

**Austin Engineering Limited**  
**ACN 078 480 136**

**Notice of Annual General Meeting**

to be held at

**Date: 21 November 2014**

**Time: 10.30am**

**Place: Marriott Hotel, 515 Queen Street, Brisbane, Queensland**

**This is an important document and requires your attention**

This document should be read in its entirety.

If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional advisor.

## Notice of Annual General Meeting

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Notice is given that an Annual General Meeting of shareholders of Austin Engineering Limited ACN 078 480 136 (the **Company**) will be held at 10.30am on 21 November 2014 at the Marriott Hotel, 515 Queen Street, Brisbane Queensland.

### Agenda

#### Financial statements and reports

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To receive and consider the financial statements and the reports of the Directors and the Auditor for the financial year ended 30 June 2014.

#### Resolution 1 – Adoption of Remuneration Report

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To consider and, if thought fit, pass the following as an ordinary resolution under section 250R of the Corporations Act 2001:

*'To adopt the Remuneration Report for the year ended 30 June 2014.'*

##### Notes:

- (1) *The vote on this resolution is advisory only and does not bind the Directors or the Company.*
- (2) *If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must stand for re-election.*

##### Voting exclusion statement

*The Company will disregard and not count any votes cast (in any capacity) on Resolution 1 by or on behalf of either or both the following persons:*

- (a) *a member of the Company's Key Management Personnel; or*
  - (b) *a Closely Related Party of a member of the Company's Key Management Personnel.*
- unless:*
- (c) *the person*
    - (i) *does so in relation to a resolution where they hold a Directed Proxy Form; or*
    - (ii) *is the Chairman of the Meeting and is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution; and*
  - (d) *the vote is not cast on behalf of a person described in paragraph (a) and (b) above.*

#### Resolution 2 – Re-election of Mr Peter Pursey as Director

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To consider, and if thought fit, to pass the following as an ordinary resolution:

*'That Mr Peter Pursey, who voluntarily retires to enable the Company to comply with ASX Listing Rule 14.5 and, being eligible, has offered himself for re-election in accordance with the Company's constitution, is re-elected as a Director of the Company.'*

### **Resolution 3 – Approval for grant of performance rights to Michael Buckland**

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*'That for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the grant of 164,672 Performance Rights to Michael Buckland, in accordance with the terms and conditions of the Company's Performance Rights Plan and as described in the Explanatory Memorandum accompanying this Notice of Meeting.'*

#### **Voting exclusion**

*In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director of the entity who is eligible to participate in the Company's Performance Rights Plan and any of their associates. However, the Company need not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

*In addition, pursuant to the Corporations Act, the Company's Key Management Personnel and their Closely Related Parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless:*

- *the proxy holds a Directed Proxy Form; or*
- *the proxy is the Chairman of the Meeting and he is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution.*

### **Resolution 4 – Issue of shares to Managing Director, Mr Michael Buckland**

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To consider, and if thought fit, to pass the following as an ordinary resolution:

*'That for the purposes of Listing Rule 10.14, and for all other purposes, shareholder approval is given for the issue of the following shares to Mr Michael Buckland, as part of his remuneration package and in accordance with his executive services agreement:*

*(i) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2014 financial year is equal to or exceeds the target price determined in accordance with the formula set out in the explanatory memorandum (2014 Shares);*

*(ii) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2015 financial year is equal to or exceeds the target price determined in accordance with the formula set out in the explanatory memorandum (2015 Shares); and*

*(iii) 50,000 fully paid ordinary shares, if the 20 Day VWAP for the 2016 financial year is equal to or exceeds the target price determined in accordance with the formula set out in the explanatory memorandum (2016 Shares).*

#### **Voting exclusion statement**

*In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director and any of their associates. However, the Company need not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

*In addition, pursuant to the Corporations Act, the Company's Key Management Personnel and their Closely Related Parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless:*

- *the proxy holds a Directed Proxy Form; or*
- *the proxy is the Chairman of the Meeting and he is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution.*

