AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2016 $000		Half-Year to 31 December 2015 $000 [1]
Revenue from continuing operations	**91,124**	**down 5.7% from**	**96,614**
Net Profit/(Loss) after Tax for the Half-Year from continuing operations	**(5,693)**	**up 74.7% from**	**(22,546)**

[1] Re-presented to show only continuing operations – see note below

Brief Explanation of Movements in Revenue and Net Profit

Revenue for the half-year ended 31 December 2016 was reduced due to the range of changes currently in progress across Austin operations and timing of new work. Net profit after tax for the half-year ended 31 December 2016 is improved from the corresponding period due to a reduction in non-recurring costs.

A review of the operations of the group and the results of these operations for the half-year is set out in the media statement released to the market on 24 February 2017, a copy of which is attached herewith on pages 15 and 16. Please also refer to the associated presentation that was released to the market on 24 February 2017.

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
An interim dividend has not been declared for the financial year ended 31 December 2016	-	-

There were no dividend reinvestment plans in operation during the period.

Net Tangible Assets per Security

	31 December 2016	30 June 2016
Net tangible asset backing per ordinary security (cents)	17.8	19.0

Control Gained or Lost Over Entities Having a Material Effect

There were no acquisitions undertaken during the half year ended 31 December 2016.

On 20 May 2016, the group disposed its subsidiary COR Cooling Pty Ltd. Details of the transactions were disclosed in Austin's 30 June 2016 Annual Report. Therefore, the half year comparative to 31 December 2015 results have been re-presented to report the results from COR Cooling Pty Ltd as discontinued operations.

Audit

This report is based on financial statements that have been reviewed. A copy of the reviewed financial statements is attached.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

DIRECTORS REPORT

Your Directors present their report on the consolidated entity consisting of Austin Engineering Ltd and the entities it controlled during and at the end of the half-year ended 31 December 2016.

Directors
The Directors of the company who held office during and up to the date of this report are:

Jim Walker (appointed 8 July 2016)
Chris Indermaur (appointed 8 July 2016)
Peter Pursey
Charlie Sartain
Eugene Fung (resigned 25 November 2016)
John Nicolls (retired 8 July 2016)

Financial Highlights

Continuing and discontinued operations	Change	Half-Year 16/17 $000	Half-Year 15/16 $000
Revenue	(16.2%)	91,124	108,681
EBITDA	na	440	(17,883)
Profit/(loss) before tax	66.1%	(8,995)	(26,530)
Net profit/(loss) after tax	74.1%	(5,693)	(21,971)
Net assets	13.0%	139,968	123,918
Basic earnings per share (cents)	93.3%	(1.05) cps	(15.58) cps

Continuing operations

Revenue	(5.7%)	91,124	96,614
EBITDA (refer note 3)	na	440	(18,893)
Profit/(loss) before tax	67.0%	(8,995)	(27,221)
Net profit/(loss) after tax	74.7%	(5,693)	(22,546)
Net assets	13.0%	139,968	123,918
Basic earnings per share (cents)	93.4%	(1.05) cps	(15.99) cps

Review of Operations
A review of the operations of the group during the half-year and the results of these operations is set out in the media statement released to the market on 24 February 2017, a copy of which is attached herewith on pages 15 and 16.

Going concern basis of preparation

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The details are contained in Note 1.

Lead Auditor's Independence Declaration
A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 3.

Rounding of Amounts
The company is an entity to which ASIC Corporations (Rounding in Financial/Director Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and Directors report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors.

