	<b>-</b>	<b>1,728</b>	<b>7,925</b>
<b>Balance at 30 June 2017</b>		<b>153,927</b>	<b>1,500</b>	<b>(12,749)</b>	<b>(30,500)</b>	<b>112,178</b>

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

**Austin Engineering Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2017**

	Notes	Consolidated entity	
		2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		231,138	230,671
Payments to suppliers and employees		(241,175)	(227,040)
Interest received		88	27
Finance costs		(6,102)	(5,747)
Income tax refund		-	1,234
Income tax paid		1,209	(1,095)
<b>Net cash used in operating activities</b>		<b>(14,842)</b>	<b>(1,950)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,736)	(12,763)
Payments for intangibles		(70)	-
Proceeds from sale of property, plant and equipment		3,437	914
Proceeds from sale of COR Cooling Pty Ltd		-	13,400
Proceeds from sale of assets held for sale		5,959	-
<b>Net cash provided by investing activities</b>		<b>2,590</b>	<b>1,551</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	8	7,962	57,259
Proceeds from borrowings		37,867	34,202
Repayment of borrowings		(42,412)	(81,400)
<b>Net cash provided by financing activities</b>		<b>3,417</b>	<b>10,061</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,835)</b>	<b>9,662</b>
Cash and cash equivalents at the beginning of the financial year		12,832	3,319
Effects of exchange rate changes on cash and cash equivalents		(74)	(149)
<b>Cash and cash equivalents at end of the year</b>		<b>3,923</b>	<b>12,832</b>

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

## **Note 1. Basis of preparation of Preliminary Final Report**

The 30 June 2017 preliminary final report has been prepared on an accruals basis and is based on historical costs modified, where appropriate, by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The preliminary final report does not include all the notes of the type normally included in annual financial statements. Accordingly, this preliminary final report should be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by Austin Engineering Ltd during the year in accordance with the continuous disclosure requirements of the Australian Securities Exchange and the Corporations Act 2001.

The accounting policies applied in the preliminary report are the same as those applied by the Company in the financial report as at and for the year ended 30 June 2016. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

### *Going concern*

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

Although the Company has incurred a net loss of \$27.633m, the earnings before tax, interest, depreciation, amortisation and impairment charge was positive at \$12.085m (2016: negative \$11.530m). At reporting date, the excess of current assets over current liabilities was \$15.647m (2016: \$16.123m). The Director's expectations of returning to profitability and continued compliance with current and proposed financing covenants is based on approved budgets and forecasts. These forecasts are necessarily based on best estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the group. The forecasts take into account reasonably possible changes in trading performance.

After the reporting date, the Company secured credit approved letters of offer for combined senior and working capital facilities that will be utilised to refinance the LIM Asia Special Solutions Master Fund Limited (LIM) debt of \$20.1m and other non-bank loans in Australia. All elements of the finance package are fully credit approved subject to the agreement of legal documents and satisfaction of draw down conditions.

The Directors believe that at the date of releasing the preliminary final report, there are reasonable and supportable grounds to believe the consolidated entity has sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

## Note 2. Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services), Americas (for mining equipment, other products and repair and maintenance services comprising of North America and South America) and Asia (currently Indonesia for mining equipment and other products). These reporting segments also provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies, production facilities and processes, the cost of key inputs such as labour and steel, the existence of competition and differing customer requirements that may affect product pricing.

Executive management monitors segment performance based on EBITDA. Segment information for the years ended 30 June 2017 and 30 June 2016 is as follows:

