

**AUSTIN ENGINEERING LTD**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<u>Results</u>				\$000
Revenues from ordinary activities	up	858%	to	15,533
Profit/(Loss)from ordinary activities after tax attributable to members	up	467%	to	676
Net Profit/(Loss)attributable to members	up	467%	to	676

**Dividends**

No decision has been made in relation to a dividend declaration for the year and an announcement on this will be made in due course.

**Explanation of Movements in Revenue and Net Profit/(Loss)**

The comparative financial data on which the percentage increases detailed above are based represents the activities of the Company in the year ended 30 June 2003. As the acquisition of the Austin Engineering business was only completed on 1 April 2003, the comparative financial data reflects the impact of Company's new steel fabrication and engineering operations only for the three-month period between April 2003 and June 2003. Accordingly, a comparison of the Company's operations and financial performance between the financial years ended 30 June 2004 and 30 June 2003 must recognise the differing nature and extent of the Company's operations in each of these years.

Comparative data for the financial year ended 30 June 2003 in relation to earnings per share and net tangible asset backing per ordinary share has not been disclosed as the Company was not listed on the Australian Stock Exchange and its issued and fully share capital consisted of 2 ordinary shares of \$1 each during this period.

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**COMMENTARY**

**Overview**

The 2003/2004 financial year marks the first full year under new management and the Company is now well underway with implementing its new operating strategies, including the introduction of new welding technology to enable it to secure large projects and the establishment of an operational base in Western Australia.

The Company de-merged from its former ultimate parent undertaking, West Australian Metals Ltd, in November 2003 and was admitted to the Official List of the Australian Stock Exchange on 4 March 2004. Official quotation of the Company's securities commenced on 9 March 2004.

**Result for the Financial Year**

Revenue for the year of \$15.53m was a significant increase over prior periods and was derived principally from the supply of fabricated steel products and associated services for a number of significant projects within the resources industry. The total order intake for the year was \$11.0m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year of \$1.14m, or 7.4% of revenue, were in line with internal forecasts for the first year of operation.

The profit from ordinary activities after income tax for the year was \$0.68m. The return on net assets (defined as profit before tax expressed in relation to the average annualised level of net assets after listing on the Australian Stock Exchange) was 23%.

**Net Assets and Cash Flow**

Net assets increased to \$3.91m by the end of the financial year, up from a net asset deficit of \$0.15m in the previous financial year, principally due to the capital raising process that was completed in March 2004 and the contribution from profitable operations during the year. The balance sheet at the end of the financial year had a strong cash balance position (\$1.75m) and only a minimal level (less than \$0.03m) of borrowings.

Cash inflow from operating activities for the financial year was \$1.11m, whilst the net cash inflows arising from the de-merger from West Australian Metals and the subsequent listing on the Australian Stock Exchange were \$0.97m. Total net cash inflows for the year were \$1.89m, compared to a net cash outflow of \$0.14m in the previous financial year.

**Research and Development and Capital Expenditure**

The Company expanded its programme for the development of advanced welding technology in order to capitalise on the productivity advantage of such technology and to establish a strong foundation for the future growth of the Company. Total expenditure on new welding technology during the year amounted to \$0.34m.

Capital expenditure for the year amounted to \$0.18m and consisted mainly of expenditure on robotic and narrow gap welding equipment.

**Business Development**

On 19 August 2004, the Company announced that it had acquired the John's Engineering business in Western Australia, thereby completing the strategy of having manufacturing facilities in both Queensland and Western Australia. The acquisition of the John's Engineering business is expected to be completed on 1 September 2004.

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**COMMENTARY**

**Business Development (Cont'd)**

The business of John's Engineering, which has been established for 40 years and manufactures products used in the resources industry, will operate as a separate business division of the Company and will, for the immediate future, continue to operate as John's Engineering.

The Company will also continue to actively tender for the supply of steelwork and associated products for a number of large resource-related projects which are in the process of being committed to or planned.

