

austinengineering^{LTD}

ANNUAL GENERAL MEETING 2011

Date and time:

25 November 2011, 10:30am (Sydney time)

At:

Offices of BDO,
Level 19,
2 Market Street,
Sydney,
NSW 2000

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Austin Engineering Limited (the "Company") will be held in the offices of BDO, Level 19, 2 Market Street, Sydney, NSW, **on 25 November 2011 at 10:30am (Sydney time)**.

AGENDA

Ordinary Business

1 - Financial Reporting

To receive and consider the financial reports of the Company and the consolidated entity and the reports of Directors and Auditor for the financial year ended 30 June 2011.

2 - Remuneration Report (Resolution 1)

To consider and, if thought fit, pass the following as an ordinary resolution under section 250R of the Corporations Act 2001:

"To adopt the Remuneration Report for the year ended 30 June 2011."

- Notes:
- (1) *The vote on this resolution is advisory only and does not bind the Directors or the Company.*
 - (2) *If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must stand for re-election.*
 - (3) *A vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's key management personnel (KMP), details of whose remuneration are included in the Remuneration Report and their closely related parties, whether as a shareholder or as a KMP's proxy. However a vote may be cast on Resolution 1 by a KMP, or closely related party of a KMP, if:*
 - *the vote is cast as a proxy;*
 - *the appointment is in writing and specifies how the proxy is to vote on Resolution 1; and*
 - *the vote is not cast on behalf of a KMP or a closely related party of a KMP.*

3 - Issue of shares to Managing Director, Mr Michael Buckland (Resolution 2)

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

"That for the purposes of Rule 10.14 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, shareholder approval is given for the issue of the following shares to Mr Michael Buckland, as part of his remuneration package and in accordance with his executive service agreement:

(i) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2011 financial year is equal to or exceeds the target price determined by the Directors (2011 Shares):

(ii) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2012 financial year is equal to or exceeds the target price determined by the Directors (2012 Shares):

(iii) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2013 financial year is equal to or exceeds the target price determined by the Directors (2013 Shares).

Voting exclusion statement

The Company will disregard any votes cast on Resolution 2 by the Directors and their associates. However, the Company will not disregard a vote if:

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

Notice of Annual General Meeting

3 – Re-election of Mr Peter Pursey as Director (Resolution 3)

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

"That Mr Peter Pursey, who voluntarily retires to enable the Company to comply with ASX Listing Rule 14.5 and, being eligible, has offered himself for re-election in accordance with the Company's constitution, is re-elected as a Director of the Company."

By order of the Board



Colin Anderson
Company Secretary

24 October 2011

Notice of Annual General Meeting

NOTES

1. For the purposes of Regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the voting entitlements for the purposes of the meeting will be based on the registered holdings as at 7.00pm (Sydney time) on 23 November 2011. Accordingly those persons will be entitled to attend and vote at the meeting.
2. You may vote by attending the meeting in person, by proxy, attorney or authorised representative.
3. A proxy form is enclosed with this notice. If an additional proxy form is required, the Company's share registry will supply it on request.
4. Each shareholder entitled to attend and vote at the meeting has the right to appoint a proxy. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then each proxy may exercise one-half of the votes. Fractions of votes will be disregarded. A proxy need not be a shareholder of the Company.
5. To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 48 hours before the meeting:
 - a) at its registered office at 173 Cobalt Street, Carole Park, Qld 4300;
 - b) by facsimile to its registered office on fax number +61 7 3271 3689; or
 - c) at its share registry, Advanced Share Registry Services:
150 Stirling Highway, Nedlands, WA, 6009
PO Box 1156, Nedlands, WA, 6909
or fax number +61 8 9389 7871
6. Proxies given by any corporate shareholder must be executed in accordance with its constitution, or under the hand of a duly authorised officer or attorney.
7. Any proxy form received after this deadline including at the meeting will be treated as invalid.
8. Except in relation to resolutions connected directly or indirectly with the remuneration of a member of the key management personnel of the Company, unless a shareholder specifically directs a proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting on this resolution.
9. Any undirected proxies held by the other directors or any other key management personnel or their closely related parties will not be voted on resolutions connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.
10. If a shareholder appoints the Chairman as the Shareholder's proxy in relation to any of Resolutions 1 and 2, but does not complete any of the boxes "For", "Against" or "Abstain" opposite that Resolution on the proxy form, that shareholder will be directing the Chairman to vote in favour of that Resolution. To appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on any Resolution, shareholders must specify this by completing the "Against" or "Abstain" boxes on the proxy form.
11. **Key management personnel** of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2011. Their closely related parties are defined in the *Corporations Act 2001*, and include certain members of their family, dependents and companies they control.

