WEST AUSTRALIAN METALS LTD

ABN 71 001 666 600

NOTICE OF ANNUAL GENERAL MEETING

DE-MERGER OF
WEST AUSTRALIAN METALS LTD
AND
AUSTIN ENGINEERING PTY LTD

EXPLANATORY STATEMENT

AND

PROXY FORM

TO ASSIST SHAREHOLDERS IN THEIR CONSIDERATION OF RESOLUTIONS TO BE PUT AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 129 EDWARD STREET, PERTH ON FRIDAY, 28 NOVEMBER 2003 AT 9.30 AM (WST)

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

WEST AUSTRALIAN METALS LTD

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ANNUAL GENERAL MEETING

DE-MERGER OF WEST AUSTRALIAN METALS LTD AND AUSTIN ENGINEERING PTY LTD

CONTENTS OF NOTICE

CORPORATE DIRECTORY

DIRECTORS

Robert P Martin	**Chairman**
Michael D Buckland	**Director - Engineering**
David A Hamlyn	**Director – Minerals**
Lindsay A Colless	**Director and Company Secretary**

REGISTERED AND OPERATIONS OFFICE

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Tel: 07 3271 2622 **Fax: 07 3271 3689**

SHARE REGISTRY

Advanced Share Registry Services Pty Ltd
Level 7, 200 Adelaide Terrace, PERTH WA 6000
Tel: 08 9221 7288 Fax: 08 9221 7869

HOME STOCK EXCHANGE

Australian Stock Exchange Limited (ASX)
PERTH WA

WEST AUSTRALIAN METALS LTD

ABN 71 001 666 600

ANNUAL GENERAL MEETING

DE-MERGER OF WEST AUSTRALIAN METALS LTD AND AUSTIN ENGINEERING PTY LTD

PART 1

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of West Australian Metals Ltd (the "Company") will be held at 129 Edward Street, Perth WA on Friday, 28 November 2003 at 9.30 am (Western Standard Time) for the purpose of transacting the following business: -

BUSINESS

1. **ACCOUNTS**

   To consider the Annual Financial Report, the Directors' Report and Auditor's Reports for the year ended 30 June 2003.

2. **RESOLUTIONS 1 & 2 - DIRECTORS**

   To consider and, if thought fit, to pass the following resolutions as ordinary resolutions: -

   (a) "To elect as a director, Mr Michael Buckland, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election."

   (b) "To elect as a director, Mr Lindsay Colless, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election."

3. **RESOLUTION 3 - PLACEMENT OF SHARES AND OPTIONS**

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

   "That, for the purposes of Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the directors of the Company be authorised to issue, not later than three months after the date of this meeting:

   (a) up to 15,000,000 fully paid ordinary shares in the Company at an issue price of not less than 80% of the average market price of the Company's ordinary shares calculated over the last 5 days on which sales in those shares were recorded before the day on which the issue is made; and

   (b) up to 15,000,000 free attaching options to acquire fully paid ordinary shares in the Company on the terms and conditions set out in Schedule 1 to the notice convening this meeting;

   to investors determined at the discretion of the directors."

   The Company will disregard any votes cast on this resolution by any persons who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a securityholder) if the resolution is passed, or any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides, and the person who is entitled to vote has indicated on the proxy form that the person chairing the meeting may vote as proxy in relation to each resolution to which the voting exclusion relates.

4. RESOLUTION 4 - AMENDMENT TO CONSTITUTION

To consider and if thought fit to pass the following resolution as a special resolution: -

"That the Constitution of the Company be amended with immediate effect by inserting new rules 32.6 and 32.7 as follows:

32.6 Payments in kind

Where the Company reduces its share capital in accordance with Division 1 of Part 2J.1 of the Act, it may do so by way of the payment of cash, the distribution of specific assets (including shares or other securities of another corporation), or in any other manner permitted by law. If the reduction is by distribution of assets, the board may:

(a) fix the value of any asset distributed;

(b) make cash payments to members on the basis of the value fixed so as to adjust the rights of members between themselves; and

(c) vest an asset in trustees.

32.7 Payment by way of securities in another corporation

Where the Company reduces its share capital by way of a distribution of shares or other securities in another corporation:

(a) the members are deemed to have agreed to become members of that corporation and are bound by the constitution of that corporation; and

(b) each of the members appoints the Company or any of the Directors as its agent to execute any transfer of shares or other securities, or any other document required to give effect to the distribution of shares or other securities to that member."

5. RESOLUTION 5 - EQUAL REDUCTION OF CAPITAL (BY DISPOSAL OF AN ASSET HELD BY THE COMPANY)

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

"That:

(a) for the purpose of Sections 256B and 256C of the Corporations Act 2001 and for all other purposes;

(b) subject to the passing of Resolution 4 in the notice convening this meeting; and

(c) conditional on the Conditions (as outlined in the Explanatory Memorandum accompanying the notice convening this meeting) being satisfied (or waived),

the issued share capital of the Company be reduced by an amount equal to the value of the fully paid ordinary shares on issue in Austin Engineering Pty Ltd ("**Austin**") on the In Specie Record Date, (as defined in the Explanatory Statement accompanying the notice of meeting) currently estimated to be $819,392 and equivalent to 0.8 cents per West Australian Metals share, by way of a pro rata in specie distribution of 22,205,738 fully paid ordinary shares in Austin to all holders of ordinary shares in the Company, subject to the terms and conditions set out in the Explanatory Statement accompanying the notice of meeting."

Dated this 27th day of October 2003
By order of the Board of Directors
L A Colless
Company Secretary

WEST AUSTRALIAN METALS LTD

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ANNUAL GENERAL MEETING

DE-MERGER OF WEST AUSTRALIAN METALS LTD AND AUSTIN ENGINEERING PTY LTD

PART 2

EXPLANATORY STATEMENT

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1. INTRODUCTION

This Explanatory Statement has been prepared for the information of shareholders of West Australian Metals in connection with the business to be conducted at the Annual General Meeting to be held on Friday, 28 November 2003 at 9.30am (Western Standard Time) at 129 Edward Street Perth Western Australia.

At the Annual General Meeting, shareholders will be asked to consider the following Resolutions:

- (Resolutions 1 and 2) the re-election of Mr Michael Buckland and Mr Lindsay Colless as directors of the Company;
- (Resolution 3) the issue, not later than three months after the date of this meeting of:
  - up to 15,000,000 fully paid ordinary shares in the Company; and
  - up to 15,000,000 free attaching options to acquire fully paid ordinary shares in the Company;
- (Resolution 4) the amendment of the Constitution of the Company by inserting new rules 32.6 and 32.7 to enable the Company is able to make a reduction of capital by way of a distribution in specie of shares or securities in another corporation; and
- (Resolution 5) an equal reduction of capital by way of a distribution in specie.