J. R. Walker

Jim Walker
Chairman

Brisbane
24 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF AUSTIN ENGINEERING LTD

As lead auditor for the review of Austin Engineering Ltd for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Austin Engineering Ltd and the entities it controlled during the period.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 24 February 2017

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Consolidated Entity	
		Half-Year	
	Note	2016	2015
		$000	$000
Revenue from continuing operations	2	91,124	96,614
Expenses			
Raw materials and consumables used	5	(17,954)	(16,442)
Change in inventories and work-in-progress		5,248	(8,230)
Employment expenses		(52,330)	(47,603)
Subcontractor expenses		(4,987)	(2,865)
Occupancy and utility expenses		(1,620)	(2,776)
Depreciation expense		(5,108)	(5,215)
Amortisation expense - customer relationships and other intangibles		(474)	(459)
Other expenses	5	(18,918)	(28,248)
Finance costs		(3,976)	(2,937)
Impairment expense	5	-	(9,060)
Profit/(loss) before income tax		(8,995)	(27,221)
Income tax credit/(expense)		3,302	4,675
Profit/(loss) for the half-year from continuing operations		**(5,693)**	**(22,546)**
Profit for the half-year from discontinued operations		-	575
Profit/(loss) for the half-year		**(5,693)**	**(21,971)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax		713	(5,424)
Other comprehensive income for the half-year, net of tax		713	(5,424)
Total comprehensive income for the half-year		**(4,980)**	**(27,395)**
Profit/(loss) for the half-year is attributable to:			
Owners of Austin Engineering Limited		(5,693)	(21,971)
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		(4,980)	(27,395)
Total comprehensive income for the half-year attributable to the owners of Austin Engineering Limited arises from:			
Continuing operations		(4,980)	(27,970)
Discontinued operations		-	575
		(4,980)	(27,395)
Earnings per share from continuing operations attributable to owners of Austin Engineering Limited:			
Basic earnings/(loss) per share (cents per share)	4	(1.05)	(15.99)
Diluted earnings/(loss) per share (cents per share)	4	(1.05)	(15.99)
Earnings per share from continuing and discontinued operations attributable to owners of Austin Engineering Limited			
Basic earnings/(loss) per share (cents per share)	4	(1.05)	(15.58)
Diluted earnings/(loss) per share (cents per share)	4	(1.05)	(15.58)

The Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Consolidated Entity	
	Note	31 December 2016	30 June 2016
		$000	$000
Current Assets			
Cash and cash equivalents		9,289	12,832
Trade receivables		31,995	29,371
Inventories		21,265	15,814
Current tax assets		1,030	1,809
Assets classified as held for sale	5	-	8,740
Other receivables and other assets		14,564	11,985
Total Current Assets		**78,143**	**80,551**
Non-Current Assets			
Property, plant and equipment		111,303	113,308
Intangible assets		37,084	37,268
Deferred tax assets		18,954	17,632
Total Non-Current Assets		**167,341**	**168,208**
Total Assets		**245,484**	**248,759**
Current Liabilities			
Trade and other payables		42,221	36,509
Financial liabilities	5	19,284	19,657
Current tax liabilities		-	15
Provisions		7,299	8,247
Total Current Liabilities		**68,804**	**64,428**
Non-Current Liabilities			
Financial liabilities	5	26,596	32,593
Deferred tax liabilities		8,256	10,512
Provisions	5	1,860	4,205
Total Non-Current Liabilities		**36,712**	**47,310**
Total Liabilities		**105,516**	**111,738**
Net Assets		**139,968**	**137,021**
Equity			
Contributed equity	6	153,935	145,829
Reserves		(3,679)	(4,213)
Retained earnings		(10,288)	(4,595)
Total Equity		**139,968**	**137,021**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity	Retained Earnings	Options /Performance Rights Reserve	Foreign Currency Translation Reserve	Total
	$000	$000	$000	$000	$000
Consolidated Entity					
Opening balance at 1 July 2015	87,344	35,860	1,842	(5,623)	119,423
Total comprehensive income for the half-year:					
Loss for the half-year	-	(21,971)	-	-	(21,971)
Other comprehensive income:					
Currency translation differences	-	-	-	(5,424)	(5,424)
Total comprehensive income for the half-year	-	(21,971)	-	(5,424)	(27,395)
Transactions with owners in their capacity as owners:					
Issue of share capital	31,603	-	-	-	31,603
Share issue costs	(1,023)	-	-	-	(1,023)
Share-based payments	-	-	159	-	159
Share options	-	-	1,151	-	1,151
	30,580	-	1,310	-	31,890
At 31 December 2015	**117,924**	**13,889**	**3,152**	**(11,047)**	**123,918**
Total comprehensive income for the half-year:					
Loss for the half-year	-	(18,484)	-	-	(18,484)
Other comprehensive income:					
Currency translation differences				3,433	3,433
Total comprehensive income for the half-year	-	(18,484)	-	3,433	(15,051)
Transactions with owners in their capacity as owners:					
Issue of share capital	29,743	-	-	-	29,743
Share issue costs	(1,838)	-	-	-	(1,838)
Share-based payments	-	-	249	-	249
	27,905	-	249	-	28,154
At 30 June 2016	**145,829**	**(4,595)**	**3,401**	**(7,614)**	**137,021**
Total comprehensive income for the half-year:					
Loss for the half-year	-	(5,693)	-	-	(5,693)
Other comprehensive income:					
Currency translation differences	-	-	-	713	713
Total comprehensive income for the half-year	-	(5,693)	-	713	(4,980)
Transactions with owners in their capacity as owners:					
Issue of share capital	8,416	-	-	-	8,416
Share issue costs	(310)	-	-	-	(310)
Share-based payments	-	-	(179)	-	(179)
	8,106	-	(179)	-	7,927
At 31 December 2016	**153,935**	**(10,288)**	**3,222**	**(6,901)**	**139,968**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated Entity	
	Half-Year	
	2016	**2015**
	$000	$000
Cash flows from operating activities		
Receipts from customers	96,790	123,945
Payments to suppliers and employees	(105,234)	(119,746)
Interest received	123	283
Finance costs	(3,976)	(2,937)
Income tax paid	-	(361)
Net cash (used in)/provided by operating activities	**(12,297)**	**1,184**
Cash flows from investing activities		
Proceeds from sale of assets held for sale	5,959	-
Proceeds from sale of property, plant and equipment	3,038	-
Payments for property, plant and equipment	(1,592)	(2,447)
Payments for intangibles	(32)	-
Net cash provided by/(used in) investing activities	**7,373**	**(2,447)**
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	7,962	30,436
Proceeds from borrowings	14,390	20,000
Repayment of borrowings	(20,971)	(49,247)
Net cash provided by financing activities	**1,381**	**1,189**
Net decrease in cash and cash equivalents	**(3,543)**	**(74)**
Cash and cash equivalents at the beginning of the period	12,832	3,319
Effects of exchange rate changes on cash and cash equivalents	-	(134)
Cash and cash equivalents at the end of the period	**9,289**	**3,111**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation of half-year financial statements
These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting.*

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made by Austin Engineering Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange and Corporations Act 2001.

The accounting policies and methods of computation applied in these half-year financial statements are the same as those applied by the company in the annual financial statements for the year ended 30 June 2016.

Going concern basis of preparation
The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

New, revised or amended Accounting Standards and Interpretations adopted
A number of amended standards became applicable for the current reporting period, however, the consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Note 2: Revenue and other income

	Half-Year 2016	**Half-Year 2015**
Revenue from continuing operations	$000	$000
Sales revenue:		
Sale of goods	40,101	47,711
Services	50,750	48,407
Other revenue:		
Interest - bank deposits	123	283
Other	150	213
Total revenue from continuing operations	91,124	96,614

Note 3: Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services), Americas (for mining equipment and other products, comprising of North America and South America), and Asia (currently Indonesia for mining equipment and other products). These reporting segments also provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies, production facilities and processes, the cost of key inputs such as labour and steel, the existence of competition and differing customer requirements that may affect product pricing.

