

Sale and Leaseback of Queensland and WA facilities

Brisbane, 22 August 2005: Austin Engineering Limited (ASX Trading code: **ANG**) today announced that it had signed a Heads of Agreement with a Brisbane-based property investment company for the sale and leaseback of both of its manufacturing premises in Queensland and Western Australia for \$14.4 million.

The sale is expected to result in a pre-tax capital gain of approximately \$3.9m, which will be included in the company's profit and loss result for 2005/2006.

The proceeds from the sale of the properties will be used by the Company to repay existing debt associated with the purchase of the John's Engineering business and property in September 2004 and the Queensland property in March 2005. The sale transaction will, after repayment of existing debt, generate approximately \$4.5m of cash before tax.

The company will lease back both premises for a term of 15 years, with two options to renew each for 5 years. The net rental for the two properties in the first year will be \$1.067 million. The additional rent expense is expected to be largely offset by interest and tax savings from the retirement of debt.

The new owner has agreed to fund the cost of proposed extensions to the Queensland facility in return for a rental increase on completion of the extensions of 8% per year of the cost of the works. The company has previously announced an expansion of its existing Queensland facility in the current financial year which will add 1,600 square metres of manufacturing capability.

The sale and leaseback is subject to signing formal contracts and satisfactory due diligence by the purchaser. If it proceeds, formal contracts are expected to be signed in early September and completed by the end of September 2005.

Commenting on the transaction, Chairman Peter Fitch said "The sale of the properties will put the Company in a strong financial position. On completion, the Company's debt position will consist only of obligations under existing equipment finance lease arrangements."

"In addition, the surplus cash generated by the sale can be used for further investment in existing operations and will also enable the company to closely consider further acquisitions in related industries", Mr Fitch said.

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For further information, contact Michael Buckland on 07 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Brisbane and Perth. The Brisbane facility provides fabrication facilities servicing the mining, oil, gas and industrial sectors. Key product lines include structural steel, piping, mineral processing equipment, potshells and superstructures. The Perth facility designs and manufactures products used in the resources industry including dump truck bodies, excavator buckets, materials handling equipment and large service vehicles. Austin own rights to innovative welding processes which are being introduced to improve welding productivity, coupled with robotic applications to suit product lines, general fabrications and any repetitive production processes.