

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

<u>Results</u>	<u>Half Year To 31 December 2004</u>		<u>Half Year To 31 December 2003</u>
Revenues from ordinary activities	15,113,255	up 103% from	7,446,687
Profit from ordinary activities after tax attributable to members	286,019	down 7% from	308,395
Net Profit attributable to members	286,019	down 7% from	308,395

Brief Explanation of Movements in Revenue and Net Profit

The comparative financial data for the half-year ended 31 December 2003, on which the volume and percentage movements detailed above are based, represents the activities of the company in the period prior to listing on the ASX in March 2004. Accordingly, a comparison of the company's operations, financial structure and financial performance between the current and previous corresponding half-year periods must recognise the differing nature and extent of the company's operations and financial structure in each of these periods. In particular, the company's corporate structure in the half-year ended 31 December 2003 substantially reflects operations as a proprietary limited company, as a subsidiary of West Australian Metals Ltd, and the cost structure and expenses incurred in this period do not include any statutory, compliance or operating costs associated with the company's status as an ASX-listed entity, which only commenced in March 2004.

Revenue for the six months to 31 December 2004, and the increase over the corresponding previous half-year, reflects the contribution from the business of John's Engineering, which was acquired on 1 September 2004.

Profit after tax for the half-year ended 31 December 2004 reflects the appropriate provision for income tax on profits arising in the period. Profit after tax for the corresponding previous period reflected a nil tax charge, due to (at that time) the uncertain extent of tax losses available to be utilised following the de-merger from West Australian Metals Ltd. The tax charge for the full financial year ended 30 June 2004, as reported in the company's annual report, was \$243,289, of which a portion could be attributed to the profit arising in the period ended 31 December 2003.

Dividends and Dividend Reinvestment Plans

The company has not declared an interim dividend for the current period or paid any dividends in respect of prior periods. There were no dividend reinvestment plans in operation during the period.

Net Tangible Assets per Security

	<u>Half Year to 31 December 2004</u>	<u>Half Year To 31 December 2003</u>
Net tangible asset backing per ordinary security (cents)	12.6	-

Control Gained Over Entities Having a Material Effect

The company purchased the business of John's Engineering and Cranes, an established engineering business based in Perth, Western Australia, on 1 September 2004. During the period, John's Engineering contributed revenue of \$8,532,482 to the overall company's operations.

Associates or Joint Ventures

The company has no interest in any associates or joint ventures.

Audit

The financial statements are not subject to audit dispute or qualification. This report is based on financial statements that have been reviewed. A copy of the reviewed half-year financial statements is attached.

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

DIRECTORS' REPORT

The Directors present their report, together with the financial report for the half-year ended 31 December 2004 and the review report thereon.

Directors

The Directors of the company who held office during, or since the end of the half-year, are:

Mr Peter George Fitch (Non-Executive Chairman)
Mr Michael Douglas Buckland (Managing Director)
Mr Eugene Fung (Non-Executive Director)
Mr Peter Louis Pursey (Non-Executive Director)

Review of Operations

During the half-year, the company generated revenue growth of 103% to \$15.11million, from \$7.45million for the half-year to 31 December 2003.

The company's profits in the half-year were significantly impacted by the delay in commencement of a project in the Queensland operation, which resulted in a marked reduction in the level of productive activity and resultant recovery of operating costs and profit recognition for the period ended 31 December 2004. The Western Australian operation, Johns Engineering, performed at levels above internal financial and operational forecasts for the four months to December 2004.

EBIT for the company increased by 60% to \$0.50million, up from \$0.30million for the half-year ended 31 December 2003. Profit after tax of \$0.29million was down 7% from the previous half-year. It should be noted, however, that the profit after tax for the previous half-year period reflected a nil tax charge, due to the uncertain extent of tax losses available to be utilised following the de-merger from West Australian Metals Ltd. The tax charge for the full financial year ended 30 June 2004, as reported in the company's annual report, was \$0.24million, of which a portion could be attributed to the profit arising in the period ended 31 December 2003. In addition, the results for the half-year ended 31 December 2003 only reflected corporate cost structures associated with the company existing as a proprietary limited company. The results for the half-year ended 31 December 2004 include the appropriate level of corporate, compliance and operating costs associated with the company's status as an ASX-listed company.

The company is continuing its practise of expensing all costs in relation to the development of new welding technology, which amounted to \$0.18million in the half-year ended 31 December 2004.

Cash provided from operations in the half-year was \$2.97million, compared to \$1.35million for the half-year ended 31 December 2003. Substantially all of the company's surplus cash resources at 31 December 2004 were offset against bank borrowing facilities (which arose as part of the funding arrangements for the acquisition of John's Engineering) in order to reduce overall interest financing costs.