Explanatory Statement to Notice of Annual General Meeting

This statement has been prepared to assist members with their consideration of items of business proposed for the Company's annual general meeting ("AGM") to be held on Friday, 25 November 2011 at 10.30 am (AEDST).

Item 1 - Financial Reporting

As required by law, the financial report, Directors' report and Auditor's report are laid before the AGM. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. Members will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and content of the auditor's report. There is no requirement however for members to approve the reports.

Item 2 - Remuneration Report (Resolution 1)

The Corporations Act 2001 requires that a resolution be put to the members to adopt the remuneration report as disclosed in the Directors' report. The resolution gives the members the opportunity to ask questions or make comments concerning the remuneration report during the meeting.

The remuneration report:

- Discusses the Company's policy on remuneration of Directors and the link between remuneration and the Company's performance; and
- Details the remuneration arrangements in place for each Director.

Under Section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Company or its Directors.

However, under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on the resolution are voted against the adoption of the Remuneration Report at the AGM and then again at the 2012 Annual General Meeting, the Company will be required to put to shareholders a resolution at the 2012 Annual General Meeting proposing the calling of an extraordinary general meeting to consider the election of directors of the Company ("spill resolution").

If more than 50% of shareholders vote in favour of the spill resolution, the Company must convene the extraordinary general meeting ("spill meeting") within 90 days of the 2012 Annual General Meeting. All of the directors who were in office when the 2012 Directors' Report was considered at the 2012 Annual General Meeting, other than the Managing Director, will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting those persons whose election or re-election as directors is approved will be the director of the Company.

Noting that each director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

Item 3 – Approval of the issue of shares to Managing Director, Mr Michael Buckland (Resolution 2)

On 4 April 2011 the Executive Services Agreement ("Agreement") of Austin's Managing Director, Mr Michael Buckland, was extended to 1 July 2014. The Agreement includes an equity based remuneration component under which Mr Buckland is entitled to be issued the 2011 Shares, 2012 Shares, and 2013 Shares (collectively the "Shares") subject to the satisfaction of certain share price performance hurdles.

This equity based remuneration component of the Agreement is a continuation of the Managing Director's previous remuneration structure. A similar equity based remuneration component was approved by shareholders at the Company's 2008 AGM in respect of Mr Buckland's remuneration under the Agreement for the 2008, 2009 and 2010 financial years.

Subject to satisfaction of the share price performance hurdles, the Shares will be issued under the Company's Executive Share and Option Plan (the **Plan**) which was adopted by a resolution of the Board on 3 August 2006. The share price performance hurdles applicable to the proposed grants are set out below.

The Board considers that the issue of the Shares to Mr Buckland is reasonable remuneration taking into account his role, duties and responsibilities as Managing Director of the Company.

Remuneration Policy

The performance of a Company depends upon the quality of its Directors, The compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives. In deciding the remuneration and incentives of the Managing Director, the Board considered that there should be an appropriate mix of remuneration comprising cash and securities to link the remuneration of the Managing Director to the financial performance of the Company.

