

Austin/STS joint venture wins Sohar Aluminium Smelter contract

Brisbane, 10 March 2006: Austin Engineering announced today that the Austin/STS joint venture had won a US\$11.1m contract for the supply of busbar for the first potline to be built at the Sohar Aluminium smelter in Oman.

Under the contract, the client has agreed to supply the joint venture as free issue US\$35 million of raw material, significantly reducing the joint venture's working capital requirements. This is a significant benefit because a contract of this nature would normally require the supplier to acquire raw material using its own financial resources.

Austin's share of the total revenue from the Sohar contract is expected to be in the order of US\$5.5 million and have a before tax net profit margin of 15%. The contract is expected to contribute to earnings evenly over the 2006/7 and 2007/8 financial years. The joint venture is entitled under the contract to make regular progress claims during the contract delivery period.

Austin's share of the capital required for the project is US\$550,000. 50% of the total capital (US\$1.1m) has been costed to the project with the total amount required funded through cash flow.

The contract was won against experienced international competition. Austin's advanced welding technology was a key element of the successful bid.

Austin's Chairman Mr Peter Fitch said that "winning this important overseas project against international competition indicates the high level acceptance of our robotic welding technology and an endorsement of our capabilities on a world stage. It also puts us in a strong position to tender successfully for future opportunities to supply international smelter projects".

The Austin/STS joint venture is a 50/50 joint venture with a leading Omani construction and fabrication company, Special Technical Services, LLC ("STS"). STS is well known in the Gulf States as a quality contractor within the oil and gas industry.

Austin and STS announced in March 05 that it had signed a Heads of Agreement to form a joint venture to bid for the Sohar contract. Following the award of the contract, the joint venture will now be formalised.

STS will provide the base workforce for the project (118 personnel) as well as workshop and other facilities very near the smelter site. Austin will provide experienced management who have completed previous bus bar contracts and specialist staff to establish and apply its automated welding technology.

Beyond the Sohar contract, Austin and STS have agreed to build on its experience and use the new joint venture and Austin's advanced welding technology to bid for other contracts.

Mr Fitch said, 'We are optimistic that there will be further opportunities to supply the Sohar Aluminium smelter project on the first potline and the second potline, as well as other projects in the Gulf States and globally. Winning this contract allows us to set up facilities at the smelter site which will be advantageous for any follow on opportunities'.

Sohar Aluminium is initially constructing a single potline in the Sohar smelter with a follow on second potline planned. A smelter is made up of one or more potlines containing many smelting pots connected by aluminium busbars which carry the current required for the smelting process. 360 pots are planned in the first line.

The project will commence immediately and initially provides for the fabrication and supply of 360 sets of aluminium busbar, with the first prototype due by October 06 and a planned completion date of February 08.

Mr Fitch said, 'I am pleased that the overall corporate strategy that we advised to shareholders at the last AGM is on track. We have delivered on a major part of that strategy, namely a contract to supply an international smelter project using our advanced welding technology. This will improve the quality of the company's earnings by contributing a stable and regular revenue stream. By entering into sale and leaseback arrangements on our properties, we have released cash into the business and are now well positioned to deliver on our other strategies for organic growth and new acquisitions.'

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For further information, contact Michael Buckland or Johan Andersson 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.