

Austin Announces Equity Raising and Expansion into South America

Brisbane, 16 June 2009: Austin Engineering Limited (**Austin**) (ASX:ANG) today announces that it has successfully agreed to place 18 million new shares to institutional and sophisticated investors at \$1.45 per share to raise \$26 million (**Placement**). The Placement comprises the following two tranches:

- **Tranche 1:** Seven (7) million new shares being issued to raise \$10.2 million under Austin's 15% placement capacity (pursuant to ASX Listing Rule 7.1); and
- **Tranche 2:** Eleven (11) million new shares being issued to raise \$15.8 million subject to shareholder approval, the receipt of any other regulatory approvals required, and signing final contract documentation for the memorandum of understanding signed by Austin (refer below). The shareholder meeting will be held on or about Monday 27 July 2009 and a Notice of Meeting will be sent to shareholders in due course.

Certain of the Directors will participate in Tranche 2 of the Placement subject to the receipt of the requisite approvals.

Argonaut Securities Pty Limited and Southern Cross Equities Limited acted as Joint Lead Managers to the Placement.

The funds raised by the Placement will be used by Austin to acquire a leading Chilean steel dump truck body business for a cash consideration of US\$19.6 million (A\$24.8 million¹) (**Acquisition**) (refer below), and for costs of the transaction.

Austin will also offer its current shareholders with a registered address in either Australia or New Zealand (**'Eligible Shareholders'**), an opportunity to participate in a Share Purchase Plan (**SPP**). Eligible Shareholders will be entitled to subscribe for up to \$5,000 worth of new shares at \$1.45 per share. The SPP will be capped at a \$5 million raising, with any scale back to be undertaken on a pro rata basis. The record date for determining entitlement is 7.00pm AEST on 12 June 2009. A full timetable and set of documentation for the SPP will be issued in due course.

Chile Acquisition Overview and Highlights

Austin has entered into a non-binding memorandum of understanding (**MOU**) for the Acquisition, pending a binding agreement which is in the process of being completed. Overall completion of the Acquisition will be conditional upon the completion of due diligence by Austin, financing (to be satisfied by the Placement) and the signing of final contract documentation. The Acquisition is expected to be completed in the second part of July 2009.

Austin Chairman Mr Peter Fitch said "this acquisition and joint venture in South America (refer below) creates an excellent foundation for substantial growth within a large mining region. The transactions continue Austin's successful strategy of expanding its manufacturing presence into resources markets which provide a compelling opportunity to better service our global client base whilst continuing to deliver strong shareholder returns."

"The strong demand for the \$26 million placement shown by new and existing institutions is extremely pleasing and confirms the success of Austin's business model" he said.

Following significant analysis and business feasibility studies, Austin has entered into a non-binding MOU (pending a binding agreement which is in the process of being completed) to acquire the business and assets of the leading manufacturer and supplier of steel dump truck bodies in Chile. The Chilean business has a 36-year operating history and dominant market share of approximately 70% in the country.

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¹ Assuming a AUDUSD exchange rate of 0.79

Chile Acquisition Overview and Highlights (Cont'd)

The acquisition is an excellent fit offering complementary design and range of dump truck bodies to Austin's Westech brand and products. Its client base includes miners and OEMs well-known to Austin, with equipment needs very similar to Austin's existing product range. Long-term standing supply contracts exist with major regional miners including Codelco, BHP B, Anglo American, Xstrata and Antofagasta Minerals.

Over the past three years, the business has generated average EBITDA of US\$6.2 million at an average operating margin of 32%. For FY2008 (1 January to 31 December), the business generated EBITDA of US\$6.4 million at a margin of 34%.

The acquisition offers Austin a number of key benefits including:

- Proven profitable business with dominant market position
- Limited local competition and reliance on imported equipment
- Immediate earnings diversity and enhancement with FY2010 EBITDA expected to be at least US\$3.8 million (reflecting recent global economic conditions) before any contributions from the introduction of Austin's Westech and JEC product ranges into this market
- Strategic location in Antofagasta in Northern Chile, a major mining region with large volume and low cost operations
- Growth platform for which to manufacture and introduce Austin's Westech and JEC products into South America. The Chilean market alone has over 1,000 dump trucks at various stages of their operational life
- Low operational risk as the products manufactured for the region are essentially those already in Austin's product range and the costs of manufacture - principally steel and labour - are known and predictable
- Ability to leverage the Chilean business' existing industry contacts and relationships while better accessing and servicing major miners operating in this region

In addition to the foregoing, the legal, administrative and commercial environment in Chile is similar to those in our existing markets and the Chilean government has trade agreements in place with a number of countries, including Australia. Attractive government financial assistance packages are also available to establish and expand operations in the region.

Brazilian Joint Venture

Austin also announces its intention to form a 50:50 joint venture (**JV**) with a large, well-established and respected engineering company in Belo Horizonte, Brazil.

The JV will deliver access to excellent engineering and production facilities and the ability to manufacture mining products. The JV partner will undertake product manufacture on a sub-contract basis to the JV.

Austin believes the envisaged JV offers the following key benefits:

- JV structure will ensure upfront capital investment requirements are not significant with setup to commence shortly
- Relatively easy and quick setup of operations is possible after some reconfiguration of the JV partner's production facilities
- Entry into a large mining market with virtually no local competition capable of servicing customer needs from a design or delivery perspective. Substantial cost benefits from volume production are expected.
- Customers can be offered more price-competitive products as manufacture undertaken at a local level will avoid expensive (8% to 15%) import taxes being incurred by customers upon the import of equipment from overseas

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Brazilian Joint Venture (Cont'd)

- Low operational risk as the manufacture of products, which will be within Austin's product range, will be undertaken on a full subcontract basis by the JV partner
- EBIT earnings potential of around A\$0.8m (50% share) in the first year of operation representing an EBIT margin of around 23%. This earnings forecast does not include any contributions from the introduction of Austin's Westech and JEC product ranges.

As operations expand over time, the JV will consider the establishment of a separate production facility under which the JV will operate and undertake the manufacture of products. Like Chile, attractive government financial assistance packages are available to assist with the establishment and expansion of operations in Brazil.

Further Details

Further details of the Placement (including details of the timetable), the Chilean acquisition and the JV are contained in the Investor Presentation released to the ASX today, and which will be posted on Austin's website www.austineng.com.au.

Disclaimer

This press release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Austin and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Austin assumes no obligation to update such information.

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For further information contact Managing Director, Michael Buckland or Chief Financial Officer, Colin Anderson on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA and the Middle East. The Australian facilities manufacture, assemble and overhaul products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North and South American mining markets and is an industry-leading designer and manufacturer of specialised lightweight dump truck bodies. The Middle East operation principally services the aluminium smelter industries in the region. Austin also own rights to innovative welding processes which have been introduced to improve welding productivity, coupled with robotic applications to suit product lines, general fabrications and any repetitive production processes.