	Australia		Americas		Asia		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Total segment revenue from continuing operations - from external customers</b>	<b>104,634</b>	<b>92,237</b>	<b>112,286</b>	<b>89,678</b>	<b>17,424</b>	<b>6,254</b>	<b>234,344</b>	<b>188,169</b>
<b>EBITDA from continuing operations</b>	<b>8,068</b>	<b>(11,252)</b>	<b>952</b>	<b>(557)</b>	<b>3,065</b>	<b>279</b>	<b>12,085</b>	<b>(11,530)</b>
<i>Other segment information</i>								
Depreciation and amortisation	2,543	2,951	7,721	7,231	930	958	11,194	11,140
Impairment	12,425	-	10,182	6,170	(2,792)	2,890	19,815	9,060
Segment assets	71,759	81,735	139,023	155,664	20,766	11,360	231,548	248,759
Total assets includes:								
Additions to non-current assets (other than financial assets and deferred tax)	2,316	894	4,250	11,943	170	32	6,736	12,869
Segment Liabilities	57,922	60,000	54,398	50,016	7,050	1,722	119,370	111,738

Corporate expenses are included in the Australian reporting segment for decision-making purposes as this represents the area within which they are mostly incurred. 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 loss before income tax is as follows:

	Consolidated entity	
	2017 \$'000	2016 \$'000
<b>EBITDA used for segment reporting*</b>	<b>12,085</b>	<b>(11,530)</b>
Impairment expense	(19,815)	(9,060)
<b>Reported EBITDA</b>	<b>(7,730)</b>	<b>(20,590)</b>
Depreciation expense	(10,311)	(10,277)
Amortisation expense	(883)	(863)
Interest revenue	152	27
Finance costs	(6,254)	(6,156)
<b>Loss before income tax from continuing operations</b>	<b>(25,026)</b>	<b>(37,859)</b>

\*The 30 June 2017 EBITDA includes restructuring costs totalling \$2.178m (2016: \$18.656m).

### Note 3. Revenue

The group derives the following types of revenue:

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Sale of goods	124,169	98,285
Services	109,892	88,917
Interest and other income	283	967
<b>Total revenue from continuing operations</b>	<b>234,344</b>	<b>188,169</b>

### Note 4. Expenses

(a) Loss for the year includes the following expenses:

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Cost of goods sold	163,234	131,937
Rental expense on operating leases	2,346	9,253
Defined contribution superannuation costs	3,344	3,466
Net foreign currency exchange losses	557	976

(b) Impairment charge

Impairment charges of \$19.815m (2016: \$9.060m) have been allocated against goodwill of \$16.045m (2016: \$3.520m), to identifiable intangible assets of \$3.170m (2016: nil) and to property, plant and equipment \$0.600m (2016: \$5.540m).

The net impairment charge was allocated to the following cash generating units (CGUs):

Consolidated entity	Goodwill \$ '000	Other intangible assets \$ '000	Property, plant and equipment \$ '000	2017 Total \$ '000	2016 Total \$ '000
Pilbara Hire Group Pty Ltd	6,982	50	-	7,032	-
Austin Arrendamientos Ltda	2,206	1,333	-	3,539	-
Austin Ingenieros Chile Ltda	4,857	1,787	-	6,644	2,650
Austin Engineering Limited*	-	-	2,856	2,856	-
Aust Bore Pty Ltd	2,000	-	537	2,537	-
Austin Engineering USA Inc.	-	-	-	-	3,520
PT Austin Engineering Indonesia	-	-	(2,793)	(2,793)	2,890
<b>Total impairment</b>	<b>16,045</b>	<b>3,170</b>	<b>600</b>	<b>19,815</b>	<b>9,060</b>

\* Impairment charge related to Austin Hunter Valley \$1.634m and Austin Mackay \$1.222m.

#### i. Goodwill and other intangibles

The impairment was the result of the Company reassessing the recoverable values of its cash generating units in light of the anticipated risks and opportunities that exist in each CGU.

##### Key assumptions used for value in use calculations

The recoverable amount of the cash generating units is based on value-in-use calculations. These calculations use cash flow projections covering a five year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

## Note 4. Expenses (continued)

### (b) Impairment charge (continued)

The calculation of value-in-use for the cash generating units is most sensitive to the following assumptions:

- (a) Growth rates used within the forecast period;
- (b) Discount rates; and
- (c) Growth rates used to extrapolate cash flows beyond the forecast period.

