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ASX ANNOUNCEMENT

NOTICE UNDER SECTION 708AA(2)(f) OF THE CORPORATIONS ACT 2001

26 May 2016

Austin Engineering Limited (**Company**) has today announced that it is undertaking a renounceable pro-rata entitlement offer to raise up to approximately \$28.1 million (before offer costs) (**Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders will be invited to subscribe for 2 fully paid ordinary shares (**New Shares**) for every 1 existing share in the Company held as at 7:00pm (Sydney time) on Monday, 6 June 2016 at an issue price of \$0.08 per New Share.

Eligible shareholders will be invited to participate in a shortfall facility under which they can subscribe for additional New Shares in excess of their entitlement from any shortfall under the Entitlement Offer, provided that the issue of those New Shares will not result in a breach of the ASX listing rules or any applicable law (**Shortfall Facility**).

The Entitlement Offer is fully underwritten by Blue Ocean Equities Pty Limited. Full details of the underwriting arrangements will be set out in the Offer Booklet which is expected to be circulated to eligible shareholders on or before 7 June 2016.

The Company advises that it will offer the New Shares for issue to investors under Part 6D.2 of the Corporations Act 2001 (**Act**) and states that this notice is given to ASX under paragraph 708AA(2)(f) of the Act, as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

Accordingly the Company advises:

- 1 The Company will offer the New Shares under the Entitlement Offer and Shortfall Facility without disclosure to eligible shareholders under Part 6D.2 of the Act.
- 2 As at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Act as they apply to the Company; and
 - (b) section 674 of the Act.
- 3 As at the date of this notice, there is no excluded information as defined in section 708AA(8) and section 708AA(9) of the Act which is required to be disclosed by the Company.
- 4 The potential effect that the Entitlement Offer and Shortfall Facility will have on the control of the Company and the consequences of that effect will depend on a number of factors, including eligible shareholders' interest in taking up their entitlements and the level of participation by eligible shareholders in the Shortfall Facility.

The potential effect on control of the Company is as follows:

- (a) If all eligible shareholders take up their entitlement for New Shares under the Entitlement Offer, the Entitlement Offer will have no effect on the control of the Company.
- (b) In the event that all eligible shareholders do not take up their full entitlement for New Shares under the Entitlement Offer, any eligible shareholder that fails to take up their full entitlement for New Shares under the Entitlement Offer will have their percentage holding in the Company diluted by the issue of the remaining New Shares to shareholders who

have made applications under the Shortfall Facility and to the underwriter and sub-underwriters.

- (c) The proportional interest of shareholders who are ineligible foreign shareholders will be diluted because they are not entitled to participate in the Entitlement Offer.
- (d) Austin shareholders that apply for additional shares under the Shortfall Facility may increase their interests beyond their entitlement. This could result in the dilution of holdings of those who did not accept their entitlement in full and those who did not apply for additional shares under the Shortfall Facility. The amount of the increase in the relevant shareholders' holding in Austin will depend on the size of the Shortfall and the number of shares applied for by eligible shareholders under the Shortfall Facility.
- (e) Thorney Investment Group (**Thorney**), an existing shareholder of Austin, has agreed to act as sub-underwriter to the Entitlement Offer. The Company expects that the effect of the sub-underwriting is that Thorney's interest in the Company will increase from its current level of 14.55%. If no shareholders take up any of their entitlements under the Entitlement Offer and Thorney is called on to meet its sub-underwriting obligations, Thorney's interest in the Company is likely to increase up to approximately 26%. If the underwriter or the sub-underwriters (including Thorney) subscribe for any shortfall shares under the Entitlement Offer, the holdings of those shareholders who did not accept their entitlements in full and those shareholders who did not apply for additional shares under the Shortfall Facility will be diluted. Thorney's increased stake in Austin could potentially result in reduced liquidity in the market for Austin shares and if the interest exceeds 25% Thorney could itself prevent the passing of special resolutions by the Company.

ENDS