Resolutions 4 and 5 relate to the de-merger of the Company and Austin Engineering. The purpose of this Explanatory Statement is to provide shareholders information which the Board considers to be material to shareholders for the purposes of deciding whether or not to approve the De-Merger by passing Resolutions 4 and 5. This Explanatory Statement explains the De-Merger (including, in particular the Capital Reduction), identifies the Board's reasons for proposing it to shareholders and outlines the advantages and disadvantages of the De-Merger.

Resolutions 1, 2, 3 and 5 are ordinary Resolutions, requiring them to be passed by a simple majority of votes cast by shareholders entitled to vote on those Resolutions. Resolution 4 is a special Resolution, requiring it to be passed by 75% of votes cast by shareholders entitled to vote on the Resolution.

This Explanatory Statement is an important document and should be read in full in conjunction with the accompanying Notice of Meeting.

Certain defined terms and phrases are used in this Explanatory Statement. Please refer to section 11 for their meanings.

2. RESOLUTIONS 1 & 2 – ELECTION OF DIRECTORS

Mr Michael Buckland and Mr Lindsay Colless, who are seeking re-election as directors of the Company, have the support of the Board.

MD Buckland was appointed to the Board in January 2003, following the Company's agreement to purchase Austin Engineering. Further details in relation to MD Buckland are set out below in section 7. In accordance with rule 3.6 of the Company's constitution, MD Buckland is required to retire at the Annual General Meeting, and is eligible for re-election as a director at the Annual General Meeting.

LA Colless has been a non-executive director and company secretary of the Company since 1986. Clause 3.6 of the Company's constitution requires that one third of the Company's directors (not already required to retire) must retire from office at each annual general meeting. LA Colless will therefore retire at the Annual General Meeting and will seek re-election to ensure compliance with the Company's constitution. LA Colless is eligible for re-election as a director at the Annual General Meeting.

3. RESOLUTION 3 – SHARE AND OPTION PLACEMENT

This Resolution seeks shareholder approval for the placement of:

- up to 15,000,000 Placement Shares at an issue price of not less than 80% of the average market price of West Australian Metals Shares calculated over the last 5 days on which sales in those shares were recorded before the day on which the issue is made; and

- up to 15,000,000 Placement Options exercisable at 20 cents each at any time on or before 31 March 2005.

If Resolutions 4 and 5 are approved by shareholders at the Annual General Meeting, the exercise price of the Placement Options will be reduced in accordance with the ASX Listing Rules.

The following additional information is provided to shareholders to assist in assessing Resolution 3:

(a) A maximum of 15,000,000 Placement Shares and 15,000,000 Placement Options will be issued pursuant to Resolution 3.
(b) The Placement Shares and Placement Options will be issued to investors determined at the discretion of directors. As at the date of this Explanatory Statement, those investors have not been identified.
(c) The Placement Shares and Placement Options will be issued no later than three months after the date of the meeting. The issue will take place progressively.
(d) The Placement Shares will be issued at a price of not less than 80% of the average market price of West Australian Metals Shares calculated over the last 5 days on which sales in those shares were recorded before the day on which the issue is made. The Placement Options will be issued as free attaching options.
(e) The Placement Shares will be fully paid ordinary shares in the capital of the Company and will rank, from the date of issue, equally in all respects with the then existing West Australian Metals Shares.
(f) The terms and conditions of the Placement Options are set out in Schedule 1 to the Notice of Meeting.
(g) The funds raised from the issue of the Placement Shares will be used for the purpose of funding the Company's exploration activities and other investments and to provide working capital for the day to day operating costs of the Company.
(h) The Placement Shares and Placement Options constitute in excess of 15% of the Company's issued share capital and shareholder approval is therefore sought under ASX Listing Rule 7.1 (which prohibits a company from issuing securities equal to more than 15% of its issued capital in any rolling 12 month period without shareholder approval). Accordingly, shareholder approval is sought under ASX Listing Rule 7.1 for Resolution 2.
(i) Application will be made to ASX for quotation of the Placement Shares. In accordance with their terms, application will be made for quotation of the Placement Options.
(j) No director or associate of a director will subscribe for Placement Shares and Placement Options.

4. BACKGROUND TO RESOLUTIONS 4 AND 5 – DE-MERGER OF WEST AUSTRALIAN METALS AND AUSTIN ENGINEERING

Since incorporation as Buddha Gold Mines NL in 1978, the Company's activity focus has centred on mineral exploration in various parts of Australia and, in more recent times, has been concentrated in the Northeastern Goldfields of Western Australia. Exploration and development of mineral resources is a key company activity, however in the difficult investment climate for mineral explorers over the past year, West Australian Metals diversified into engineering to secure sustainable income and foster growth and development within the Company.

West Australian Metals, through its wholly owned subsidiary, Seinson Pty Ltd, entered into an agreement on 29th November 2002 to purchase the business of the Queensland based engineering firm, Austin Engineering Pty Ltd. This acquisition represented a significant diversification of activities for West Australian Metals and an excellent opportunity for the Company to increase shareholder value through the introduction of an income producing business with strong growth potential.

The Austin Engineering business has operated successfully for 20 years in the metal fabrication and construction industry. It specialises in the supply and installation of metal products such as structural steel, piping and products for the industrial and resource sectors and is considered to be one of Queensland's leading and largest firms within its field.

Queensland is currently undergoing a sustained growth period within the engineering/construction field with a number of large projects underway or approved for commencement within the next few years. In excess of $10 billion of capital works are scheduled over the next four to six years and Austin Engineering is well positioned to capitalise on this resource project boom.

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Seinson Pty Ltd (which was renamed Austin Engineering Pty Ltd) completed the purchase of the Austin Engineering business and took control of the fabrication, painting and steel erection business on 1 April 2003. New welding and robotic technology is currently being introduced to Austin which will see it become a leader in the welding industry in Australia in terms of costs and efficiency.

In February 2003, Austin Engineering received a Letter of Intent for the fabrication and supply of 792 potshells and superstructures for the Aldoga Aluminium Smelter in Gladstone, Queensland. The contract has yet to be finalised due to delays in project approvals, financing arrangements and design specification changes, but Austin continues to negotiate with Aldoga and is optimistic that a positive outcome will be reached in the near future.

The Aldoga contract, originally worth $155 million over three years, demonstrates Austin's capability to attract large contracts, and Austin continues to negotiate with other project managers on substantial resource projects in Australia and overseas.

Originally, the acquisition of the Austin Engineering business was intended to complement the Company's existing gold exploration activities in the Northeastern Goldfields of Western Australia. The completion of the Austin Engineering purchase, which was totally debt free, and the development of new welding and robotic technology and improving statement of financial position has enabled West Australian Metals to gain access to some funding to assist with exploration. However, the Board considers that the diversity of the Company's activities is now impeding investment support.

The strong resurgence of the gold price, coupled with potential access to treatment facilities in Laverton through an alliance with Apollo Gold Mining Ltd and Newmont Australia's growing exploration success at their Moolart Well Project, immediately to the north of the Company's Anchor lease, has heralded the need for a more aggressive approach to exploration. Through exploration of its own strategic tenements and cooperation with other parties in the Duketon Belt, West Australian Metals is optimistic that development of the gold resources in the region will be realised in the near future.