In performing value-in-use calculations, the Company has applied a pre-tax discount rate to discount the forecast future cash flows. Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest bearing borrowings the group is obliged to service. A risk premium is included in each CGU's discount rate, reflecting the level of forecasting, size, country and financing risks for that CGU. The Pre-tax WACC's are shown below:

Pre-tax WACC Region	2017 %	2016 %
Australia	15.44	15.71
USA	15.40	16.67
Chile	15.73	16.45
Colombia	20.24	20.13
Peru	17.18	18.75
Indonesia	16.18	19.81

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the cash generating units are 3% (2016: 3%) based on the long-term growth rates experienced in the group's end-markets and external forecasts.

### ii. Property, plant and equipment

The Company undertook market valuations of its Australian property portfolio during the financial year. The recoverable amount of properties at the Austin Mackay, Austin Hunter Valley and Aust Bore businesses was below the carrying value. Consequently an impairment charge of \$3.393m was expensed in the year.

The recoverable amount of the PT Austin Engineering Indonesia CGU increased such that an impairment recorded on property, plant and equipment in the year ended 30 June 2016 of \$2.793m was reversed at 30 June 2017.

## Note 5. Earnings per share

Basic earnings per share	Consolidated entity	
	2017 Cents	2016 Cents
From continuing operations	(4.94)	(20.07)
From discontinued operations	-	(6.97)
<b>Total basic earnings per share</b>	<b>(4.94)</b>	<b>(27.04)</b>
Diluted earnings per share	Consolidated entity	
	2017 Cents	2016 Cents
From continuing operations	(4.94)	(20.07)
From discontinued operations	-	(6.97)
<b>Total diluted earnings per share</b>	<b>(4.94)</b>	<b>(27.04)</b>

## Note 5. Earnings per share (continued)

Reconciliation of earnings to loss	Consolidated entity	
	2017 \$'000	2016 \$'000
<i>Loss after tax:</i>		
From continuing operations	(27,633)	(30,022)
From discontinued operation	-	(10,433)
<b>Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share</b>	<b>(27,633)</b>	<b>(40,455)</b>

Weighted average number of shares used as the denominator	Consolidated entity	
	2017 Number	2016 Number
Weighted average number of shares	558,946,633	149,613,457
Effect of dilutive securities - share options	-	-
Used to calculate diluted earnings per share	558,946,633	149,613,457

Performance rights granted to employees under the performance rights plan, rights granted to senior executives under the performance rights plan and options issued as part consideration for the subordinated loan are considered to be potential ordinary shares. Whilst that is the case, because of the net loss after tax, these have not been included in the determination of diluted earnings per share as they are considered to be anti-dilutive.

## Note 6. Dividends

### *Recognised amounts*

There were no interim or final dividends paid during the year ended 30 June 2017 and 30 June 2016.

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

Since the end of financial year the Directors have not declared a final dividend for the financial year ended 30 June 2017 (2016: Nil cents per share).

## Note 7. Financial liabilities

### Financing facilities

The group had access to the following financing facilities at the reporting date:

	Consolidated entity	
	2017	2016
	\$'000	\$'000
<b>Total facilities</b>		
Bank facilities	25,902	45,809
Non-bank core debt	20,080	26,354
Other	10,327	-
	<b>56,309</b>	<b>72,163</b>
<b>Utilised facilities</b>		
Bank facilities	20,083	38,884
Non-bank core debt	20,080	26,354
Other	9,328	-
	<b>49,491</b>	<b>65,238</b>
<b>Unused</b>		
Bank facilities	5,819	6,925
Non-bank core debt	-	-
Other	999	-
	<b>6,818</b>	<b>6,925</b>

### Banking facilities

The banking facilities relate to bank guarantees, leases and bank loans in various jurisdictions within the group totalling \$25.902m (2016:\$45.809m).

At 31 December 2016, a subsidiary of the Company did not meet its Debt:EBITDA covenant of a bank facility. The lender agreed to waive this non-compliance in February 2017. There are no reportable facility covenants that the subsidiaries have to meet as at 30 June 2017.

