

## Austin Expands into Hunter Valley Coal Mining Region

**Brisbane, 22 October 2010:** The Directors of Austin Engineering Limited (ASX trading code: **ANG**) are pleased to announce the expansion of operations into the strategically important Hunter Valley coal mining region following the acquisition of the business and assets of Phillips Engineering Aus Pty Ltd.

### Acquisition of the Phillips Engineering Business

#### Highlights:

- Acquisition of Hunter Valley-based workshop and site-based mining equipment repair and maintenance business
- Phillips Engineering has operated successfully in the region for a number of years from its base in Muswellbrook
- Revenue of \$9.7m and EBIT of \$1.0m (unaudited) in FY10
- Debt-funded and immediately EPS accretive
- Purchase price for business represents approximately 4.5 times FY10 EBIT, plus land, stock and work-in-progress
- Establishment of a direct presence in the Hunter Valley region enables Austin to provide maintenance and backup support for its products and services
- The addition of the facility also gives Austin the ability to assemble and manufacture new products locally

Phillips Engineering is a company that specialises in the repair and maintenance of mobile mining equipment including excavator and loader buckets, dump truck bodies, water tanks and associated equipment. It also has site-based operations for the repair and maintenance of such equipment and coal handling and processing plants. Customers include some of the major miners in the Hunter Valley region as well as OEMs and mining contractors. Over the years, the business has experienced a growth in its customer and revenue base. More notable growth was realised in FY10 as a result of increased activity in the region and strengthened demand for the supply of quality mining equipment repair and engineering services.

The purchase price for the business is \$4.5m, which represents a purchase on an EBIT multiple of approximately 4.5 times FY10 EBIT. Allowances will also be paid for inventories and work-in-progress taken on at the date of acquisition less rebates for employee leave liabilities assumed. No earn-out will be payable on the acquisition of the business. In addition the land and buildings, comprising of a 1,600m<sup>2</sup> main workshop on a substantial site area covering almost 28,000m<sup>2</sup>, will be purchased for \$3.25m. This site is in a prime location adjacent or close to some of the region's largest mines and it offers significant development potential for further business expansion. The key management and employees will remain with the business, which will operate as Austin Engineering Hunter Valley. Settlement and completion of the purchase of the business and property is scheduled for the end of October 2010.

The acquisition will be funded by debt from existing bank facilities which means the acquisition is expected to be immediately EPS accretive.

Chairman Peter Fitch commented "The acquisition of the Phillips Engineering business is another important stage in the development of Austin's presence in the key mining regions across Australia. The Hunter Valley region is expected to grow substantially over the next twelve months with a number of major mining projects planned or in the approval stage and Austin has already submitted tenders or has quoted on a number of these projects. The establishment of operations in this region will position Austin as the only integrated manufacturer and service operator in the area for our product range, which will give Austin a strategic advantage over our competitors".

"We are confident that Austin can build on the success that has been enjoyed by the Phillips Engineering business over the years and that the business will continue to grow in the coming years. The combination of the well-positioned and equipped workshop facilities, together with the skills of the existing workforce, will be complemented by Austin's expertise, strengths and most importantly our product range. This will lead to improved and expanded service offerings for existing and potential new customers in the region".

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

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**About Austin Engineering:** Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America 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 Chile operation (Austin Engineering Chile) manufactures dump truck bodies and other mining products for the South American market. 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. Robotic welding systems are also used for product lines, general fabrications and repetitive production processes.