**Dated: 20 October 2014**

**By order of the Board**

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Scott Richardson  
Company Secretary

## Notes

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- 1 The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Extraordinary General Meeting will be as it appears in the share register at 7.00pm (Sydney time) on 19 November 2014. Accordingly, those persons are entitled to attend and vote at the meeting.
- 2 If you are eligible, you may vote by attending the meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.
- 3 To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.
- 4 A member who is entitled to vote at the meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of the Company.
- 5 Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
- 6 The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.
- 7 To be effective, the proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding of the meeting or any adjourned meeting:
- a) at its registered office at 173 Cobalt Street, Carole Park, Qld 4300;
  - b) by facsimile to its registered office on fax number +61 7 3271 3689; or
  - c) at its share registry, Advanced Share Registry Services:  
150 Stirling Highway, Nedlands, WA, 6009  
PO Box 1156, Nedlands, WA, 6909  
or fax number +61 8 9389 7871
- 8 Any proxy form received after this deadline including at the meeting will be treated as invalid.
- 9 A member of the Company's Key Management Personnel or their Closely Related Party must not, whether in person or by proxy, vote in their own right on the adoption of the Remuneration Report in Resolution 1.
- 10 A person appointed as proxy may vote or abstain from voting as he or she thinks fit except in the following circumstances:
- a) The proxy holds a Directed Proxy Form;
  - b) Where the proxy is voting in relation to a Remuneration Resolution and the proxy is either a Key Management Personnel for the Company or a Closely Related Party and holds an Undirected Proxy Form; and
  - c) The proxy is required by law or the Company's Constitution to vote in a certain manner or abstain from voting.
- 11 Clause 10(b) does not apply if the Chairman of the meeting is appointed as proxy and his appointment expressly authorises the Chairman to exercise the proxy even if the resolution is a Remuneration Resolution.
- 12 The Chairman intends to vote all Undirected Proxy Forms in favour of all resolutions including Remuneration Resolutions.
- 13 The following definitions apply in this document:
- Closely Related Party** means the closely related parties of Key Management Personnel as defined in the Corporations Act 2001, and includes certain members of their family, dependants and companies they control.
- Directed Proxy Form** means a proxy form which specifies how the proxy is to vote.
- Key Management Personnel** of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.
- Remuneration Resolution** means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Undirected Proxy Form** means a proxy form which does not specify how the proxy is to vote.

## Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist shareholders with their consideration of the resolutions to be put to the Annual General Meeting to be held at 10.30am on 21 November 2014 at the Marriott Hotel, 515 Queens Street, Brisbane Queensland.

The Explanatory Memorandum should be read with, and form part of, the accompanying Notice of Annual General Meeting.

### 1 Financial statements and reports

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As required by law, the financial report, Directors' report and Auditor's report are laid before the Annual General Meeting. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. Members will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and content of the auditor's report. There is no requirement however for members to approve the reports.

### 2 Resolution 1 – Adoption of the remuneration report

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The Corporations Act 2001 requires that a resolution be put to the members to adopt the remuneration report as disclosed in the Directors' report contained in the Company's 2014 Annual Report. The resolution gives the members the opportunity to ask questions or make comments concerning the remuneration report during the meeting.

The remuneration report:

- Discusses the Company's policy on remuneration of Directors and the link between remuneration and the Company's performance; and
- Details the remuneration arrangements in place for each Director.

Under Section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Company or its Directors. Although the vote is advisory, the Directors recognise this vote as an indication of shareholder sentiment and have careful regard to the outcome of the vote and any discussion when setting the Company's remuneration policies.

The Corporations Act states that if 25% of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs then shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must be considered for re-election.

Key Management Personnel and their Closely Related Parties are excluded from voting on this resolution in certain circumstances – please see the notes to Resolution 1.

The Chairman of the Meeting intends to vote all Undirected Proxy Forms for this Resolution.

