

Pilbara Hire Acquisition, Earnings Guidance and Expansion Update

Brisbane, 2 July 2010: The Directors of Austin Engineering Limited (ASX trading code: **ANG**) are pleased to announce the acquisition of Pilbara Hire Group Pty Ltd ("Pilbara Hire") in Western Australia.

Acquisition of Pilbara Hire

Highlights

- Acquisition of WA-based on-site fixed and mobile mining equipment repair and maintenance business
- Acquisition is part of strategic objective to provide solutions and improvements to customers by offering a full service - design, manufacture, repair and maintenance (on-site and off-site)
- Forecast FY10 revenue of \$20m-\$22m and forecast FY10 EBIT of \$3.7m-\$4.0m
- Debt-funded and immediately EPS accretive
- Purchase price represents approximately 3.3 times FY10 EBIT. Earn-out payable if pre-agreed EBIT target for FY11 achieved

Pilbara Hire is a company that specialises in the repair of mobile mining equipment, such as Austin's range of dump truck bodies and buckets, as well as fixed plant and equipment. The work is carried out on-site at mines throughout Western Australia, but particularly in the Pilbara region. Over the years, Pilbara Hire has established a strong presence in the region and an excellent reputation for quality and on-time delivery of repair and maintenance services.

Pilbara Hire has service arrangements with major mineral producers in Western Australia for on-going repairs of their fleets and equipment over an extended period of time. As part of a larger Austin group and with access to intellectual property and drawings from equipment supplied by Austin, significant growth in the business is expected over the coming years.

Chairman Peter Fitch commented "Austin currently supplies a significant amount of equipment into the Pilbara region and we have received numerous requests from our clients to complete our service to them with a total package - design, manufacture and repair as well as offering on-going solutions and improvements across our range. This acquisition closes that loop and we believe that this will lead to an increase in requests for our products and services throughout the Western Australian mining areas".

Pilbara Hire has forecast revenue of \$20m-\$22m and forecast EBIT of \$3.7m-\$4.0m in FY10. Austin is of the strong belief that the business will continue to grow over the coming years and we will look to replicate the business in other areas to complement our service offerings.

The total amount paid to the owners of Pilbara Hire is \$13m which represents a purchase on an EBIT multiple of approximately 3.3 based on expected FY10 earnings. The manager of the business has agreed to stay on for 13 months and will be eligible to an earn-out based on achieving a pre-determined EBIT target in the FY11 financial year.

The acquisition will be funded by debt from existing undrawn facilities which means the acquisition is expected to be immediately EPS accretive.

Full-Year FY10 Earnings Guidance and Acquisition and Expansion Update

Highlights

- Full year EBIT expected to be in the range of \$25.5m-\$27.5m
- Indonesia - Board approves development of a \$12m manufacturing facility at Batam Island
- Chile - Board approves development of \$2m-\$3m repair facility at Calama, Northern Chile
- Colombia - Company commissions Austrade to identify repair businesses for potential immediate acquisition
- Hunter Valley Service and Manufacturing Facility and a Products-Based Business - acquisition discussions ongoing with outcome expected within 3-8 weeks

FY10 Earnings Guidance

Austin is pleased to announce that it expects its full year EBIT to be within the range of \$25.5m-\$27.5m. This confirms earlier guidance of another record year and represents an increase of 18%-27% over the previous year, despite continued turbulence from the GFC.

Batam Island Facility, Indonesia

The Board has approved the development of a \$12m manufacturing facility in Indonesia. The facility will be located at Batam Island, a free trade zone, which provides the company with various financial concessions and incentives and access to an excellent workforce and cheap transport to Indonesian mines.

(Cont'd)

Austin Engineering Ltd Full-Year Earnings Guidance and Acquisition and Expansion Update

Batam Island Facility, Indonesia (Cont'd)

The mining industry in Indonesia is going through a growth period and demand for Austin's range of products and services is expected to grow significantly over the coming years. Austin has supplied some equipment from its Perth facility to Indonesia however shipping costs put Austin at a distinct disadvantage to others.

Peter Fitch commented "We have been informed on a number of occasions that clients will order our custom-designed products if we were to produce locally thereby reducing the price of our products substantially. We also see opportunities to "flat-pack" items into our Perth operation to cover periods when we are running at maximum capacity. The operational costs of Indonesia will be significantly less than those of our Australian operations".

The facility is expected to be complete within 8-11 months and once operational is expected to contribute an initial \$2m in EBIT, increasing to \$4m in 2 years thereafter.

Chilean Expansion - Repair Facility at Calama, Northern Chile

The Board has approved the purchase of land in the Calama region of Northern Chile, with a view to establishing a repair operation to service the mines in that region as soon as practicable.

Calama is centred between a significant number of mines that have 300-400 dump truck bodies and associated digging equipment within one hour of the town. The company has conducted detailed research with miners over the possibility of Austin establishing a repair facility in the area and it has been met with overwhelming support and approval.

The proposal is currently before the regional Government for approval which is expected within the next 4 weeks. Following this Austin will fast-track the construction of a repair facility with total costs for the land and buildings expected to be in the range of \$2m-\$3m.

Proposed Colombian Expansion

The company has commissioned Austrade to identify or find potential acquisition targets, and in particular companies in Barranquilla, Colombia that currently service the mining industry.

Colombia, which is a major miner in the coal, copper and silver industries, is seeking to increase exploration and expansions of existing mines. All mining equipment is currently imported into the country from America or other nations.

It is Austin's intention to purchase a business that currently repairs mining equipment and then introduce the manufacture of new products from our range. The competition for the local manufacture of Austin's product range is minimal or nil. The company is aiming to complete an acquisition as soon as an appropriate target is identified.

Commenting on the South American expansion plans Chairman Peter Fitch noted "These expansions have been part of our strategy from the time we purchased our first business in Chile in 2009. We have been operating in South America now for close to one year and upon further research we have firmed our belief that we have a unique opportunity to establish Austin as the number one player in the range of products and services that Austin produces. We also believe that South America will provide the majority of the group's earnings in years to come following the strategic expansions into the important mining regions of Chile, Brazil, Peru and Colombia."

Hunter Valley Service and Manufacturing Facility and a Products-Based Business

Austin had previously advised that it was looking at a number of opportunities in the Hunter Valley and a products-based business that complements Austin's existing product range. The company advises that discussions are ongoing and is aiming to finalise these within the next 3-8 weeks.

For further information and questions on the above, please contact Managing Director Michael Buckland or Chief Financial Officer Colin Anderson on +61 7 3271 2622.

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About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America and the Middle East. The Australian facilities manufacture, assemble and overhaul products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North and South American mining markets and is an industry-leading designer and manufacturer of specialised lightweight dump truck bodies. The Chile operation (Austin Engineering Chile) manufactures dump truck bodies and other mining products for the South American market. The Middle East operation principally services the aluminium smelter industries in the region. Austin also own rights to innovative welding processes which have been introduced to improve welding productivity. Robotic welding systems are also used for product lines, general fabrications and repetitive production processes.