### Non-bank core debt

The group entered into a loan agreement with LIM Asia Special Situations Master Fund Limited (LIM) for \$20.000m, which was fully drawn down on 29 July 2015. The loan bears interest at 9% per annum, is secured by general security over the assets of Austin Engineering Limited and is repayable on 29 July 2018. Further to this, LIM was issued 12 million share options on 29 July 2015, expiring on 31 July 2018 at various exercise prices as part consideration for the loan.

The group must maintain financial covenants relating to earnings compared to the group debt drawn.

### Other

The Company has a working capital financing facility drawn in July 2016. The facility does not have any financial covenants.

## Note 8. Equity - issued capital

	2017		2016	
	No.	\$'000	No.	\$'000
<b>Ordinary shares</b>				
Opening balance	526,233,756	145,829	84,274,004	87,344
Non-renounceable entitlement offer	52,600,000	8,416	70,228,337	31,603
Share placement	-	-	20,908,911	1,673
Renounceable entitlement offer	-	-	350,822,504	28,070
Cost of share issues	-	(318)	-	(2,861)
<b>Balance at end of year</b>	<b>578,833,756</b>	<b>153,927</b>	<b>526,233,756</b>	<b>145,829</b>

### **Note 8. Equity - issued capital (continued)**

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote per share. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

All shares issued in the year to 30 June 2017 ranked equally with all existing fully paid ordinary shares from the date of issue of the respective shares and the proceeds were used to support group working capital.

### **Note 9. Contingent liabilities**

There are no contingent liabilities other than bank guarantees that are issued to third parties arising out of dealings in the normal course of business.

### **Note 10. Events occurring after the reporting period**

After the reporting date, the Company secured credit approved letters of offer for combined senior and working capital facilities that will be utilised to refinance the LIM Asia Special Solutions Master Fund Limited (LIM) debt of \$20.1m and other non-bank loans in Australia. All elements of the finance package are fully credit approved subject to the agreement of legal documents and satisfaction of draw down conditions.

No other matter or circumstance has occurred subsequent to year end 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 or economic entity in subsequent financial years.

**ASX ANNOUNCEMENT (ASX Code: ANG)**

**31 August 2017**

**Austin Engineering Limited – FY2017 Financial Results**

Revenue for FY2017 of \$234.3m – increase of 24.5% on FY2016  
FY2017 Result at the higher end of the guidance range – normalised EBITDA \$14.3m  
Order book and committed work 81% of expected revenues to 31 December 2017  
Guidance for half-year to 31 December 2017 normalised EBITDA in the range of \$10m - \$12m  
Credit approved letters of offer received for new facilities to repay Australian senior debt

Austin Engineering Limited (Austin) has today announced its results for FY2017 with revenue of \$234.3m (an increase of 24.5% in comparison to FY2016) and normalised EBITDA (EBITDA) of \$14.3m (an increase of 100.2% in comparison to FY2016). This result is at the higher end of the FY2017 full year guidance range (issued in February 2017).

Chairman, Mr Jim Walker, commented on the result saying *“Austin has delivered full-year EBITDA of \$14.3m, at the top of the range of our earlier market guidance. This result is a reflection of the Austin team’s commitment and focus to deliver high quality engineering solutions and products to our clients.”*

<b>Financial Results</b>	<b>FY2017</b>	<b>FY2016</b>	<b>Change</b>
<i>Continuing operations</i>	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Revenue</b>	<b>234.3</b>	188.2	24.5%
<b>Normalised EBITDA*</b>	<b>14.3</b>	7.1	100.2%
<b>Normalised NPBT*</b>	<b>(3.0)</b>	(9.0)	66.7%
<b>Reported NPAT**</b>	<b>(27.6)</b>	(30.0)	8.0%
<b>Net Assets</b>	<b>112.2</b>	137.0	(18.1%)
<b>Basic loss per share (cents)</b>	<b>(4.9)</b>	(20.1)	75.6%

\*Excluding impairment/one-off costs

\*\*Including impairment/one-off costs

**Review of Operations**

Market conditions improved significantly during the second half of FY2017, with major mining companies commencing a reinvestment phase in replacement components for mining fleets. Performance differed between the regional business units, as the timing of the mining industry recovery varied between commodities and regions. In addition, several large orders were received and completed contributing to the result.