While there are current benefits to West Australian Metals from the cash flow generated by Austin, the growth potential of the Austin Engineering business is such that spinning-off the engineering division into a new listed company will ultimately be the most effective mechanism to maximise shareholder value and to ensure the success of Austin and the development of the Company's mineral resource properties.

Developments in the past year have ensured that West Australian Metals is in a strong position to capitalise on opportunities in both the engineering and mineral resource sectors over the coming years. The Company raised almost $3.0 million during the year through private share placements and the exercise of options to fund the Austin Engineering purchase and working capital requirements. In addition, the existing $750,000 debt to A.I. Limited was repaid following the sale of the Company's 26.67% shareholding in software company, BMS Solution Pty Ltd.

On 13 March 2003, West Australian Metals announced that it intended to initiate procedures to de-merge its engineering and mineral assets and spin-off the Company's engineering business into a new public listed company. The de-merger was conditional on finalising the Aldoga contract and progressing the spin-off of Austin has been delayed by the ongoing contract negotiations.

In the current investment climate, the Directors and major shareholders are keen to proceed with the De-Merger. The Directors consider that the listing of Austin on ASX will allow the Company's shareholders to participate in the fortunes of two separate entities, each of which will focus separately on their individual core activities in the engineering and resource sectors. The de-merger proposal which is now being put to shareholders was announced to ASX on 16 October 2003.

At the Annual General Meeting, shareholders will be asked to approve the De-Merger. This will allow West Australian Metals to concentrate solely on exploration activities and development of its mineral assets, and unlock the unrealised value of its engineering assets for the benefit of all West Australian Metals Shareholders.

The Directors believe that the separation of the two businesses will result in the combined value of each shareholder's interest in the Company and Austin Engineering exceeding the market value currently attributed to West Australian Metals.

5. SUMMARY OF DE-MERGER

West Australian Metals now proposes to spin-off the engineering business by facilitating Austin Engineering's public flotation as a separate listed entity, while retaining the mineral assets in West Australian Metals. The spin-off of Austin Engineering is subject to the following Conditions: -

(a) Austin Engineering changing its status to a public company limited by shares and its name to Austin Engineering Limited;

(b) approval from the shareholders of West Australian Metals as required by the Corporations Act 2001 and the ASX Listing Rules; and

(c) equity market conditions being favourable in the reasonable opinion of the Directors for the listing of Austin Engineering on the Official List of ASX.

To give effect to this proposal, Austin Engineering will issue approximately 22,205,738 fully paid ordinary shares ("Austin Engineering In Specie Shares") at a deemed issue price of $0.037 per share to West Australian Metals as consideration for the partial repayment of a loan from West Australian Metals to Austin Engineering. Further details in respect of this loan are set out in section 10.5.

Subject to shareholder approval pursuant to Resolutions 4 and 5, the issued share capital of West Australian Metals will then be reduced by an amount equal to the value of the fully paid ordinary shares on issue in Austin on the In Specie Record Date by means of a pro rata in specie distribution of Austin Engineering In Specie Shares to all West Australian Metals Shareholders ("Capital Reduction"). All West Australian Metals Shareholders recorded on the share register on the In Specie Record Date will be issued with approximately 2 Austin Engineering Shares for every 9 West Australian Metals Shares. Fractional entitlements will be rounded down and any surplus Austin Engineering In Specie Shares resulting from the rounding down of fractional entitlements will be retained by West Australian Metals.

The amount of the Capital Reduction cannot be accurately determined as at the date of this Explanatory Statement, as the number of Austin Engineering In Specie Shares to be distributed may vary, depending on the number of West Australian Metals Shares on issue on the In Specie Record Date. The number of West Australian Metals Shares may vary up to the In Specie Record Date if options in relation to West Australian Metals Shares are exercised, or if any placements are made by the Company prior to the In Specie Record Date. As at the date of this Explanatory Statement, it is estimated that the amount of the capital reduction will be $819,392, which is equivalent to 0.8 cents per shares based on the issued capital of 99,925,823 West Australian Metals shares.

If shareholders approve the Capital Reduction, trading in West Australian Metals will start on an "ex return of capital basis" on Monday, 1 December 2003.

The In Specie Record Date for determining shareholder entitlements is five (5) business days after shareholder approval is obtained and ASX is informed that the reduction of capital is approved, being Friday, 5 December 2003. The first day for West Australian Metals to issue new shareholding statements is Friday, 12 December 2003. The deferred settlement market also ends on this date. It should be stressed that the proposed ASX listing of Austin is not expected to occur until January 2004 and is subject to Austin Engineering meeting all of the requirements for admission to the Official List of ASX and for quotation of its shares.

Austin Engineering proposes to issue a prospectus at a date following approval for the Capital Reduction ("Austin Prospectus"). It is anticipated that under the Austin Prospectus, 9,000 000 Austin Engineering Shares will be offered for issue at $0.20 each to raise approximately $1.8 million, with capacity to accept over subscriptions for an additional 2,000,000 Austin Engineering Shares ("Offer"). West Australian Metals Shareholders will have a priority to apply for Austin Engineering Shares under the Austin Prospectus. They will also be entitled to top-up their holdings in Austin Engineering to a marketable parcel of Austin Engineering Shares.

6 REASONS FOR THE DE-MERGER

West Australian Metals' rationale for the De-Merger is set out below: -

(a) West Australian Metals is West Australian based and focussed on mineral exploration and development. Austin Engineering is Queensland based and focussed on development of a world class engineering business;

(b) additional value can potentially be extracted for West Australian Metals Shareholders by funding and separating Austin from West Australian Metals. Funds raised under the Offer will be utilised to repay the remainder of the loan from West Australian Metals to Austin which was required to complete the purchase of the engineering assets. These funds, together with the proposed placement of shares and options to be made by West Australian Metals under Resolution 3 will ensure both companies will have funding to pursue their different core activities;

(c) investors who may have purchased West Australian Metals because of the engineering assets may not wish their exposure to engineering diluted with mineral exploration ventures;

(d) by spinning-off the engineering assets, investors are given a clear choice as to which sector they wish to follow, and have flexibility to switch in and out of engineering and mineral exploration as determined by their individual investment criteria;

(e) West Australian Metals Shareholders will potentially be diluted by the issue of shares under the Austin Prospectus. However, they will have a priority right to subscribe for additional Austin Engineering Shares under the Austin Prospectus; and

(f) as outlined above in Section 4, while there are current benefits to West Australian Metals through the cash flow generated by Austin Engineering, the growth potential of the Austin Engineering business is such that spinning-off the engineering division into a separate listed entity will, in the view of the Board, ultimately be the most effective mechanism to maximise shareholder value and to achieve the dual aim of the success of Austin Engineering and the development of the Company's mineral resource properties.