***As the Directors have a personal interest in the proposed Resolution 1, they make no recommendations as to how shareholders should vote on the Resolution.***

### 3 Resolution 2 – Re-election of Mr Peter Pursey as director

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ASX Listing Rule 14.5 requires the Company to hold an election of Directors each year. In accordance with ASX Listing Rule 14.5 and the Company's constitution, Peter Pursey retires at the close of this Annual General Meeting and being eligible, offers himself for re-election.

Peter Pursey has been a Non-Executive Director of the Company since 2004, he has extensive experience as a company director of both listed and non-listed public companies. In the last decade his commercial interests have included the resources, energy, defence and pharmaceutical industry sectors.

He is experienced in executive management and currently provides corporate advisory and development services to emerging and growth companies, particularly in the areas of strategic planning, capital raising, operational matters, leadership and project management.

He completed an executive career in the military in 1999 as Brigadier, having held various significant leadership and command positions. He is a member of the Australian Institute of Company Directors and a Fellow of the Australian College of Defence and Strategic Studies.

Qualifications: AM, MBA, ACDSS, psc

Special responsibilities: Chair of the audit committee

***The Directors (with Peter Pursey abstaining) recommend that shareholders vote in favour of this resolution.***

## 4 Resolutions 3 and 4 – Background

### 4.1 Remuneration policy

The performance of the Company depends upon the quality of its executives and Executive Director. Their compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives.

In deciding the remuneration and incentives of Mr Buckland, the Board considers that there should be an appropriate mix of remuneration comprising cash and securities to link their remuneration to the financial performance of the Company.

Equity-based incentives consistent with the Company's remuneration policy better aligns the performance of the Executive Directors with the Company's financial performance. The Board also believes that an equity-based remuneration component helps it to attract and retain the best executives.

The Directors consider the remuneration policy to be a sensible and well-balanced policy which allows them to adjust the remuneration mix appropriately to the Company's changing circumstances.

### 4.2 Listing Rule requirements

Listing Rule 10.14 provides that a listed company must not permit a director to acquire securities under an employee incentive scheme without shareholder approval.

Accordingly, approval is sought under Listing Rule 10.14 for the proposed grant of:

- (a) 164,672 Performance Rights to Michael Buckland as part of a broader executive incentive program under the Company's Performance Rights Plan; and
- (b) up to 150,000 Shares to Michael Buckland as part of his ordinary equity remuneration under his Executive Services Agreement (**Agreement**) and the Company's Executive Share and Option Plan (**ESOP**).

### 4.3 Remuneration of Michael Buckland

Michael Buckland's remuneration package for the year ended 30 June 2014 (as detailed in the Company's 2014 Annual Report) comprised:

Salary \$	Super- annuation \$	Bonus* \$	Non-Cash \$	Other long term benefits \$	Share- based payments	Total \$
736,600	50,000	144,000	35,004	22,132	-	987,736

\* Please note the bonus of \$144,000 was paid in FY14 for performance in FY13

## 5 Resolution 3 - Approval of grant of performance rights to Michael Buckland

### 5.1 Proposed grant of performance rights

The Performance Rights are proposed to be granted on the terms and conditions of the Company's Performance Rights Plan. The Plan Rules are available for inspection on the ASX's announcements platform or on request from the Company Secretary.

Words and expressions used in this paragraph have the same meaning as those words and expressions in the Plan Rules.

The key commercial features of the proposed grant are:

#### (a) Grant of performance rights

Grant Condition	Tranche 1	Tranche 2
<b>Number of Performance Rights</b>	42,898	121,774
<b>Grant Date</b>	If approved, expected to be granted on or about 21 November 2014 but in any event, no later than 1 month after the date of the meeting	
<b>Amount payable on grant or exercise of Performance Rights</b>	Nil	Nil
<b>Performance Period</b>	3 financial years ending 30 June 2014, 2015 and 2016	3 financial years ending 30 June 2015, 2016 and 2017
<b>Expiry Dates</b>	5 years after the grant of Performance Rights	5 years after the grant of Performance Rights

#### (b) Performance conditions

For each tranche of Performance Rights:

- 50% will vest on meeting a relative Total Shareholder Return (**TSR**) target (**TSR Performance Rights**); and
- 50% will vest on meeting a relative Earnings Per Share (**EPS**) growth target (**EPS Performance Rights**).

