

Austin Expands into International Resources Market with \$US19m Westech Acquisition

Brisbane, 3 December 2007: Austin Engineering Limited (ASX trading code: **ANG**) today announced a major international expansion with the acquisition of U.S.-based Western Technology Services International Inc (Westech) for \$US19 million.

The purchase of the business, based in Casper, Wyoming in the U.S., includes \$US13.8 million of property, plant and equipment and other net assets. The purchase price is equivalent to a multiple of 3.2 times forecast earnings before interest and tax for financial 2007-08. It represents Austin's largest expansion since the company listed on the ASX in 2004.

Austin Chairman Peter Fitch said the Westech acquisition would provide Austin with an excellent platform to target the strong resources markets of North and South America and Canada. It also presented the opportunity to acquire the intellectual property behind Westech's design for market-leading lightweight off-highway dump truck bodies, which it licences to companies including Austin.

Established in 1938, Westech serves the resources sector in North and South America and Canada with products including dump truck bodies, cable reels and dragline and shovel buckets. It has forecast revenue of \$US36 million and earnings before interest and tax of \$US6 million for its financial year 2007-08 commencing on 1 November 2007.

Westech's lightweight body design is world leading technology, allowing trucks to carry more pay load and increase productivity - a strong attraction for major mine operators.

Mr Fitch said Westech's business was well understood by Austin as its model and operating structure were similar to that used by Austin's JEC Mining & Earthmoving division in Australia. It also has some processes and clients in common with Austin.

"The Westech acquisition represents a significant point in Austin's expansion and development," Mr Fitch said. "We now own both a robust and well established business in the world's biggest mining and resources market and the intellectual property to a world-recognised dump truck body design that is employed in all the major mining nations."

Westech's existing management has agreed to stay with the business, ensuring there is minimal disruption from the change in ownership.

"We expect that synergies between the businesses will lead to savings on the procurement of materials and will assist in expanding the product range of both companies," Mr Fitch said. "Significantly, the purchase will give us the opportunity to approach the major mining OEMs (Original Equipment Manufacturers) and mine operators around the world as a 'one-stop shop'.

"Another benefit is the expansion potential of the business in South America and Canada from leveraging our current mining products business model," he said.

Mr Fitch said Austin would fund the Westech deal from bank debt and existing cash resources. There are no plans to raise capital for this acquisition, which continues Austin's recent expansion through purchases including Austbore Pty Ltd and Kaldura Industries in Mackay.

Highlights

Mr Fitch said Westech was an extremely attractive purchase due to:

- A similar business model and structure to Austin's JEC mining products division
- An underlying business and market that is already known and understood by Austin
- The opportunity to purchase intellectual property that is already being licensed by Austin in Australia and Cainsa in Chile, with significant orders in hand

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Highlights (Cont'd)

- Strong conditions in its core markets of North and South America and Canada, which are operating at record levels
- Forecast EBIT of around \$US6 million for financial 2007-08 (current rate of exchange - USD0.885/AUD1.00)
- Property, equipment and other net assets of \$US13.8 million
- Excellent growth potential into Brazil and Canada by leveraging the existing Austin business model, and
- The ability to fund the purchase from bank debt financed in US Dollars in order to take advantage of favourable US interest rates

The Westech business

Westech was established in 1938 and its core capabilities include:

- Design and manufacture of off-highway dump truck bodies
- Design and manufacture of cable reels
- Manufacture of dragline and shovel buckets
- Fabrication for the oil and gas industries

For the 2007-08 financial year (commencing on 1 November 2007 and ending on 31 October 2008) it has budgeted EBIT of \$US6 million from two principal revenue sources:

- \$US3.5 million EBIT from the Casper manufacturing operations, and
- \$US2.5 million EBIT from royalties paid by Austin and Cainsa. This royalty EBIT contribution has already been largely secured from current orders in hand or orders that are in the process of being finalised.

Both Austin and Cainsa have signed licence agreements with Westech to use the Westech design to manufacture and sell stand-alone bodies on OEM trucks. Significant orders have already been received from OEMs and directly from the two largest producers of iron ore in the world.

Strategic advantages of acquisition

The acquisition of Westech not only continues Austin's expansion into the strong international resources market but represents a compelling opportunity to acquire a significant, market-leading intellectual property.

Westech is well positioned to grow internationally, nationally and locally.

The resources industries in North and South America and in Canada (mainly mining in tar sands regions) are, like Australia, experiencing high levels of activity and are expanding at record levels. Austin sees the opportunity to grow the existing Westech business by employing a growth and technology model similar to the one successfully used by Austin in Australia. This approach could yield opportunities including the development of additional facilities or licence agreements to service the Brazilian markets and the tar sands regions of Canada, one of the world's largest resources of oil.

From its base in Casper, Wyoming, Westech services the Powder River basin, which has a total of nine existing coal mines with seams up to 100 feet thick. Westech also supplies equipment to the Canadian tar sands region and other North American mines from the Casper base. Wyoming also has a significant amount of gas reserves and Westech is capable of supporting the development of these reserves by supplying fabricated parts for the industry.

Westech's existing facility has total land of 47.27 acres, of which 148,000 square feet houses buildings and offices. There are three large fabrication bays with craneage of up to 100 tonnes of lifting capacity. The premises also house a machine shop, with lathes and borers to service all machining operations in-house, and a painting facility.

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