7. AUSTIN ENGINEERING BOARD

The Austin board of directors currently comprises:

Robert P Martin	*Non-Executive Chairman*
Michael D Buckland	*Managing Director*
David A Hamlyn	*Non-Executive Director*
Lindsay A Colless	*Non-Executive Director and Company Secretary*

It is anticipated that as part of the De-Merger a new board will be introduced and that RP Martin, DA Hamlyn and LA Colless will resign as directors of Austin. MD Buckland will continue as Managing Director of Austin, although it is intended that he will step down from his position as a Director of West Australian Metals. A brief profile of Michael D Buckland is set out below:

Michael D Buckland – *Managing Director*
Mr Buckland, 43, is a mechanical engineer with 24 years' experience encompassing operational, business development and senior management positions with several large engineering organisations. Mr Buckland held a variety of positions with the ANI Engineering Group from 1979 to 1998 including General Manager of ANI Engineering in Perth, 1994 to 1998 and ANI in Düsseldorf, Germany, 1993 to 1994. He served as Chief Executive Officer of Kirkfield Engineering and Construction Pty Ltd and Minproc Ghana Pty Ltd from 1998 to 2000 and was Chief Executive Officer of aiEngineering Pty Ltd from 2000 to 2001. Mr Buckland joined the Company as a Director in January 2003.

8. BENEFITS AND DISADVANTAGES OF THE DE-MERGER

8.1 Advantages

The De-Merger offers the following advantages:

- West Australian Metals will be able to focus its interests on the Company's mineral resources properties, including the exploration of those interests;
- improves the capacity of West Australian Metals to market itself and raise capital by virtue of its focussed activities;
- West Australian Metals Shareholders will have greater flexibility as to the activities, whether engineering or mineral or both, in which they wish to invest;
- funds raised under the Offer will be used to repay the remainder of the loan from West Australian Metals to Austin, leaving Austin debt free and with funding to pursue opportunities; and

- the repayment of the loan to Austin (further details of which are set out in section 10.5) will ensure West Australian Metals remains debt free and with funding to pursue new mining and exploration opportunities and to develop its existing resource projects.

8.2 Disadvantages

The De-Merger may involve the following disadvantages:

- West Australian Metals Shareholders will have their interests in Austin Engineering diluted by virtue of the Austin Engineering Shares to be issued under the Austin Prospectus to the extent that they do not subscribe for shares under the priority allocation; and
- following the De-Merger, West Australian Metals will have only a minimal interest in Austin Engineering, comprising any surplus Austin Engineering In Specie Shares resulting from the rounding down of fractional entitlements. Consequently, West Australian Metals will lose the benefit of the cash flow generated by Austin.

9. TAXATION IMPLICATIONS

The following is a summary of the Australian taxation consequences of the De-Merger based upon the law in effect at the date of this Explanatory Statement. This summary does not purport to be a complete analysis nor to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice. Accordingly, shareholders of West Australian Metals should consult their tax advisers as to the consequences of the De-Merger.

9.1 For Australian shareholders holding their shares on capital account

Shareholders who are considered to be residents of Australia for tax purposes, and who hold their shares as capital assets, should be entitled to De-Merger relief under the De-Merger provisions contained in the income tax legislation.

Broadly, under De-Merger relief, shareholders can choose roll-over relief to defer the capital gains tax (**CGT**) consequences that happen to their West Australian Metals Shares as a result of the distribution of the Austin Engineering In Specie Shares.

The tax implications of a shareholder not choosing De-Merger relief to apply are discussed in section (d) below.

Shareholders who do not hold their shares as capital assets and shareholders who are non-residents of Australia should seek specific advice about the tax implications of the De-Merger.

(a) Treatment of the distribution of the Austin Engineering In Specie Shares

The distribution of the Austin Engineering In Specie Shares should not be assessable income or exempt income for shareholders of West Australian Metals who hold their shares as capital assets.

The receipt of Austin Engineering In Specie Shares will be a CGT event for shareholders. However, the De-Merger relief enables shareholders to choose to defer the CGT consequences of this CGT event. Accordingly, no capital gain or capital loss should arise on the distribution of the Austin Engineering In Specie Shares.

(b) Capital Gains Tax Cost Base

The De-Merger will impact the determination of the capital gains tax cost base of existing West Australian Metals Shares and will determine the cost base of Austin Engineering In Specie Shares.

The cost base and reduced cost base of each West Australian Metals Share and Austin Engineering In Specie Share will be determined by each shareholder reasonably apportioning the cost base and reduced cost base of the West Australian Metals Shares held by that shareholder before the De-Merger between the West Australian Metals Shares and Austin Engineering In Specie Shares held after the De-Merger. This apportionment must be based on the anticipated or actual market values of West Australian Metals

Shares and Austin Engineering In Specie Shares just after the De-Merger (to be advised by West Australian Metals after the De-Merger is completed).

(c) Disposal of Austin Engineering In Specie Shares After the De-Merger

Each Austin Engineering In Specie Share will be taken to have been acquired at the time the underlying West Australian Metals Share was acquired, which will be relevant for indexation or the CGT discount, if available.
Therefore, on a subsequent sale of Austin Engineering In Specie Shares, certain shareholders (such as individuals and superannuation funds who have held their West Australian Metals Shares for more than 12 months) may be entitled to the CGT discount. Alternatively, shareholders who acquired their West Australian Metals Shares before 22 September 1999 may be able to claim cost base indexation on their Austin Engineering In Specie Shares until the September 1999 quarter.

(d) Shareholders who do not choose roll-over relief

If a West Australian Metals shareholder does not choose roll-over relief:

- The shareholder will realise a capital gain if the capital component of the in specie distribution received by the shareholder (to be advised by West Australian Metals once the transaction is complete) exceeds the shareholder's cost base in their West Australian Metals Shares.
- The Austin Engineering In Specie Shares will be acquired at the date of the De-Merger, rather than be deemed to have been acquired at the time the shareholders acquired the corresponding West Australian Metals Shares. This will preclude eligibility for indexation on a subsequent sale of the Austin Engineering In Specie Shares and will preclude eligibility for the CGT discount until after such time as the shareholder has held the Austin Engineering In Specie Shares for 12 months.

9.2 For the Company

On the basis that the De-Merger relief provisions apply, West Australian Metals is entitled to disregard any capital gain it would otherwise have made from the disposal of the Austin Engineering In Specie Shares pursuant to the distribution to shareholders.

9.3 Integrity Measures and Application for a Class Ruling

In circumstances where shareholders are in receipt of a De-Merger benefit under a scheme, the purpose of which (dominant or otherwise, but excluding incidental purposes) is to provide a tax benefit, then an otherwise non-assessable De-Merger dividend will become an assessable dividend.

This is an integrity measure which is not expected to have application in the proposed De-Merger. So as to provide shareholders and West Australian Metals with greater certainty regarding the tax outcomes of the De-Merger, West Australian Metals intends to apply for a Class Ruling to confirm availability of the De-Merger relief provisions, and in particular, to ensure the Commissioner of Taxation does not make an adverse determination under the integrity rules. It is unlikely that such a Class Ruling will be obtained before the date of the General Meeting of Shareholders.

