

ACQUISITION OF AUSTBORE

Austin Engineering on Track with Growth and Acquisition Strategy

Brisbane, 2 April 2007: Austin Engineering Limited (ASX Trading code: **ANG**) today announced that it had entered into an agreement to acquire Aust Bore Pty Ltd (Austbore) in Mackay, Queensland. The acquisition is expected to be completed later today.

Highlights

Highlights of the acquisition include:

- Expected full year EBIT for 2006/07 of \$3.2m;
- Purchase price \$10.3m plus inventory and work in progress, plus \$0.5m if Austbore achieves an agreed EBIT target in 2007/08;
- Price (including earn-out) represents an earnings multiple of 3.4 times EBIT;
- Access to a potential major new client for Austin's range of products and services;
- Diversification into complementary business in buoyant regional area;
- Synergies with existing Mackay-based fabrication business (Kaldura Industries); and
- Funded by bank debt and Austin's existing cash resources.

The Austbore Business

Austbore was established in 1991 and its core capabilities include:

- General machining services (e.g. precision metal boring);
- The overhaul and associated manufacture of parts for shovels, track frames and other equipment used in the mining and resources sector; and
- A mobile line boring service to the industry.

Austbore's audited revenue for the 2005/06 financial year was \$10.9 million with an audited EBIT of \$2.9m. Based on the unaudited management accounts to the end of February 2007, Austbore is expecting to achieve full year 2006/07 revenue of around \$12m and EBIT of approximately \$3.2m.

Austbore's major client is one of the largest mines in the world located in Indonesia. Currently Austin Engineering has no presence with this customer. The purchase of Austbore will allow the company to present its full range of products and capabilities to this customer. Austbore's other clients include major mining and OEM equipment suppliers in both Australia and Indonesia, some of whom are existing customers of Austin Engineering.

Strategic Advantages of Acquisition

The acquisition of Austbore continues Austin Engineering's expansion and diversification strategy of providing a one-stop shop with facilities located in key regional areas that service the mining and resources industry.

Austin Engineering can now offer, from its Mackay-based facilities at Kaldura Industries and Austbore, fabrication services and complementary maintenance, repair and machining services. This is in addition to the services that it can provide from its existing facilities in Brisbane and Perth.

The Mackay area services the majority of Queensland's coal fields and sugar industry and is used as the major hub for the repair, with some new manufacture, of equipment. Mackay is generally recognised as the best location for the provision of engineering and industrial services in the region.

Austbore is located in Paget, Mackay (within 5 minutes of the Company's existing Mackay-based fabrication operations at Kaldura Industries). The current facility consists of 6,695 square metres of workshop and office. There is potential for expansion with a vacant block of land (3,410 square metres) adjacent to the facility acquired as part of the overall purchase.

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The workshop houses a variety of heavy engineering equipment, with the most notable and largest items being a CNC floor borer, a CNC lathe and a gantry mill. The Company also has six mobile line boring units located in the Bowen Basin area and Indonesia.

Austin Engineering has previously announced the expansion of its Kaldura facility by 60% and a significant increase in the ability to lift heavy components and assemblies. Lifting capacity will increase from 25 to 90 tonne as a result of the expansion. The expansion is underway and is expected to be complete by September 2007. The acquisition of Austbore will provide Kaldura with fabrication work that was previously subcontracted to other companies.

Acquisition Price and Terms

Total purchase price for the business is \$10.3m plus inventory and work in progress. The price represents an earnings multiple of 3.4 EBIT. The sellers can earn a further \$0.5m if Austbore achieves the agreed EBIT target over the next 12 months. The acquisition will be funded by bank debt and existing cash resources.

The price includes two properties; an apartment at Moranbah for site personnel and a vacant block next to the existing Austbore facility. Completion of the purchase of the vacant block and payment of the purchase price is due in May 2007. The properties have been valued at \$0.88 million.

Austin Engineering will lease the present workshop facility at a market rent and have a put and call option to buy the facility within two years at a fixed price of \$2.5m.

Austin Engineering's Chairman, Peter Fitch, said the Austbore acquisition is a very strong and earnings accretive business which provides significant opportunities for growth and further consolidates our position in the mining equipment and related services sector. Discussions with Austbore's major offshore client have already been held to ensure the continuity of the commercial relationship.

"The acquisition demonstrates the company's commitment to our strategy of pursuing organic growth and acquisition opportunities, particularly where businesses have synergy with Austin's skills, products and services." Peter Fitch concluded.

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

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Brisbane, Perth and Mackay. The Brisbane facility provides fabrication facilities servicing the mining, oil, gas and industrial sectors. Key product lines include structural steel, mineral processing equipment, dump truck bodies and excavator buckets. The Perth and Mackay facilities manufacture and assemble 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.