Executive management monitors segment performance based on EBITDA (earnings before interest, tax, depreciation and amortisation). Segment information for the half-years ended 31 December 2016 and 31 December 2015 is as follows:

	Australia		Americas		Asia		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$000	$000	$000	$000	$000	$000	$000	$000
Total segment revenue from continuing operations - from external customers	42,121	50,884	46,155	44,063	2,848	1,667	91,124	96,614
EBITDA	240	(9,087)	754	(642)	(554)	(104)	440	(9,833)
Total segment assets								
31 December 2016	87,648		145,504		12,332		245,484	
30 June 2016	81,735		155,664		11,360		248,759	
Total segment liabilities								
31 December 2016	55,745		45,801		3,970		105,516	
30 June 2016	60,000		50,016		1,722		111,738	

Corporate expenses are included in the Australian reporting segment for decision-making purposes as this represents the area within which they are mostly incurred. Asset amounts are measured in the same way that they are measured in the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the assets.

The reconciliation of EBITDA used by the reporting segments to EBITDA and profit before income tax is as follows:

	Half-Year 2016	**Half-Year 2015**
	$000	$000
EBITDA from continuing operations used for segment reporting	440	(9,833)
Impairment expense	-	(9,060)
EBITDA	440	(18,893)
Depreciation	(5,108)	(5,215)
Amortisation	(474)	(459)
Interest revenue	123	283
Finance costs	(3,976)	(2,937)
Profit/(Loss)before income tax	(8,995)	(27,221)

Note 4: Earnings per share

	Half-Year 2016	Half-Year 2015
	$000	$000
Earnings from continuing and discontinued operations used in basic and diluted earnings per share calculation	(5,693)	(21,971)
	No.(000)	No.(000)
Weighted average number of ordinary shares used in calculating basic earnings per share	540,934	141,014
Weighted average number of ordinary shares used in calculating diluted earnings per share	540,934	141,014

Note 5: Significant movements

The financial position and performance of the consolidated entity was particularly affected by the following events and transactions during the six months to December 2016:

Revenue decreased by 5.7% on the prior corresponding period due to the range of changes currently in progress across Austin operations and timing of new work.

Operating losses for the period have decreased significantly mainly due to impairment expense booked in the prior corresponding period and the decrease in the other expense category. The major movements influencing the decrease in the other expense category were the prior period onerous lease ($6.3m), restructuring costs in relation to the Brisbane workshop closure ($1.3m) and deferred restructuring cost payable to the banking syndicate ($1.2m).

On 20 May 2016, the group disposed of its subsidiary COR Cooling Pty Ltd. Details of the disposal was disclosed in Austin's 30 June 2016 Annual Report. The impact of the disposal of COR Cooling Pty Ltd on the comparative period is shown as the difference between continuing operations and continuing and discontinued operations, shown in the Directors Report.

In July 2016, Austin accessed a new working capital facility with a total facility of a maximum of $14m. At 31 December 2016, the amount drawn against this facility was $5.9m.

In August 2016, the company sold the surplus land in Peru with gross sale proceeds of $6.1 million.

In November 2016, the Company raised approximately $8.4 million through an ordinary share placement of 52.6 million fully paid ordinary shares (issued at $0.16 per share). The proceeds from the sale of land and the share placement were used for repayment of bank syndicated loans and for working capital requirements, respectively.

At 31 December 2016, a subsidiary of the Company did not meet its Debt:EBITDA covenant. The lender agreed to waive this non-compliance subsequent to the reporting date. The full value of the loan was classified as current at 31 December 2016.

After reviewing and updating the assessment of the recoverable amount of the consolidated entity's cash generating units, as a result of forecast cash flows based on a mix of committed work and reasonable growth assumptions, no impairment has been recorded for the period ended 31 December 2016 as all cash generating units had a positive difference between their recoverable amounts and carrying value. In the corresponding prior period, the consolidated entity recorded a total impairment charge of $9.1 million after reassessing the recoverable amount of its cash generating units in light of subdued business conditions and associated workloads.

Key assumptions used for value in use calculations
The recoverable amount of the cash generating units is based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

(a) EBITDA margins
(b) Discount rates
(c) Growth rates used to extrapolate cash flows beyond the forecast period.

The Company has determined the assumptions based on past performance and expectations for the future.