**AUSTIN ENGINEERING LTD**

**PRELIMINARY STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$000	2003 \$000
<b>Revenues from ordinary activities</b>	1	15,533	1,620
Raw materials and consumables expenses		(7,129)	(687)
Employment expenses		(5,399)	(733)
Subcontractor expenses		(378)	(4)
Occupancy and utility expenses		(659)	(78)
Depreciation and amortisation	2	(263)	(62)
Other expenses from ordinary activities		(785)	(234)
Borrowing expenses		(1)	(6)
<b>Profit/(loss) from ordinary activities before income tax expense</b>		<u>919</u>	<u>(184)</u>
Income tax expense relating to ordinary activities		<u>(243)</u>	<u>-</u>
<b>Profit/(loss) from ordinary activities after related income tax expense and net profit attributable to members of the Company</b>		<u><u>676</u></u>	<u><u>(184)</u></u>
<b>Basic earnings per share (cents)</b>	3	1.89	-
<b>Diluted earnings per share (cents)</b>	3	1.89	-

**AUSTIN ENGINEERING LTD**

**PRELIMINARY STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2004**

	Notes	2004 \$000	2003 \$000
<b>Current Assets</b>			
Cash assets		1,754	1
Receivables		2,776	1,478
Inventories		177	152
Other financial assets		204	193
<b>Total Current Assets</b>		<b><u>4,911</u></b>	<b><u>1,824</u></b>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,202	1,226
Intangible assets		790	845
<b>Total Non-Current Assets</b>		<b><u>1,992</u></b>	<b><u>2,071</u></b>
<b>Total Assets</b>		<b><u>6,903</u></b>	<b><u>3,895</u></b>
<b>Current Liabilities</b>			
Payables		2,494	3,704
Interest-bearing liabilities		11	138
Current tax liabilities		243	-
Provisions		229	200
<b>Total Current Liabilities</b>		<b><u>2,977</u></b>	<b><u>4,042</u></b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities		21	-
<b>Total Non-Current Liabilities</b>		<b><u>21</u></b>	<b><u>-</u></b>
<b>Total Liabilities</b>		<b><u>2,998</u></b>	<b><u>4,042</u></b>
<b>Net Assets/(Deficiency)</b>		<b><u>3,905</u></b>	<b><u>(147)</u></b>
<b>Equity</b>			
Contributed equity		3,376	-
Retained profits/(losses)	4	529	(147)
<b>Total Equity/(Deficiency)</b>		<b><u>3,905</u></b>	<b><u>(147)</u></b>
<b>Net tangible asset backing per ordinary share</b>		<b><u>\$0.09</u></b>	<b><u>-</u></b>

**AUSTIN ENGINEERING LTD**

**PRELIMINARY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$000	2003 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		15,490	412
Payments to suppliers and employees		(14,426)	(912)
Interest received		43	-
Borrowing costs		(1)	(6)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5</b>	<b><u>1,106</u></b>	<b><u>(506)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of business		-	(2,077)
Purchase of property, plant and equipment		(184)	(31)
Purchase of licences		(3)	-
Proceeds from sale of investments		3	-
Proceeds from sale of property, plant & equipment		2	-
<b>Net cash outflow from investing activities</b>		<b><u>(182)</u></b>	<b><u>(2,108)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,700	-
Proceeds from borrowings		36	2,477
Repayment of borrowings		(1,626)	-
Cost of issue of shares		(143)	-
<b>Net cash inflow from financing activities</b>		<b><u>967</u></b>	<b><u>2,477</u></b>
<b>Net increase/(decrease) in cash held</b>		<b><u>1,891</u></b>	<b><u>(137)</u></b>
Cash at the beginning of the financial year		(137)	-
<b>Cash at the end of the financial year</b>	<b>6</b>	<b><u>1,754</u></b>	<b><u>(137)</u></b>