9.4 If De-Merger Relief is not available

If, under the Class Ruling, the Commissioner of Taxation determines that De-Merger relief is not available:

- The distribution of the Austin Engineering In Specie Shares should not be assessable income for shareholders of West Australian Metals on the basis that the distribution is excluded from the definition of a dividend for income tax purposes. In this regard, the distribution will be debited against a credit balance in West Australia Metal's share capital account.

- The shareholders may realise a capital gain if the capital component of the in specie distribution received by them (to be advised by West Australian Metals once the transaction is complete) exceeds the shareholder's cost base in their West Australian Metals Shares.

- The Austin Engineering In Specie Shares will be acquired at the date of the De-Merger, rather than deemed acquired at the time the shareholders acquired the corresponding West Australian Metals Shares. This will preclude eligibility for indexation on a subsequent sale of the Austin Engineering In Specie Shares and will preclude eligibility for the CGT discount until after such time as the shareholder has held the Austin Engineering In Specie Shares for 12 months.

- West Australian Metals may realise a capital gain on the disposal of the Austin Engineering Shares.

10. SUPPLEMENTARY INFORMATION ON RESOLUTIONS 4 AND 5

10.1 Resolution 4 – Amendment of Constitution

Resolution 5 discussed below contemplates a reduction in the share capital of the Company by a return of capital to its shareholders comprising the distribution to shareholders of approximately 22.2 million Austin Engineering In Specie Shares.

Clause 32.5 of the Company's constitution provides that, subject to the Listing Rules, the Company may reduce its share capital by (amongst other things) reduction of capital in accordance with Division 1 of Part 2J.1 of the Corporations Act 2001.

To clarify the scope of this clause and to provide certainty, the Directors consider it necessary to amend the Constitution to specifically provide for a reduction in capital by way of distribution of shares or securities in another company, in this case Austin. Accordingly, shareholder approval is sought for the amendment of the Company's Constitution by the insertion of new rules 32.6 and 32.7 in the terms set out in Resolution 4 in the Notice of Meeting.

10.2 Resolution 5 – Reduction of Capital

Under the terms of the De-Merger, the Company will reduce its share capital by way of the distribution to its West Australian Metals Shareholders of approximately 22.2 million Austin Engineering In Specie Shares. For every 9 West Australian Metal shares held at the In Specie Record Date, shareholders will receive 2 Austin Engineering In Specie Shares. Fractional entitlements will be rounded down. Any surplus Austin Engineering In Specie Shares resulting from the rounding down of fractional entitlements will be retained by the Company for its own benefit.

It is not proposed that any West Australian Metals Shareholder will receive any payment of cash as a result of the Capital Reduction.

Austin will seek admission to the Official List of ASX following the change of status to a public company limited by shares, and completion of the Capital Reduction and the Offer. If Austin is admitted to the Official List of ASX, the Austin Engineering In Specie Shares distributed to West Australian Metals Shareholders will be freely tradeable on ASX (subject to the ASX Listing Rules) from the date of quotation of Austin.

Shareholder approval is required for Resolution 5 for the following reasons: -

Clause 32.5 of the Constitution – Reduction of Capital

This clause provides that, subject to the Listing Rules, the Company may reduce its share capital in various ways, including by reduction of capital in accordance with the Corporations Act 2001

Section 256C (1) of the Corporations Act 2001

The distribution of Austin Engineering In Specie Shares contemplated by this Resolution is an equal reduction of the Company's capital as the distribution will be made to all shareholders on a pro rata basis.

Section 256B(1) of the Corporations Act 2001 states that a company may reduce its share capital in a way that is not otherwise authorised by law if the reduction: -

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay creditors; and
- is approved by shareholders under section 256C of the Corporations Act 2001.

The proposed capital reduction is an equal reduction for the purpose of section 256B (2) of the Corporations Act 2001 as it: -

- relates only to West Australian Metals Shares;
- applies to each West Australian Metals Shareholder in proportion to the number of West Australian Metals Shares they hold; and
- the terms of the reduction are the same for each West Australian Metals Shareholder.

Section 256C (1) of the Corporations Act 2001 requires shareholder approval by ordinary Resolution if the reduction is an equal reduction.

Information Required for Purposes of Section 256C of the Corporations Act 2001

The purpose of the Capital Reduction is to enable the Company to distribute the Austin Engineering In Specie Shares to West Australian Metals Shareholders (as at the In Specie Record Date). West Australian Metals Shareholders will then become shareholders in Austin and will be free to trade their Austin Engineering Shares on ASX once Austin is listed and its shares have been quoted on ASX.

Effect of Proposed Equal Capital Reduction on the Company

If the equal capital reduction is approved, the net assets of the Company will be reduced by an amount depending on the number of West Australian Metals Shares on issue at the In Specie Record Date. This amount will be equal to the book value of the Company's investment in Austin as at the In Specie Record Date, minus the portion of the loan to Austin to be repaid to West Australian Metals on listing of Austin Engineering. As set out above in section 5, it is estimated that the amount of the capital reduction will be approximately $819,392.

A pro-forma statement of financial position for the Company is contained in Appendix A which shows the financial impact on the Company if Resolution 5, is passed (assuming no further shares in the Company are issued).

Effect of Proposed Equal Capital Reduction on Shareholders in the Company

All West Australian Metals Shareholders recorded on the West Australian Metals share register with effect from 5pm (WST) on the In Specie Record Date will receive approximately 2 fully paid ordinary Austin Engineering Shares for every 9 West Australian Metals Shares held.

Austin proposes to issue the Prospectus at a date following approval of the Capital Reduction at the Annual General Meeting. Under the Prospectus, West Australian Metals Shareholders will have a priority allocation of Austin Engineering Shares at an issue price of $0.20 per Austin Engineering Share, together with an entitlement to top-up their holdings in Austin Engineering to a marketable parcel of Austin Engineering Shares.

In addition, up to 9,000,000 Austin Engineering Shares will be offered to the public under the Prospectus. It is intended that the Offer will be sponsored or partially underwritten.

The minimum number of Austin Engineering Shares that must be applied for by West Australian Metals Shareholders under the Offer will be such that the Austin Engineering Shares subscribed for by West Australian Metals Shareholders under their priority entitlement, when added to the Austin Engineering In Specie Shares will be equal to not less than 10,000 Austin Engineering Shares.

A pro-forma statement of financial position for Austin is contained in Appendix B. This shows the financial position of Austin following completion of the De-Merger and prior to the Offer.

All of the Directors are of the opinion that the Capital Reduction:

- is fair and reasonable to the Company's shareholders as it is an equal reduction affecting all shareholder's holdings in the Company in a like manner; and
- does not materially prejudice the Company's ability to pay its creditors.

Effect of Proposed Equal Capital Reduction on Creditors

The proposed equal capital reduction involves a reduction in the Company's paid up share capital. However, in the opinion of the Directors, this will not materially prejudice the Company's ability to pay its creditors as the amount owed to creditors at the date of this Explanatory Statement is not material and the Company's cash reserves are sufficient to pay these amounts.