##### (i) Relative TSR performance criteria

50% of each Tranche of Performance Rights granted to Mr Buckland is subject to a **Relative TSR Performance Condition** (as described below) over its respective Performance Period.

TSR performance criteria is determined by comparing the Company's performance to the performance of a group of peer companies selected by the Board (**Peer Group**).

These Performance Rights will vest as follows:

TSR relative to Peer Group	% of Performance Rights assessed under TSR Performance Condition to vest
Company ranks in top half of the Peer Group	50%
Company outperforms all members of the Peer Group	100%

TSR will be calculated by the Board as the difference in share price over the Performance Period, plus the value of shares earned from notionally reinvesting dividends received over this period, expressed as a percentage of the share price at the beginning of the Performance Period.

TSR will be determined in each case on the following basis:

- (A) dividends are re-invested on the ex-dividend date;
- (B) share prices are calculated as the volume weighted average sale price of shares on the ASX for the 3 months preceding the start of the Performance Period and the 3 month period up to and including the end of the Performance Period;
- (C) tax and any franking credits (or similar) will be ignored; and
- (D) the Board has the discretion to disregard any abnormal, non-recurring or one-off items.

(ii) **Relative EPS performance criteria**

50% of each Tranche of Performance Rights granted will be subject to a **Relative EPS Growth Performance Condition** (as described below) over its respective Performance Period.

These Performance Rights will vest as follows:

<b>EPS Growth relative to Peer Group</b>	<b>% of Performance Rights assessed under EPS Growth Performance Condition to vest</b>
Company ranks in top half of the Peer Group	50%
Company outperforms all members of the Peer Group	100%

EPS will be determined by the Board in accordance with Accounting Standard AASB 133 'Earnings per Share' subject to the adjustments as described below.

In determining EPS, the Board has the discretion to disregard earnings reasonably attributable to businesses acquired by the Group after 1 July 2013 and/or abnormal one off events.

(c) **Exercise period and lapse of vested performance rights**

Performance Rights cannot be exercised if at the time of the exercise of the Performance Right the exercise of the Performance Right would, or in the reasonable opinion of the Board, be likely to result in a contravention of the Constitution of the Company, ASX's Listing Rules or the Corporations Act 2001.

5.2 **Discussion and proposed analysis of the proposed grant of performance rights**

(a) **Cost to the Company**

The Performance Rights will not be quoted on ASX and accordingly have no readily identifiable market value.

The Performance Rights will be valued for accounting purposes using the principles set out in AASB 2 'Share-Based Payment'. This standard requires the valuation models used to take into account the relationship between a number of variables principally being the share price, the nil Performance Right exercise price, the time to expiry and the volatility of the Company's underlying share price.

For the TSR Performance Rights, which are market based hurdle conditions, a Monte Carlo simulation based model to test the likelihood of attaining the Relative TSR Performance Condition

against a comparator group of entities. The Monte Carlo simulation model incorporates the impact of this market condition on the value of the TSR Performance Rights.

For the EPS Performance Rights, which are non-market based hurdle conditions, the Black-Scholes-Merton model has been used.

The valuation will be carried out after the date of grant once all of the inputs to the valuation model are certain. However, for illustrative purposes, based on an indicative valuation obtained on 25 July 2014, the Performance Rights could have a value and accounting cost to the Company as follows:

Tranche	TSR Performance Rights (\$)	EPS Performance Rights (\$)	Average total (\$)
Tranche 1	0.08	1.03	0.55
Tranche 2	0.38	0.95	0.67

The material assumptions used in the application of the methodology to arrive at this indicative value are:

- The indicative grant date of the Performance Rights is 25 September 2014;
- The closing share price on the grant date was \$1.175;
- The exercise price of each Performance Right is nil;
- The expected life for tranche 1 is 1.76 years and tranche 2 is 2.76 years;
- A risk-free rate of 2.74% for tranche 1 and 2.90% for tranche 2;
- Volatility of the underlying shares to be 50%; and
- Expected dividend yield of 7.70%.

