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ASX ANNOUNCEMENT (ASX Code: ANG)

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Update on Operating Performance and Financial Results

Austin Engineering Limited (ASX:ANG) advises shareholders and the market as follows on its operating performance in respect of new contracts and order pipeline and its expectations in respect of the balance between first and second half financial performance.

New contract and order pipeline

Austin has secured several significant contracts in its Australian operations:

- Perth operations has orders in place for 48 trays with a major iron ore client, and has strong expectations for subsequent orders in the near future;
- Hunter Valley operations has orders in place for 20 trays from an OEM and mining contractor and significant new long term off site maintenance and repair contracts; and
- Mackay operations continue to win repair and maintenance work for major miners.

These orders support expectations for the start of the replacement cycle of trays across key mining regions in Australia. Austin is working closely with its customers to identify their requirements and assist in the fulfilments of their needs, as well as quantifying the benefits available to miners from using Austin's products.

Austin furthermore has a stronger pipeline than recent periods, with a large number of tenders under assessment and expectations of a high success rate flowing from these opportunities.

In the Australian business overall, Austin is expecting that a number of its Australian manufacturing facilities will run near to capacity, including for repairs and maintenance services, for the second half.

In the international business, Austin continues to make good progress, securing large orders in Indonesia, South America and North America including:

- Indonesia has orders in place for 9 chutes (over 1,300 tonnes) with a global miner;
- Austin Ingenieros has recently been awarded 12 trays for a major mining contractor;
- Colombia was not successful in the Cerrejon coal mine tender but recently received orders for a number of trays and buckets from a major local miner; and
- Westech has recently won an order for 8 trays from a large Canadian miner.

Austin notes that the performance in its international operations is weaker than the prior corresponding period, however the new wins that have been secured and changes to strategic marketing initiatives are yet to take full effect.

Progress on strategic initiatives

Austin continues to make significant progress in respect of the initiatives identified in the strategic review.

In particular Austin has:

- Restructured its Australasian operations into two business units:
 - Operations - design and fabrication; and
 - Asset Management - site services.
- Restructured its South American operations so that Country Managers report directly to the CEO;
- Strengthened its marketing efforts with the appointment of an Executive General Manager Strategy and Development and imminent appointment of a Marketing Manager; and
- Completed an audit of its global fabrication facilities, identifying opportunities for improvements and efficiencies.

The Company notes it is well placed to make further advancements in the development and implementation of its strategies with completion of the recruitment of Peter Forsyth as Chief Executive Officer from 12 October 2016, and the appointment of Christine Hayward as Chief Financial Officer and Company Secretary from 10 October 2016. The transition to the new management team has been seamless.

Asset Sales

The Company recently completed the sale of a surplus crane in Chile for an amount of c. \$2.8m. Negotiations for the sale and lease back of the Colombian operating property are being finalised with the settlement date yet to be confirmed but currently expected in 1HFY17.

Balance between first and second half financial results

Due to the range of changes currently in progress across the Austin operations and timing of new work, revenue mix and work volumes, the Company notes that its trading result for the first half of the financial year is currently expected to be a breakeven result on an underlying basis.

However, the underlying trading result for the second half of the financial year is currently expected to be above that of the full year result for the prior year of c. \$9.2m, acknowledging the strong contracted order book in its Australian operations for the second half of the financial year. This assumes no change in expected circumstances for Austin, inclusive of the award and timing of successful tenders, or the mining industry.

Austin will continue to evaluate the provision of market guidance for its underlying earnings on a full year basis, noting the continued level of uncertainty prevalent in the mining and mining services industry at the current time.

Mr Peter Pursey, Executive Chairman of Austin Engineering, said, "Our order book position has improved significantly in recent months, which is an encouraging sign of the replacement of installed capacity with customers and also encouraging for the mining sector more broadly from calendar year 2017. These orders lead Austin into higher levels of contracted work in its second half, which should lead to a strong second half underlying financial result."

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For investor enquiries, please contact Peter Pursey (Executive Chairman) or Christine Hayward (Chief Financial Officer and Company Secretary) on +61 7 3271 2622

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, Indonesia, the and South America. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, water tanks, excavator buckets and materials handling equipment. Austin site services divisions in our Australian and South American operations provide specialised field services to the mining industry. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. The USA facility (Westech) based in Casper, Wyoming, services the North American, Mexican and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies and water tanks. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit www.austineng.com.au