Explanatory Statement to Notice of Annual General Meeting

Item 3 – Approval of the issue of shares to Managing Director, Mr Michael Buckland (Resolution 2) (Cont'd)

Remuneration Policy

Equity-based incentives consistent with the Company's remuneration policy better aligns the Managing Director's performance with the Company's financial position. The Board also believes that an equity-based remuneration component helps it to attract and retain the best executives.

The Directors consider the remuneration policy to be a sensible and well-balanced policy which allows them to adjust the remuneration mix appropriately to the Company's changing circumstances.

Managing Director's remuneration

The Managing Director's remuneration package for the year ended 30 June 2011 (as detailed in the Remuneration Report included in the Directors' Report of the 2011 Annual Report) comprises:

| Short-Term Benefits | | | Post-Employment Benefits | Long-Term Benefits | Share Based Payments - Equity Settled | | Total | Total % Performance Related | Total % Options Related |
|---------------------|------------------|---------------------|--------------------------|--------------------------|---------------------------------------|---------------|-----------|-----------------------------|-------------------------|
| Salary & Fees \$ | Cash Bonus \$ | Motor Vehicle \$ | Super-annuation \$ | Long Service Leave \$ | Shares \$ | Options \$ | \$ | % | % |
| 514,998 | 372,000 | 32,040 | 46,350 | 17,192 | 236,000 | 78,750 | 1,297,330 | 47 | 6 |

Listing Rule Requirements

Listing Rule 10.14 provides that a listed company must not permit a director to acquire securities under an employee incentive scheme without the approval of shareholders.

Accordingly, the Company seeks shareholder approval under this resolution to issue the Shares provided that the relevant share price performance hurdles are satisfied, and Mr Buckland's employment has not been terminated under the Agreement due to incapacity, resignation, non-performance, misconduct, or removal as a director.

Share price performance requirements for the issue of the Shares

Mr Buckland will be entitled to be issued with a tranche of the Shares if the 20 Day VWAP for the period commencing immediately after the release of the Company's full year final audited financial statements for the financial year corresponding with that tranche, exceeds the Target Price. The Target Price is determined in accordance with the formula set out below and is based on a number of factors including forecast net profit after tax for the relevant financial year, industry price-earnings multiples and the number of shares on issue.

The Company will announce to ASX whether Mr Buckland is entitled to the 2011 Shares as soon as practicable after it determines whether the share price performance hurdle has been satisfied in respect of the 2011 Shares.

The table below summarises the share price performance hurdles that must be satisfied in each performance period before the Managing Director is entitled to each tranche of the Shares:

| Tranche | Number of shares granted | Performance period | Performance target |
|-------------|--------------------------|---------------------|--|
| 2011 Shares | 50,000 | 2011 financial year | The 20 Day volume weighted average share price ("VWAP"), commencing immediately after the release of the Company's full year final audited financial statements for the 2011 financial year, exceeds the Target Price. |
| 2012 Shares | 50,000 | 2012 financial year | The 20 Day VWAP, commencing immediately after the release of the Company's full year final audited financial statements for the 2012 financial year, exceeds the Target Price. |
| 2013 Shares | 50,000 | 2013 financial year | The 20 Day VWAP, commencing immediately after the release of the Company's full year final audited financial statements for the 2013 financial year, exceeds the Target Price. |
| TOTAL | 150,000 | | |

Explanatory Statement to Notice of Annual General Meeting

Item 3 – Approval of the issue of shares to Managing Director, Mr Michael Buckland (Resolution 2) (Cont'd)

Target Price

Target Price means the price determined in accordance with the following formula:

$$\text{Target Price} = \text{Forecast NPAT} \times 105\% \times \text{Multiple} \div \text{Shares on issue}$$

Where:

Forecast NPAT means the higher of:

- 115% of the budget NPAT adopted by the Board for the financial year preceding the date of calculation of the Target Price; or
- 115% of the actual NPAT of the Company as disclosed in the audited financial statements for the Financial Year preceding the date of calculation of the Target Price.