Shareholders should be aware that this is an indicative valuation only for illustrative purposes. The actual accounting expense may be different due to differences in the final inputs such as the date of grant, which, subject to approval is expected to be on or about 21 November 2014. Given the proposed rights are based on non-market based performance conditions, the actual accounting expense will also be impacted by management’s assessment of the likelihood of the performance conditions being achieved.

**(b) Impact on capital structure**

Until exercised, the grant of Performance Rights will not impact on the number of ordinary shares on issue in the Company. If all of the proposed Performance Rights were exercised, an additional 164,672 fully paid ordinary shares may be issued representing approximately 0.195% of the total issued share capital of the Company as at the date of this notice.

**(c) Tax consequences**

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed issue of Performance Rights.

**(d) Use of funds**

No funds will be raised from the granting for the Performance Rights.

5.3 **Other information required by Listing Rule 10.15A**

The following information is provided for the purposes of Listing Rule 10.15A:

<b>Maximum number of Performance Rights that may be acquired by Mr Buckland</b>	164,672 Performance Rights
<b>Price for each Performance Right to be acquired under the scheme</b>	Nil
<b>Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security</b>	There have been no securities issued under the scheme to directors previously.
<b>Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme</b>	Mr Michael Buckland
<b>Terms of loan in relation to the grant of Performance Rights</b>	Not applicable
<b>Required Statements</b>	<p>Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under listing rule 10.14.</p> <p>Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under listing rule 10.14.</p>
<b>Date by which Performance Rights will be granted</b>	Within 1 month after the date of approval
<b>Voting exclusion statement</b>	A voting exclusion applies to this resolution – please see the notes to Resolution 3.

*The directors make no recommendation as to how shareholders should vote on resolution 3.*

**6 Resolution 4 – Approval of the issue of shares to Managing Director, Mr Michael Buckland**

On 8 July 2014 the Executive Services Agreement (**Agreement**) of Austin's Managing Director, Mr Michael Buckland, was extended to 30 June 2016. The Agreement includes an equity based remuneration component under which Mr Buckland is entitled to be issued the 2014 Shares, 2015 Shares, and 2016 Shares (collectively the **Bonus Shares**) subject to the satisfaction of certain share price performance hurdles.

This equity based remuneration component of the Agreement is a continuation of the Managing Director's previous remuneration structure. A similar equity based remuneration component was approved by shareholders at the Company's 2011 AGM in respect of Mr Buckland's remuneration under the Agreement for the 2011, 2012 and 2013 financial years.

Subject to satisfaction of the share price performance hurdles, the Bonus Shares will be issued under the ESOP which was adopted by a resolution of the Board on 3 August 2006. The share price performance hurdles applicable to the proposed grants are set out below.

The Board considers that the issue of the Bonus Shares to Mr Buckland is reasonable remuneration taking into account his role, duties and responsibilities as Managing Director of the Company.

## 6.1 Performance hurdles

Mr Buckland will be entitled to be issued with a tranche of the Bonus Shares if the 20 Day VWAP for the period commencing immediately after the release of the Company's full year final audited financial statements for the financial year corresponding with that tranche, exceeds the 'Target Price'. The Target Price is determined in accordance with the formula set out in paragraph 6.2 below and is based on a number of factors including forecast net profit after tax for the relevant financial year, industry price-earnings multiples and the number of shares on issue.

The Company will announce to ASX whether Mr Buckland is entitled to the 2014 Shares as soon as practicable after it determines whether the share price performance hurdle has been satisfied in respect of the 2014 Shares.