The Australian operations produced positive EBITDA of \$9.5m, an increase in comparison to FY2016 \$1.5m EBITDA. This was attributable to improved market conditions together with enhanced engineering designs and fabrication improvements, which enabled Austin’s major clients to take advantage of material payload increases and unit cost reductions across their fleets.

The Indonesian business achieved positive EBITDA of \$1.7m compared to \$0.3m in FY2016. This facility fabricated a range of Austin products, along with the sub-contract manufacture of non-Austin mining products and other non-mining products during the year, leveraging Indonesia’s geographical location and highly competitive cost structure.

The Americas achieved a positive EBITDA result of \$3.1m, mainly due to the Colombian division delivering a significant increase in EBITDA on the back of an improving coal mining services sector. Increased demand also assisted the North American division to reverse the prior year losses and to deliver positive EBITDA in FY2017. This was despite the impact of steel supply issues in the United States. Chile, Servigrut and Peru all produced results below the prior year, with the copper mining sector in South America remaining subdued for most FY2017.

Normalised NPBT of (\$3.0m) was an improvement on the prior year. Reported NPAT (\$27.6m) includes one-off restructuring and legal charges (\$2.2m), impairment costs (\$19.8m), and a taxation expense of (\$2.6m). The impairment charges relate mainly to Austin’s Chile, Australian Site Services and Aust Bore businesses.

## Cash Flow, Liquidity and Debt

Operating cash outflows of \$14.8m for FY2017 predominately related to additional working capital required to support increased trading volumes, including the significant scaling up of work-in-progress.

Net cash inflows on investing activities of \$2.6m for FY2017 included investment in strategically important capital expenditure of \$6.8m offset by the sale of underutilised assets returning \$9.4m. Financing cash inflows for FY2017 of \$3.4m included capital raising proceeds of \$8.0m offset by net debt repayments of \$4.6m.

During FY2017, Austin recorded an overall net cash outflow of \$8.8m.

## Capital Management

Austin's core Australian debt, LIM Asia Special Solutions Master Fund Limited (LIM) financing facility of \$20.1m, is due for repayment on 29 July 2018. Austin has secured credit approved letters of offer for new combined senior term debt and working capital facilities that will be utilised to repay LIM and other non-bank loans in Australia.

The credit approved finance package is a further encouraging step in the recapitalisation of Austin, and it would improve the Company's overall debt maturity profile and lower its cost of capital. Funding is subject to finalising acceptable legal documentation and satisfying conditions precedent.

The Company continues to assess any opportunities with respect to asset sales, including the sale and/or leaseback of specific assets.

## Net Assets

At 30 June 2017 Austin had net assets of \$112.2m, which has decreased by 18.1% compared to 30 June 2016 (\$137.0m). The reduction of net assets reflects a loss after tax of \$27.6m (including impairment charges of \$19.8m and currency translation losses of \$5.2m), offset by the capital raised of \$8.0m.

## Dividends

The Directors have not declared a final dividend for the financial year ending 30 June 2017 (2016 – no dividends paid).

## FY2018 Outlook

Tender activity continues to be high in most of Austin's regions. Activity in North America remains particularly strong. Capacity across the group remains available to meet demand, and deliver the product range, productivity gains, and quality required by Austin clients.

At the time of giving guidance on the second half of FY2017, Austin had an order book and committed work representing 72% of the forecast revenue. The current order book and committed work represents 81% of expected revenues to 31 December 2017.

As a result of this strong order book, Austin is in a position to provide a 1H2018 normalised EBITDA guidance range of \$10m-\$12m.

Mr Peter Forsyth, Managing Director said, "Austin's second half FY2017 performance demonstrated an important business turnaround in a recovering mining services market. The momentum continues into the remainder of calendar 2017, with a strong order book in place, underpinned by improved mining industry conditions in the majority of the commodity and regional markets where Austin operates."

END

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