Net assets have risen to \$5.79m at 31 December 2004, compared to \$0.98m at 31 December 2003, reflecting the capital raising process completed by the listing of the company on the ASX in March 2004, the additional capital raising completed in October 2004 and profits generated in the period. Total assets have risen from \$5.31m at 31 December 2003 to \$17.55m at 31 December 2004, reflecting the capital raising processes and profit contributions detailed previously, as well as the acquisition of John's Engineering in September 2004.

Western Australia Operations:

As stated above, the overall result for the half-year contained only four months of revenue and profit contribution from the John's Engineering operation, which was acquired on 1 September 2004. In the opinion of the Directors, the levels of revenue and profit contribution are deemed to be very satisfactory, and reinforce the Director's belief that the business offers significant potential for growth. A number of management changes have been completed and the introduction of the new robotic welding automation process is on schedule and is targeted to be completed by April 2005.

Forward work-loading for the business is continuing to grow with current orders ensuring good capacity utilisation until June 2005.

Queensland Operations:

The Queensland operation was disadvantaged by the delayed commencement of the Caltex Clean Fuels project for Lytton and Kurnell. The project was scheduled for commencement in October 2004 however, due to the delayed receipt of technical information after the award of the contract, over eight weeks worth of productive activity and recovery of operating costs was lost in the period to 31 December 2004.

Production continued on Ludowici projects and the operation received the first orders for Johns Engineering products, including tray bodies and excavator buckets. This product line will continue to grow and it will provide excellent base work-loading for the future.

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)
HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

DIRECTORS' REPORT

Review of Operations (Cont'd):

Queensland Operations:

Recent orders received have resulted in the Queensland operation having a very strong order book for the second half of the current financial year. Existing projects and current tendering activity have the potential for ensuring a high level of productive capacity utilisation until October and November 2005.

Marketing of New Technology:

The company is continuing to tender for a number of major projects outside Australia that could benefit from the utilisation of the company's advanced technology and it is confident of success in the near future, particularly with narrow gap welding on site-specific welds.

Capital Raising

On 5 October 2004, the company completed a placement of 4.1million fully paid ordinary shares at 41 cents per share, which raised around \$1.6m, after capital raising costs.

Outlook

Forecasts for the second half of the financial year are very strong, with the company receiving good orders for both operations. It is expected that forecast EBIT for the second half will be in excess of \$1.5 million.

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

Our auditors have provided the Board of Directors with a signed Independence Declaration in accordance with Section 307C of the Corporations Act 2001. This declaration is included in page 9 of this half-year report.

Signed in accordance with a resolution of the Directors.



Michael D Buckland
Managing Director

Brisbane
18 February 2005

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	<u>Note</u>	Half Year Ended 31 December <u>2004</u> \$	Full Year Ended 30 June <u>2004</u> \$	Half Year Ended 31 December <u>2003</u> \$
Revenues from ordinary activities		15,113,255	15,533,234	7,446,687
Raw materials and consumables expenses		(7,955,465)	(7,129,442)	(3,436,299)
Employment expenses		(4,523,858)	(5,399,015)	(2,618,427)
Subcontractor expenses		(610,274)	(377,998)	(246,366)
Occupancy and utility expenses		(400,308)	(658,590)	(332,019)
Depreciation and amortisation expenses		(278,326)	(263,324)	(125,812)
Borrowing expenses		(135,846)	(1,380)	-
Other expenses from ordinary activities		<u>(811,454)</u>	<u>(783,962)</u>	<u>(379,369)</u>
Profit from ordinary activities before income tax expense		397,724	919,523	308,395
Income tax expense relating to ordinary activities		<u>(111,705)</u>	<u>(243,289)</u>	-
Profit from ordinary activities after related income tax expense and net profit attributable to members of the Company		<u>286,019</u>	<u>676,234</u>	<u>308,395</u>
Basic earnings per share (cents per share)	4	0.80	1.89	-
Diluted earnings per share (cents per share)	4	0.77	1.89	-

The accompanying notes form an integral part of the Condensed Statement of Financial Performance.

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)

CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Note	At 31 December 2004 \$	At 30 June 2004 \$	At 31 December 2003 \$
Current Assets				
Cash assets		15,155	1,754,070	1,045,671
Receivables		4,358,672	2,775,576	2,000,806
Inventories		3,084,539	176,933	30,000
Other		372,544	204,560	206,570
Total Current Assets		<u>7,830,910</u>	<u>4,911,139</u>	<u>3,283,047</u>
Non-Current Assets				
Property, plant and equipment		8,961,798	1,202,673	1,207,270
Intangible assets		760,795	790,095	819,394
Total Non-Current Assets		<u>9,722,593</u>	<u>1,992,768</u>	<u>2,026,664</u>
Total Assets		<u>17,553,503</u>	<u>6,903,907</u>	<u>5,309,711</u>
Current Liabilities				
Payables		7,651,259	2,494,340	3,508,637
Interest-bearing liabilities		1,070,459	10,702	-
Other		-	-	582,411
Current tax liabilities		354,994	243,289	-
Provisions		672,387	229,247	238,060
Total Current Liabilities		<u>9,749,099</u>	<u>2,977,578</u>	<u>4,329,108</u>
Non-Current Liabilities				
Interest-bearing liabilities		2,015,982	21,333	-
Total Non-Current Liabilities		<u>2,015,982</u>	<u>21,333</u>	<u>-</u>
Total Liabilities		<u>11,765,081</u>	<u>2,998,911</u>	<u>4,329,108</u>
Net Assets		<u>5,788,422</u>	<u>3,904,996</u>	<u>980,603</u>
Equity				
Contributed equity	2	4,973,354	3,375,947	819,394
Retained profits/(losses)		815,068	529,049	161,209
Total Equity		<u>5,788,422</u>	<u>3,904,996</u>	<u>980,603</u>

The accompanying notes form an integral part of the Condensed Statement of Financial Position.

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	<u>Note</u>	Half Year Ended 31 December <u>2004</u> \$	Full Year Ended 30 June <u>2004</u> \$	Half Year Ended 31 December <u>2003</u> \$
Cash flows from operating activities				
Receipts from customers		13,923,786	15,491,395	7,861,023
Payments to suppliers and employees		(10,925,518)	(14,425,739)	(6,512,935)
Interest received		34,180	43,099	5,966
Borrowing costs		(66,910)	(1,380)	-
Net cash provided by operating activities		<u>2,965,538</u>	<u>1,107,375</u>	<u>1,354,054</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(506,399)	(183,835)	(80,531)
Purchase of licences		-	(3,000)	-
Proceeds from sale of investments		-	2,603	-
Proceeds from sale of plant and equipment		-	2,272	-
Purchase of business		(8,438,519)	-	-
Net cash used in investing activities		<u>(8,944,918)</u>	<u>(181,960)</u>	<u>(80,531)</u>
Cash flows from financing activities				
Proceeds from issue of shares		1,681,000	2,700,000	-
Proceeds from borrowings		5,464,584	35,603	-
Repayments of borrowings		(2,825,352)	(1,625,649)	(90,000)
Cost of issue of shares and public listing		(83,593)	(143,447)	-
Net cash provided by financing activities		<u>4,236,639</u>	<u>966,507</u>	<u>1,183,523</u>
Net increase/(decrease) in cash held		<u>(1,742,741)</u>	<u>1,891,922</u>	<u>1,183,523</u>
Cash held at the beginning of the period		<u>1,754,070</u>	<u>(137,852)</u>	<u>(137,852)</u>
Cash at the end of the period	3	<u>11,329</u>	<u>1,754,070</u>	<u>1,045,671</u>

The accompanying notes form an integral part of the Condensed Statement of Cash Flow.

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

Note 1: Basis of Preparation of Half Year Financial Statements

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year report does not include all notes of the type normally included within the annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by the company during the half-year to 31 December 2004 in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules. The accounting policies have been consistently applied by the company and are consistent with those disclosed in the financial report for the year ended 30 June 2004.

Note 2: Contributed Equity

a) Issued and paid-up capital:

	<u>At 31 December 2004</u>	<u>At 30 June 2004</u>	<u>At 31 December 2003</u>
	No.	No.	No.
Ordinary shares fully paid	<u>39,805,740</u>	<u>35,705,740</u>	<u>22,205,740</u>

b) Movements in shares on issue:

	No.	\$
Opening balance at 1 July 2003	2	2
Issue of 22,205,738 ordinary shares on 12 December 2003	<u>22,205,738</u>	<u>819,392</u>
Balance at 31 December 2003	22,205,740	819,394
Issue of 13,500,000 ordinary shares on 8 March 2004	13,500,000	2,700,000
Transaction costs relating to share issue and public listing	-	<u>(143,447)</u>
Balance at 30 June 2004	35,705,740	3,375,947
Issue of 4,100,000 ordinary shares on 5 October 2004	4,100,000	1,681,000
Transaction costs relating to share issue	-	<u>(83,593)</u>
Balance at 31 December 2004	39,805,740	4,973,354

Note 3: Cash at the end of the period

	<u>At 31 December 2004</u>	<u>At 30 June 2004</u>	<u>At 31 December 2003</u>
	\$	\$	\$
Bank overdraft	(3,826)	-	-
Cash at bank and in hand	<u>15,155</u>	<u>1,754,070</u>	<u>1,045,671</u>
	<u>11,329</u>	<u>1,754,070</u>	<u>1,045,671</u>

Surplus cash balances of \$2,818,769 at 31 December 2004 were offset against a bank bill business loan, included under current interest-bearing liabilities, in order to minimise interest costs in the period.