The table below summarises the share price performance hurdles that must be satisfied in each performance period before the Managing Director is entitled to each tranche of the Bonus Shares:

Tranche	Number of shares granted	Performance period	Performance hurdles
2014 Shares	50,000	2014 financial year	The 20 Day volume weighted average share price ( <b>VWAP</b> ), commencing immediately after the release of the Company's full year final audited financial statements for the 2014 financial year, exceeds the Target Price.
2015 Shares	50,000	2015 financial year	The 20 Day VWAP, commencing immediately after the release of the Company's full year final audited financial statements for the 2015 financial year, exceeds the Target Price.
2016 Shares	50,000	2016 financial year	The 20 Day VWAP, commencing immediately after the release of the Company's full year final audited financial statements for the 2016 financial year, exceeds the Target Price.
<b>TOTAL</b>	<b>150,000</b>		

## 6.2 Target Price

Target Price means the price determined in accordance with the following formula:

$$\text{Target Price} = \text{Forecast NPAT} \times 105\% \times \text{Multiple} \div \text{Shares on issue}$$

Where:

**Forecast NPAT** means the higher of:

- 115% of the budget NPAT adopted by the Board for the financial year preceding the date of calculation of the Target Price; or
- 115% of the actual NPAT of the Company as disclosed in the audited financial statements for the Financial Year preceding the date of calculation of the Target Price.

**Multiple** means the average price earnings multiple during the period from the date of lodgement of the Company's Appendix 4E – preliminary final report with ASX through to the end of VWAP period, of a group of peer companies based on the NPAT of those companies in their final years preceding the date of calculation of the Target Price.

**NPAT** means net profit after tax.

**Shares on Issue** means the total number of shares on issue as at the end of the Financial Year preceding the date of calculation of the Target Price.

6.3 Information required under Listing Rule 10.15A

<b>Maximum number of Bonus Shares that may be acquired by Mr Buckland</b>	Up to 150,000 Bonus Shares, however, the actual number of Shares that will be issued is determined by reference to the performance requirements set out above
<b>Price for each Bonus Share to be acquired under the scheme</b>	The issue of the Bonus Shares to Mr Buckland forms part of Mr Buckland's remuneration package and no consideration is payable for the Bonus Shares. The deemed issue price of the Bonus Shares will be nil.
<b>Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security</b>	The ESOP was last approved by shareholders on 23 November 2007.  Since that date, Michael Buckland has received 150,000 shares and 500,000 options under the ESOP.
<b>Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme</b>	Mr Michael Buckland
<b>Terms of loan in relation to the grant of Bonus Shares</b>	Not applicable
<b>Required Statements</b>	Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under listing rule 10.14.  Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under listing rule 10.14.
<b>Date by which Shares will be granted</b>	If Mr Buckland is eligible to receive the Bonus Shares, the Bonus Shares will be allotted and issued no later than 21 days after the applicability of the bonus has been determined.
<b>Voting exclusion statement</b>	A voting exclusion applies to this resolution – please see the notes to Resolution 4.

***The Directors (with Michael Buckland abstaining) recommend that shareholders vote in favour of this resolution.***

**Proxy Form**

If your address as shown here is in-correct mark "X" here and write correct address

**Step 1 - Appointment of Proxy**

I/we being member/s of **Austin Engineering Limited** and entitled to attend and vote hereby appoint

	The Chairman of the Meeting (mark with an "X")	<b>OR</b>		Write here the name of your proxy if someone other than chairman of the Meeting
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or failing the person named, or if no person is named, the **Chairman of the Meeting**, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at the Marriott Hotel, 515 Queen Street, Brisbane, Queensland 4000, on Friday 21 November 2014 at 10:30am (Brisbane time).