Multiple means the average price earnings multiple during the period from the date of lodgement of the Company's Appendix 4E – preliminary final report with ASX through to the end of VWAP period, of a group of peer companies based on the NPAT of those companies in their financial years preceding the date of calculation of the Target Price.

NPAT means net profit after tax

Shares on Issue means the total number of shares on issue as at the end of the Financial Year preceding the date of calculation of the Target Price.

Information required under Listing Rule 10.15A

As required by Rule 10.15A of the Listing Rules of the Australian Securities Exchange, the Company discloses the following:

- Mr Buckland is the Managing Director of the Company;
- the maximum number of Shares that may be acquired by Mr Buckland is 150,000 Shares. The actual number of Shares that will be issued is determined by reference to the performance requirements set out above;
- if Mr Buckland is eligible to receive the Shares, the Shares will be allotted and issued no later than 21 days after the applicability of the bonus has been determined;
- the issue of the Shares to Mr Buckland forms part of Mr Buckland's remuneration package and no consideration is payable for the Shares. The deemed issue price of the Shares will be nil;
- no other directors or their associates have received any securities under the Agreement or the Plan;
- no other Directors are entitled to receive securities under the Agreement. Each other Director is eligible to participate in the Plan, however no other Director has been invited to do so by the board;
- the Company will not provide Mr Buckland with any loan to acquire the Shares;
- details of any securities issued under the Agreement or the Plan will be published in each annual report of the Company relating to the period in which securities have been issued. The annual report will advise if approval for the issue of securities was obtained under Listing Rule 10.14 of the Listing Rules of the Australian Securities Exchange; and
- any additional persons who become entitled to securities under the Agreement or the Plan after this meeting and who are not named in this notice of meeting will not receive securities until approval is obtained under Listing Rule 10.14 of the Listing Rules of the Australian Securities Exchange.

The Directors (with Michael Buckland abstaining) recommend that shareholders vote in favour of this resolution.

Item 4 – Re-election of Mr Peter Pursey as Director (Resolution 3)

ASX Listing Rule 14.5 requires the Company to hold an election of Directors each year. In the current circumstances, the Company's constitution does not require any of the Directors to retire at the AGM. To enable compliance with ASX Listing Rule 14.5, Mr Pursey voluntarily retires at the close of this AGM.

In accordance with clause 3.5(b) of the Company's constitution, the Board recommends the appointment of Mr Pursey as a director.

Peter Pursey has been a Non-Executive Director of the Company since 2004, he has extensive experience as a company director of both listed and non-listed public companies in Australia and the USA.

Explanatory Statement to Notice of Annual General Meeting

Item 4 – Re-election of Mr Peter Pursey as Director (Resolution 3) (Cont'd)

He is experienced in executive management and currently provides corporate advisory and development services to emerging and growth companies, particularly in the areas of strategic planning, capital raising and project management.

Qualifications: AM, MBA, ACDSS, psc

Directorships held in other listed entities: Chairman of Redflow Limited (since July 2010)

Special responsibilities: Chairman of audit committee

The Directors (with Peter Pursey abstaining) recommend that shareholders vote in favour of this resolution.

Proxy Form

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

Step 1 - Appointment of Proxy

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

The Chairman of the Meeting (mark with an "X") **OR** Write here the name of your proxy if someone other than the Chairman of the Meeting

or failing the person named, or if no person is named, the **Chairman of the Meeting**, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held in the offices of **[BDO, Level 19, 2 Market Street, Sydney, NSW 2000]** on 25 November 2011 at 10:30am (Sydney time).

Important notice – appointment of the Chairman as your proxy

Where I/we have not marked any of the boxes opposite Resolutions 1 or 2, I/we hereby direct the Chairman to vote in favour of that Resolution and I/we expressly authorise the Chairman to exercise my/our proxy in respect of that Resolution, even though the Chairman is a member of the Company's key management personnel and that Resolution is connected directly or indirectly with the remuneration of the Company's key management personnel.