Information Provided for the Purpose of ASX Listing Rule 7.20

ASX Listing Rule 7.20 requires the following information to accompany the Notice of Meeting in relation to approval sought under Resolution 5:

- the proposed return of capital will not affect the number of shares held by each West Australian Metals Shareholder. As there is no amount unpaid on any security there will be no effect on partly paid shares; and

- fractional entitlements to Austin Engineering In Specie Shares shall be rounded down.

In accordance with Listing Rule ASX 7.22, options to subscribe for West Australian Metals Shares shall have their exercise price per option reduced by the same amount as the amount returned to West Australian Shareholders pursuant to the Capital Reduction.

Further information on Austin is contained in Part 3 of this Explanatory Statement.

10.3 Directors' Recommendation

The Directors of West Australian Metals are:

Robert P Martin	*Non-Executive Chairman*
Michael D Buckland	*Executive Director- Engineering*
David A Hamlyn	*Executive Director - Minerals*
Lindsay A Colless	*Non-Executive Director and Company Secretary*

The Directors have considered the proposed De-Merger and have formed the opinion that the benefits of the De-Merger as set out in section 9.1 outweigh the disadvantages set out in section 9.2.

Accordingly, the Directors recommend that shareholders vote in favour of Resolutions 4 and 5.

10.4 Directors' Interests

The interests of Directors in securities of the Company as at the date of this Explanatory Statement are:

	Direct	Indirect	Options
R P Martin	3,875,000	5,688,250	1,297,650
M D Buckland	4,856,202	6,055,798	4,520,507
D A Hamlyn	220,000	60,000	1,000,000
L A Colless	-	5,538	

No West Australian Metals Director has an interest in any contract entered into by Austin.

10.5 Arrangements or agreements between West Australian Metals and Austin

As at the date of this Explanatory Statement, West Australian Metals and its associates have entered into the following agreements and arrangements with Austin and its associates:

As outlined above, West Australian Metals supplied funding to Seinson Pty Ltd, by way of a loan, to purchase the Austin Engineering business, and Seinson changed its name to Austin Engineering Pty Ltd immediately following completion of the purchase on 1 April 2003. The loan was in the amount of $2.47 million, and as at the date of this Explanatory Statement, $2,351,475 is outstanding. It is intended that this loan will be fully repaid by Austin through the conversion of $819,392 to equity by the issue of 22,205,738 Austin In Specie Shares, immediately prior to the Capital Reduction, and the repayment of the outstanding loan balance of approximately $1.53 million from the funds raised under the Offer.

11. GLOSSARY

The following terms and abbreviations used in this Explanatory Statement have the following meanings:

TERM	MEANING
Annual General Meeting	The proposed Annual General Meeting of the West Australian Metals Shareholders to be held on Friday, 28 November 2003 at 9.30 am to consider and, if thought fit, pass the Resolutions.
ASX	Australian Stock Exchange Limited.
Austin or Austin Engineering	Austin Engineering Pty Ltd ABN 60 078 480 136, in the course of changing its name and status to Austin Engineering Limited.
Austin Engineering In Specie Shares	The Austin Engineering Shares to be distributed to West Australian Metals Shareholders on the In Specie Record Date.
Austin Engineering Share	A fully paid ordinary share in Austin Engineering.
Austin Prospectus	The prospectus to be issued by Austin following approval of the Capital Reduction, under which the Offer will be made.
Board	The board of Directors.
Capital Reduction	The equal reduction of capital to be undertaken by West Australian Metals pursuant to Resolutions 4 and 5 and which is more fully described in sections 5, 10.1 and 10.2 of this Explanatory Statement.
Company or West Australian Metals	West Australian Metals Ltd ABN 71 001 666 600.
Conditions	The conditions that need to be satisfied for completion of the De-Merger, further details of which are set out in section 5 of this Explanatory Statement.
De-Merger	The de-merger which is intended to result in Austin becoming an independent listed public company, details of which are contained in sections 5, 10.1 and 10.2 of this Explanatory Memorandum.
Directors	The directors of West Australian Metals.
Explanatory Statement	This explanatory memorandum including all appendices.

In Specie Record Date	5 December 2003.
Listing Rules	The listing rules of ASX.
Notice of Meeting	The notice of Annual General Meeting which accompanies this Explanatory Statement.
Offer	The offer to be made under the Austin Prospectus, of 9,000 000 Austin Engineering Shares, to raise approximately $1.8 million, with the capacity to accept over subscriptions for an additional 2,000,000 Austin Engineering Shares.
Placement Shares	Capacity to issue up to 15,000,000 West Australian Metals Shares pursuant to Resolution 3 in the Notice of Meeting.
Placement Options	Capacity to issue up to 15,000,000 free attaching options to subscribe for West Australian Metals Shares pursuant to Resolution 3.
Resolutions	The Resolutions contained in the Notice of Meeting.
West Australian Metals Share	A fully paid ordinary share in West Australian Metals.
West Australian Metals Shareholder	A registered holder of West Australian Metals Shares.

This Explanatory Statement is dated 27th October 2003.

PART 3

ENGINEERING OVERVIEW

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1. INTRODUCTION

Austin Engineering Pty Ltd is a Queensland based engineering business specialising in the fabrication, supply and installation of metal products such as structural steel and piping for the industrial and resource sectors.

The business has operated profitably for the past 20 years and developed into one of Queensland's largest and most respected engineering firms in its field. Pre-tax profit over the past five years averaged $1.1 million per annum and the business has an excellent industry reputation, good safety record and loyal client base with existing ongoing product lines which generate consistent recurring income.

Under the terms of the Business Sale Agreement signed on the 29th November, West Australian Metals, through its wholly owned subsidiary Seinson Pty Ltd, paid a total of $2.0 million for the fabrication, painting and steel erection business with final settlement completed on 1 April 2003. The acquisition includes plant and good will, a long term lease over the workshop and facilities and a five year option to purchase the property for an additional $4.0 million.

2. FACILITIES

Austin Engineering's modern workshop and office are situated in Wacol Industrial Estate, 20km south west of the Brisbane GPO.

The workshop site covers 2.75 hectares of land and incorporates: -

- A modern high bay heavy industrial main workshop covering 2,558m^2 serviced by 3 x 10 tonne travelling gantry cranes (designed for 2 x 40 tonne cranes).
- Additional workshop bay covering 1,000m^2 serviced by a 25 tonne overhead crane and one tonne wall cranes.
- Industrial blasting and coating workshop covering 1,750m^2 serviced by 2 x 10 tonne overhead cranes, a 2,750m^2 hard stand section with overhead crane and a 20m x 6m x 6m blast room chamber.

West Australian Metals has acquired a talented and dedicated workforce as part of the purchase of Austin Engineering, consisting of approximately 120 personnel comprising: -

- 10 management and administrative staff.
- 35 permanent trades and apprentice personnel.
- Contract trades and workshop labour as required - currently ~ 75 personnel.