**Important notice – appointment of the Chairman as your proxy for Resolution 1**

By appointing the Chairman of the Meeting as your proxy, you expressly authorise the Chairman to vote in favour of Resolutions 1, 3 and 4, even though the resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

***The Chairman intends to vote all undirected proxies in favour of all resolutions.***

**If you appoint the Chairman as your proxy and you do not wish the Chairman to vote in favour of any Resolution, you may direct the Chairman to vote against that Resolution or abstain from voting on that Resolution by marking the appropriate box opposite that Resolution below.**

**Step 2 - Proxy Voting Instructions**

If you wish to instruct your proxy how to vote, insert "X" in the appropriate box against each Resolution set out below. If you do not instruct your proxy how to vote on a Resolution, your proxy may vote as they think fit or abstain from voting. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

	<i><b>For</b></i>	<i><b>Against</b></i>	<i><b>Abstain</b></i>
<i>Resolution 1 – Adoption of the Remuneration Report</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 2 – Re-election of Mr Peter Pursey as Director</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 3 – Approval for grant of performance rights to Michael Buckland</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 4 – Issue of shares to Managing Director, Mr Michael Buckland</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Step 3 - Signature of Securityholders - This section must be completed**

Individual or first shareholder	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

This section must be signed in accordance with the instructions overleaf to enable your directors to be implemented. In addition to signing the proxy form, please provide the information below in case we need to contact you.

Contact Name	Contact Daytime Telephone Number

## How to complete this Proxy Form

### 1. Your name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Security holders sponsored by a broker should advise their brokers of any changes. **Please note: you cannot change ownership of your securities using this form.**

### 2. Appointment of a Proxy

If you wish to appoint the chairman of the meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the chairman of the meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the chairman of the meeting will be your proxy. A proxy need not be a shareholder of the company.

### 3. Voting on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such directions unless you indicate only a portion of your voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they chose (except as noted elsewhere in relation to resolutions directly or indirectly connected to the remuneration of the Company's Key Management Personnel). If you mark more than one box against a Resolution your vote on that Resolution will be invalid. If you wish to appoint as your proxy a director of the Company (other than the chairman of the meeting) or other member of the Key Management Personnel of the Company whose remuneration details are set out in the Remuneration Report, or their Closely Related Parties, you should specify how they must vote on each of Resolutions 1, 3 and 4 by completing the "For", "Against" or "Abstain" boxes on the proxy form. If you do not do that in relation to either of Resolutions 1, 3 and 4 your proxy will not be able to exercise your vote on your behalf for that Resolution.

If you appoint the chairman of the meeting as your proxy in relation to Resolutions 1, 3 and 4, but do not complete any of the boxes "For", "Against" or "Abstain" opposite the Resolution on the proxy form, you will be expressly authorising the chairman of the meeting to vote in favour of those Resolutions. If you wish to appoint the chairman of the meeting as proxy with a direction to vote against, or to abstain from voting on any Resolution, you must specify this by completing the "Against" or "Abstain" boxes on the proxy form.

### 4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and to vote on your behalf. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry (see contact details below) or you may copy this Proxy Form.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the Proxy Forms do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of your votes. Fractions of votes will be disregarded; and
- return both forms together in the same envelope.

### 5. Signing Instructions

You must sign this Proxy Form as follows in the spaces provided:

<b>Individual:</b>	Where the holding is in one name, the holder must sign.
<b>Joint holding:</b>	Where the holding is in more than one name, all of the shareholders must sign
<b>Power of attorney:</b>	To sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company's share registry. If you have not previously lodged the Power of Attorney, please attach a notarially certified photocopy of it to this Proxy Form when you return it.
<b>Companies:</b>	Where the company has a sole director who is also the company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the <i>Corporations Act 2001</i> ) does not have a company secretary, a sole director can sign alone. Please indicate the office held by signing in the appropriate place. If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry (see address details below).

### Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the share registry address given below **not later than 48 hours before** the commencement of the meeting i.e. no later than 10.30am (Brisbane time) on 19 November 2014. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

### Address of Company's Share Registry

*Proxies can be delivered, mailed or faxed to:*

Advanced Share Registry Ltd  
110 Stirling Highway, Nedlands, Western Australia, 6009  
PO Box 1156, Nedlands, Western Australia 6909  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9262 3723