**AUSTIN ENGINEERING LTD**

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>1. Revenue</b>		
Revenues from operating activities:		
Steelwork fabrication activities, within Australia	15,470	1,614
Revenues from non-operating activities:		
Rental revenue	19	5
Interest received	43	-
Other revenue	1	1
	63	6
	<b>15,533</b>	<b>1,620</b>
<b>2. Depreciation and amortisation</b>		
Depreciation of plant and equipment	205	48
Amortisation of intangible assets	58	14
	<b>263</b>	<b>62</b>
<b>3. Earnings per share (EPS)</b>		
Weighted average number or ordinary shares used in calculating basic earnings per share	<b>35,705,740</b>	-
Weighted average number or ordinary shares used in calculating diluted earnings per share	<b>35,714,730</b>	-
<b>4. Retained profits/(losses)</b>		
Retained profits/(losses) at the beginning of the financial year	(147)	37
Net profit/(loss) attributable to members of the Company	676	(184)
	<b>529</b>	<b>(147)</b>
<b>5. Reconciliation of cash flow from operations with profit from ordinary activities after tax</b>		
Profit/(loss) from ordinary activities after income tax	676	(184)
Adjustment for non-cash items:		
Amortisation of intangible assets	58	14
Depreciation	205	48
Gain on sale of disposal of investments	(2)	-
Changes in assets and liabilities:		
(Increase) in trade debtors	(1,298)	(1,477)
(Increase) in inventories	(25)	(122)
(Increase) in prepayments and other assets	(11)	(142)
Increase in trade creditors and accruals	1,231	1,262
Increase in income taxes payable	243	-
Increase in provisions	29	95
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,106</b>	<b>(506)</b>
<b>6. Reconciliation of cash</b>		
Cash on hand and in bank	1,754	1
Bank overdraft	-	(138)
	<b>1,754</b>	<b>(137)</b>

**AUSTIN ENGINEERING LTD**

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**7. Events occurring after reporting date**

Acquisition of John's Engineering:

On 17 August 2004 the Company entered into a contract to acquire the business of John's Engineering in Western Australia.

The price for John's Engineering is \$6.9m, plus allowances for inventory and stock and less rebates for employee leave liabilities assumed. The purchase price includes the land, buildings, plant and equipment. Goodwill arising on the acquisition of the business will be minimal.

The purchase price will be funded principally from cash resources and bank facilities. Of the total purchase price, \$0.52m is deferred and payable no later than 28 October 2004. No interest is payable on this deferred payment.

A separate amount of \$0.375m is also deferred until one year after completion. Until this date, the seller can convert the deferred payment into fully paid ordinary shares at a conversion price of 50 cents per share, being 750,000 shares. Interest on this deferred payment is payable at 7% per year quarterly in arrears until it is paid in cash or converted into shares. Austin Engineering's agreement to allow this deferred payment to be convertible into shares at the election of the seller does not require shareholder approval.

The acquisition of John's Engineering is expected to be completed on 1 September 2004.

Programme for the sale of unmarketable parcels of shares:

On 14 June 2004, the Company wrote to all shareholders identified as having an Unmarketable Parcel of Shares as at 11 June 2004. These shareholders were then given the opportunity to elect to keep their Unmarketable Parcels, providing that completed notices of election were submitted to the Company's share registry by 30 July 2004.

The sale of the shares identified as forming Unmarketable Parcels at 30 July 2004, and for which notices of election to retain the shares had not been received, was completed on 19 August 2004. The price obtained for the sale of the shares was 31.5 cents per share. The process for the remittance of the proceeds of the sale of the shares to affected shareholders commenced on 27 August 2004.

**8. Dividend or distribution reinvestment plans**

There were no plans in operations during the period.

**9. Control of entities and associates and joint ventures**

During the period, the Company did not gain or lose control over any entity and it did not enter into any joint ventures or enter into arrangements with any associates.

**10. Compliance statement**

This preliminary final report is based on financial statements that are in the process of being audited.