The Chairman intends to vote all undirected proxies in favour of each item of business.

If you appoint the Chairman as your proxy and you do not wish the Chairman to vote in favour of any Resolution, you may direct the Chairman to vote against that Resolution or abstain from voting on that Resolution by marking the appropriate box opposite that Resolution below.

Step 2 - Proxy Voting Instructions

If you wish to instruct your proxy how to vote, insert "X" in the appropriate box against each Resolution set out below. If you do not instruct your proxy how to vote on a Resolution, your proxy may vote as they think fit or abstain from voting. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

| | For | Against | Abstain |
|--|--------------------------|--------------------------|--------------------------|
| <i>Resolution 1 – Adopting the Remuneration Report</i> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>Resolution 2 – Issue of shares to Managing Director</i> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>Resolution 3 – Re-election of Director</i> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

Step 3 - Signature of Securityholders - This section must be completed

| | | |
|--|----------------------|----------------------------|
| Individual or first shareholder | Shareholder 2 | Shareholder 3 |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Sole Director and Sole Company Secretary | Director | Director/Company Secretary |

This section must be signed in accordance with the instructions overleaf to enable your directors to be implemented. In addition to signing the proxy form, please provide the information below in case we need to contact you.

Contact Name Contact Daytime Telephone Number

How to complete this Proxy Form

Your name and Address

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

2. Appointment of a Proxy

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

3. Voting on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such directions unless you indicate only a portion of your voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they chose (except as noted elsewhere in relation to resolutions directly or indirectly connected to the remuneration of the Company's key management personnel). If you mark more than one box against a Resolution your vote on that Resolution will be invalid. If you do not mark any of the boxes on a given resolution then, subject to the rest of the paragraph, your proxy may vote as he or she chooses. If you wish to appoint as your proxy a director of the Company (other than the chairman of the meeting) or other member of the key management personnel of the Company whose remuneration details are set out in the Remuneration Report, or their closely related parties, you should specify how they must vote on each of Resolutions 1 and 2 by completing the "For", "Against" or "Abstain" boxes on the proxy form. If you do not do that in relation to either of Resolutions 1 or 2, your proxy will not be able to exercise your vote on your behalf for that Resolution.

If you appoint the chairman of the meeting as your proxy in relation to any of Resolutions 1 and 2, but do not complete any of the boxes "For", "Against" or "Abstain" opposite that Resolution on the proxy form, you will be directing the chairman of the meeting to vote in favour of that Resolution. If you wish to appoint the chairman of the meeting as proxy with a direction to vote against, or to abstain from voting on any Resolution, you must specify this by completing the "Against" or "Abstain" boxes on the proxy form.

4. Appointment of a Second Proxy

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

To appoint a second proxy you must:

on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the Proxy Forms do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of your votes. Fractions of votes will be disregarded.

Return both forms together in the same envelope.

5. Signing Instructions

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

- Individual:** Where the holding is in one name, the holder must sign.
- Joint holding:** Where the holding is in more than one name, all of the shareholders must sign
- Power of attorney:** To sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company's share registry. If you have not previously lodged the Power of Attorney, please attach a notarially certified photocopy of it to this Proxy Form when you return it.
- Companies:** Where the company has a sole director who is also the company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a company secretary, a sole director can sign alone. Please indicate the office held by signing in the appropriate place. If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry (see address details below).

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the share registry address given below **not later than 48 hours before** the commencement of the meeting i.e. no later than 10.30am (Sydney time) on 23 November 2011. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Address of Company's Share Registry

Proxies can be delivered, mailed or faxed to:

Advanced Share Registry Ltd
150 Stirling Highway, Nedlands, Western Australia, 6009
PO Box 1156, Nedlands, Western Australia 6909
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871