The Company proposes to maintain current facilities and staffing levels and has introduced key management personnel with expertise in robotics and new welding technology which offer the potential to substantially increase productivity from the existing workshop facilities and workforce.

Expansion of operations to accommodate additional major fabrication contracts is possible through the leasing of workshop facilities and facilitated by the mobility of the robotic and welding technology. From the base on Brisbane, Austin Engineering has the potential to expand into other regions of Australia and overseas and establish itself as an internationally competitive leader in innovative specialised welding and steel fabrication.

3. TECHNOLOGY

Austin Engineering's proprietary access to innovative welding and robotic technology, developed in conjunction with a number of respected research organisations, holds very major benefits for the development of an internationally competitive specialised welding business.

The use of robotics is a key initiative in the welding and cutting industry, greatly reducing manufacturing time and reliance on skilled labour.

The first robot was installed at Austin Engineering in July 2003 and following successful welding trials in August and September the Robotic Welding Technology Cell has been established to further the company's robotic and welding technology, demonstrate the capabilities of the new technology and for production welding. The "Time" processor installed on the robot is the first of its type in Australia and offers Austin Engineering a significant competitive advantage in tendering for large contracts.

Austin Engineering has received a $110,000 grant from the Queensland Government to assist with implementation of the research cell and considerable interest has been shown in the new technology by several major engineering firms now keen to involve Austin Engineering in future projects where the high speed welding technique can be utilised.

The benefits of the company's technology and automation are substantial, producing increased efficiencies and improved quality which in turn allow Austin to generate greater revenue through the available space. The robotic welding process offers overall welding rates of 12kg of consumables per hour and an arc time efficiency of 90% compared to a skilled manual welder rate of 2kg per hour and arc time efficiency of 50%. This equates to major cost savings when applied to projects currently in progress

- welding of cross beams completed by robots in 32 minutes, manual welding 5.2 hours;
- roof plates assembled and welded by robots in 64 minutes, manual welding 15 hours;
- 300mm pipe butts finished in 3.5 minutes by robots, manual welding 35 minutes.

Austin's new management estimate,

- 30% of Austin's production will be completed by robots in the first year, increasing to 60% the following year;
- reduced production hours per job, reduced costs and less reliance on skilled labour resulting in increased production capacity; and
- further volume increases achievable by implementing additional shifts and utilising hired workshop facilities due to the mobility of the robotics.

4. CONTRACTS

Since acquiring the business in April 2003, Austin Engineering has established a strong order book and has secured in excess of $10 million worth of new contracts during this period. A significant number of tenders are also in progress with excellent prospects and Austin is also continuing to speak with a number of engineering companies regarding major projects in Australia and overseas.

4.1 Aldoga Aluminium Smelter

In February 2003 Austin Engineering received a Letter of Intent for the fabrication and supply of 792 potshells and superstructures for the Aldoga Aluminium Smelter in Gladstone Queensland.

The Aldoga Aluminium Smelter will be constructed at a cost of $3.8 billion and represents one of the largest private investments in Australia. It has a 30 year project life and will generate $1.5 billion in export earning annually while contributing $290 million per annum to the regional economy.

The contract for the potshells and superstructures is indicatively worth $155 million over three years, and while it has yet to be finalised due to project delays and major design specification changes, the Aldoga Project is progressing.

Site clearing on the Aldoga site, to the west of Gladstone, has been completed and major contracts and final equity packages are now being put in place. The contract for site earthworks is in the process of being finalised and production schedules have been established. The first aluminium is scheduled to be produced by the Aldoga facility in October 2005 and the first of the initial 266 potshells and superstructures is required to be completed by July 2005

4.2 Bechtel

Austin Engineering is currently working with the large engineering firm, Bechtel to introduce Austin's robotic welding technology into their major projects.

Bechtel were recently chosen as lead manager by Alcoa, for construction of a new US$1 billion aluminium smelter in Iceland. Bechtel has entered into discussions with Austin Engineering on the use of Austin's technology in the construction of 380 potshells for the Iceland Smelter.

Bechtel is also interested in examining Austin Engineering's pipe welding process for potential application on the Darwin LNG plant and other Bechtel projects.

Discussions are also in progress with Fluor with regard involvement with them and Pechiney to implement design changes to the AP30 potshells for the Alcasa Smelter in South America and Leighton Contractors and Theiss have also invited discussion on Austin Engineering's involvement with future projects.

In the current development climate in Queensland and with the strong interest shown by large international engineering firms, Austin Engineering's access to engineering management expertise and innovative technology has the potential to transform the business into a major player in the metal fabrication/construction industry in Australia and internationally.

Appendix A
Pro Forma Statement of Financial Position of West Australian Metals Ltd
Post Capital Reduction

The following unaudited consolidated pro forma statement of financial position has been prepared by the Company on the basis of the Company's unaudited consolidated statement of financial position at 30 September 2003 and the issued capital of West Australian Metals being 99,925,832 fully paid ordinary shares, adjusted for the following:

(a) the issue of 22,205,738 Austin Engineering Shares at $0.037 each to the Company in satisfaction of $819,392 of the loan to Austin;

(b) the in specie distribution of 22,205,738 Austin Engineering shares by the Company to its shareholders on the basis of 2 Austin shares for approximately every 9 West Australian Metals shares;

(c) the de-merger of Austin Engineering from the Company's consolidated statement of financial position;

(d) repayment of $32,038 of the loan to Austin Engineering in November reflected in the cash position and final repayment of $1,500,000 once Austin gains admission to the official list of ASX, is categorised as a current receivable.

(e) costs estimated at $150,000 associated with the de-merger and listing of Austin included as current liabilities.

Current Assets	
Cash	388,614
Receivables	13,661
Loan	1,500,000
Stocks on hand and work in progress	-
Deposits	13,824
Listed Investments	7,300
Total Current Assets	1,923,399
Non-Current Assets	
Property, plant & equipment	6,053
Other	2,238,556
Total Non-Current Assets	2,244,609
TOTAL ASSETS	4,168,008
Current Liabilities	
Creditors and borrowings	303,063
Total Current Liabilities	303,063
Non Current Liabilities	
Provisions	26,270
Total Non Current Liabilities	26,270
TOTAL LIABILITIES	329,333
NET ASSETS	3,838,675
Shareholders' Equity	
Share capital	10,809,119
Reserves	810,000
Accumulated losses	(6,541,038)
Goodwill on consol	(1,239,406)
TOTAL SHAREHOLDERS' EQUITY	3,838,675

The Company's issued capital on completion of the de-merger, based on details as at the date of this notice, will be: -

	Number	Details
Shares	**99,925,823**	
Options – listed	45,956,604	– Exercisable on or before 31 March 2005 at 19.2 cents each.
Options – unlisted	250,000	– Exercisable on or before 31 October 2005 at 19.2 cents each.
	1,000,000	– Exercisable on or before 24 November 2007 at 19.2 cents each.
	2,000,000	– Exercisable on or before 31 October 2007 at 19.2 cents each.