Note 4: Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	<u>Half Year Ended 31 December 2004</u>	<u>Full Year Ended 30 June 2004</u>	<u>Half Year Ended 31 December 2003</u>
	\$	\$	\$
Earnings used in the basic earnings per share calculation	<u>286,019</u>	<u>676,234</u>	-
Earnings used in the diluted earnings per share Calculation	<u>292,161</u>	<u>676,234</u>	-
	No.	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	37,666,610	35,705,740	-
Effect of dilutive securities:			
Share options	164,210	8,990	-
Convertible notes	<u>248,641</u>	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>38,079,461</u>	<u>35,714,730</u>	-
Basic earnings per share (cents)	<u>0.80</u>	<u>1.89</u>	-
Diluted earnings per share (cents)	<u>0.77</u>	<u>1.89</u>	-

AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 5: Segment information

The company derives its revenue by providing fabrication facilities to manufacture structural steel, piping and mineral processing equipment servicing the mining, oil, gas and industrial sectors as well as by manufacturing products, including dump truck bodies, excavator buckets and equipment used in the resources industry, principally in Australia.

Note 6: Dividends

No dividends have been declared or paid.

Note 7: Contingent liabilities and contingent assets

On 8 December 2004 the company filed proceedings in the Queensland District Court against West Australian Metals Ltd in relation to the recovery from West Australian Metals Ltd of overpaid costs associated with the listing of Austin Engineering Ltd on the ASX in March 2004. Proceedings are presently ongoing. Having regard to the uncertainty of the eventual outcome of these proceedings, no asset representing the potential value of the recovery from West Australian Metals Ltd has been recognised in the financial statements at 31 December 2004.

Note 8: Events subsequent to reporting date

There has not been any material event subsequent to the end of the interim period and the date of this report that has not been recognised in the interim financial statements.

Note 9: International financial reporting standards (IFRS)

The company's management, supported by the Audit Committee and the Board and the company's Auditor, are managing and monitoring the transition to IFRS reporting. The adoption of the Australian equivalents to IFRS will be first reflected in the company's financial statements for the half-year ending 31 December 2005 and the year ended 30 June 2006.

A comprehensive review of the impact of IFRS is continuing to ensure that the company is well-positioned to implement the changes that arise as a result of IFRS. Potential changes to existing accounting policies that have been identified to date include the following:

- Under AASB 112 *Income Tax*, income tax will be calculated based on the 'balance sheet' approach, which may result in more deferred tax assets and liabilities and, as tax effects follow the underlying transactions, some minor tax effects will be recognised in equity.
- Under AASB 3 *Business Combinations*, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. The current accounting policy of the company is to amortise goodwill on a straight-line basis over the period in which the benefits are expected to arise.
- Under AASB 2 *Share-Based Payment*, equity-based compensation vesting after 1 January 2005 will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.
- Under AASB 139 *Financial Instruments: Recognition and Measurement*, many financial assets and liabilities will be carried at amortised cost and discounted using the effective interest rate. This may result in a change to the current accounting policy under which financial receivables and liabilities are not discounted. The potential impact of this change in accounting policy will be a reduction to the financial asset or liability's carrying value in the Statement of Financial Position with a corresponding expense or benefit recognised in the Statement of Financial Performance.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet and some decisions have not been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the company's financial position and reported results.

**AUSTIN ENGINEERING LTD
(ABN 60 078 480 136)**

**HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004
DIRECTORS' DECLARATION**

In the opinion of the Directors of Austin Engineering Ltd:

1. The financial statements and notes thereto set out in pages 2 to 7 are in accordance with the Corporations Act 2001 and:
 - a) Give a true and fair view of the financial position of the company at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - b) Comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Michael D Buckland
Managing Director**

**Brisbane
18 February 2005**



Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swan2000@bigpond.com

18 February 2005

The Directors
Austin Engineering Ltd
173 Cobalt St
Carole Park QLD 4300

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the Act) I hereby declare that to the best of my knowledge and belief there have been:

- i. no contraventions of the auditor independence requirements of the Act in relation to the review of the 31 December 2004 half yearly financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Graham R Swan
Lead Auditor

ROTHSAY

Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swart2000@bigpond.com

Independent Review Report to the Members of Austin Engineering Ltd

Scope

We have reviewed the financial report of Austin Engineering Ltd for the half-year ended 31 December 2004. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" issued in Australia and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Engineering Ltd is not in accordance with:

- (a) the Corporations Act 2001, including
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2004 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB1029 "Interim Financial Reporting" and Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Rothsay

Graham R Swan

Dated this 18th day of February 2005



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).