Following the Capital Reduction, the exercise price of all options to subscribe for West Australian Metals Shares (whether listed or unlisted) will be reduced in accordance with the ASX Listing Rules from 20 cents each to 19.2 cents each. Trading in options to subscribe for West Australian Metals Shares which are listed will commence at the reduced exercise price on Monday, 15 December 2003.

Appendix B

Pro Forma Statement of Financial Position of Austin Engineering Pty Ltd

Post Reduction and Prior to the Austin Public Offer

The following unaudited pro forma statement of financial position has been prepared by the Company on the basis of Austin's unaudited statement of financial position at 30 September 2003, adjusted for the following:

(a) the issue of up to 22,205,738 Austin Engineering Shares at $0.037each to the Company in partial satisfaction of West Australian Metals' loan to Austin ;

(b) pre-tax profit projections for October, November and December, totalling $300,000 shown as Receivables;

(c) amortisation of goodwill for October, November and December totalling $14,400

(d) re-payment of $32,038 of the West Australian Metals loan to Austin during November, as reflected in the closing cash balance,

(e) the loan from West Australian Metals Ltd, to be repaid once Austin Engineering gains admission to the Official List of ASX, is categorised as a current payable.

Current Assets	
Cash	200,962
Receivables	1,959,199
Loan	
Stocks on hand and work in progress	-70,000
Deposits	3,360
Listed Investments	1,100
Total Current Assets	2,094,621
Non-Current Assets	
Property, plant & equipment	1,216,194
Other	816,562
Total Non-Current Assets	2,032,756
TOTAL ASSETS	4,127,377
Current Liabilities	
Creditors and borrowings	2,758,350
Total Current Liabilities	2,758,350
Non Current Liabilities	
Provisions	260,486
Total Non Current Liabilities	260,486
TOTAL LIABILITIES	3,018,836
NET ASSETS	1,108,541
Shareholders' Equity	
Share capital	819,392
Reserves	289,149
Accumulated losses	
Goodwill on consol	
TOTAL SHAREHOLDERS' EQUITY	1,108,541

Austin Engineering will have approximately 22,205,738 shares on issue after the issue of shares to West Australian Metals'

Austin Engineering will have up to 33,205,738 shares on issue once it gains admission to the Official List of ASX.

Austin Engineering has no options on issue.

SCHEDULE 1

Terms and conditions of the options proposed to be issued under Resolutions 3 are:

(a) Each Option will entitle the holder to subscribe for one fully paid ordinary share in the Company at an exercise price of 20 cents. If Resolutions 4 and 5 are approved by shareholders at the Annual General Meeting, the exercise price for each Option will be reduced in accordance with the ASX Listing Rules.

(b) The Options are exercisable at any time on or before 31 March 2005 wholly or in part by delivering a duly completed form of notice of exercise to the Company, accompanied by payment of the exercise price.

(c) All shares allotted on exercise of the Options will rank equally in all respects with the Company's then existing ordinary fully paid shares.

(d) The Options are freely transferable.

(e) Application will be made to Australian Stock Exchange Limited ("ASX") for official quotation of the Options not later than 10 business days after the date of issue of the Options. Application will be made to ASX for official quotation by ASX of all shares allotted pursuant to the exercise of Options not later than 10 business days after the date of allotment.

(f) Holders may only participate in new issues of securities to holders of ordinary shares in the Company if an Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least 7 business days' notice to holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX.

(g) There will be no change to the exercise price of an Option or the number of shares over which an Option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than for a bonus issue).

(h) If there is a bonus issue ("Bonus Issue") to the holders of ordinary shares in the Company, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the Option had been exercised before the record date for the bonus issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class at the date of issue of the Bonus Shares.

(i) If, prior to the expiry of any options, there is a reorganisation of the issued capital of the Company, the Options shall be reorganised in the manner set out in the Listing Rules of ASX. (In the case of a return of capital, the number of options must remain the same, and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each ordinary security).

WEST AUSTRALIAN METALS LTD

ABN 71 001 666 600

ANNUAL GENERAL MEETING

DE-MERGER OF WEST AUSTRALIAN METALS LTD AND AUSTIN ENGINEERING PTY LTD

PROXY FORM

I ....of...

Name of shareholder Address of shareholder

being a member of WEST AUSTRALIAN METALS LTD hereby appoint

....of...

Name of proxy Address of proxy

or failing him

....of...

Name of proxy Address of proxy

or failing them, the Chairman of the meeting as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Friday, 28 November 2003 and at any adjournment thereof.

If no person is named above or if the person named does not attend the meeting or is not a legally effective choice the Chairman of the meeting will be my/our proxy to vote for me/us on my/our behalf at the meeting or any adjournment of the meeting.

If you do not wish to direct your proxy how to vote, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote those proxies without specific direction in favour of the Resolutions. ☐

I/We understand that if I/we have not directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as he or she thinks fit.

RESOLUTIONS		FOR	AGAINST	ABSTAIN
1.	**Re-election of Mr M Buckland**			
2.	**Re-election of Mr L Colless**			
3.	**Placement of Shares and Options**			
4.	**Amendment to Constitution**			
5.	**Equal Reduction of Capital**			

Dated this day of 2003

If the member is a company, then it shall affix its Common Seal overleaf or sign by a duly authorised officers.
If the member is an individual or joint holder , then please sign overleaf where indicated.

WEST AUSTRALIAN METALS LTD

ABN 71 001 666 600

ANNUAL GENERAL MEETING

DE-MERGER OF WEST AUSTRALIAN METALS LTD AND AUSTIN ENGINEERING PTY LTD

PROXY FORM - page 2

EXECUTED by)
)
ACN/ABN)
In accordance with section 127 of the)
Corporations Law)

....

Director/Company Secretary*

....

Director/Sole Director and Sole Company Secretary*

....

Name of Director/Company Secretary*
(BLOCK LETTERS)

....

Name of Director/Sole Director and Sole Company Secretary* (BLOCK LETTERS)

*Delete whichever is not applicable

OR

....

Signature

....

(Insert capacity in which duly authorised officer is signing for a member which is a company)

If the member is an individual or joint holder:

....

Signature

....

Signature

1. A member entitled to attend and vote at the Annual General Meeting convened by the above Notice is entitled to appoint not more than 2 proxies to vote on the member's behalf.
2. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise half of the member's voting rights.
3. A proxy need not be a member.
4. Proxy forms (and the power of attorney, if any, under which the proxy form is signed) must be received at 129 Edward Street, Perth, Western Australia, fax number (08) 9227 8178 no later than 48 hours before the time fixed for holding the meeting.
5. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.
6. Appointment of a proxy by a member being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.
7. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.
8. The proxy appointment may be a standing appointment for all general meetings until it is revoked.
9. As permitted by the Corporations Act, the Board has determined that, for the purposes of voting at the meeting, members are those persons who are the registered holders of shares at 5pm WST on 26 November 2003. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.