In performing value-in-use calculations, the Company has applied a pre-tax discount rate to discount the forecast future cash flows. Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Specific risk premiums have been incorporated into the calculation of the discount rates where appropriate.

Note 5: Significant movements (continued)

The pre-tax discount rates used for the Australian based cash generating units, including Aust Bore and Pilbara Hire Group is 15.71% (30 June 2016: 15.71%). The pre-tax discount rates used for the Chilean based cash generating units, including Austin Ingenieros Chile and Austin Arrendamientos Chile (Servigrut) is 16.45% (30 June 2016: 16.45%). The pre-tax discount rates used for the Colombian based cash generating unit, including Austin Colombia is 20.13% (30 June 2016: 20.13%). The pre-tax discount rates used for the USA based cash generating unit, including Austin Engineering USA Inc. is 16.67% (30 June 2016: 16.67%). The pre-tax discount rates used for the Indonesian based cash generating unit, including PT Austin Engineering Indonesia is 19.81% (30 June 2016: 19.81%).

The perpetual growth rates used for the cash generating units are 3% (30 June 2016: 3%).

Impact of reasonably possible changes in key assumptions:

At 31 December 2016, all cash generating units had a positive difference between their recoverable amounts and their carrying value.

Note 6: Contributed equity - ordinary shares

	Half-Year 2016		Half-Year 2015	
	No.(000)	$000	No. (000)	$000
Balance at beginning of half-year	526,234	145,829	84,274	87,344
Non-renounceable entitlement offer	52,600	8,416	70,228	31,603
Cost of share issues (net of tax)	-	(310)	-	(1,023)
Balance at end of half-year	578,834	153,935	154,502	117,924

On 15 November 2016, the company issued 52,600,000 ordinary shares at an issue price of $0.16 cents per share to institutional and sophisticated investors in terms of a share placement.

On 29 July 2015 and 14 August 2015 the company issued 42,396,059 and 27,832,278 ordinary shares respectively, pursuant to the institutional and retail components of an accelerated non-renounceable entitlement offer. The shares were issued at $0.45 per share and rank equally with existing fully paid ordinary shares.

Options
There were no options issued in the period to 31 December 2016.

The company issued 12 million options on 29 July 2015 to LIM Asia Special Situations Master Fund Limited (LIM) as part consideration for a subordinated loan from LIM. The options expire on 31July 2018 at various exercise prices (4 million options exercisable at $0.60; 6 million options exercisable at $1.00; 2 million options exercisable at $1.75).

Performance Rights Plan
There were no performance rights issued in the period to 31 December 2016.

Note 7: Contingent liabilities and contingent assets
There are no changes to contingencies reported at 30 June 2016. Bank guarantees were issued to third parties arising out of dealings in the normal course of business.

Note 8: Dividends
Dividends recognised at the end of the half-year
There was no final dividend paid in relation to the financial half-year ended 31 December 2016.

Dividends not recognised at the end of the half-year
Since the end of half-year the Directors have not declared an interim dividend for the financial year ending 30 June 2017.

Note 9: Events subsequent to reporting date

Subsequent to 31 December 2016, the Landlord of 173 Cobalt Street, Carole Park has entered into a sale agreement for the facility that is expected to settle on or around 31 March 2017. The Carole Park lease expires in February 2021 with the Company expected to execute a Deed of Surrender of Lease at the time of settlement. The Company have measured the provision for onerous lease on the basis of the settlement agreement in place, resulting in a release of the provision, to profit and loss, of $1.7m.

In the opinion of the Directors, other than the matters detailed above there have been no material matters or circumstances which have arisen between 31 December 2016 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

DIRECTORS DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

In the Directors opinion:

a) The financial statements and notes set out on pages 4 to 11 of this report are in accordance with the Corporations Act 2001, including:

   i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   ii) giving a true and fair view of the financial position as at 31 December 2016 and of the performance for the half-year ended on that date for the consolidated entity; and

b) There are reasonable grounds to believe that Austin Engineering Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

J. R. Walker

Jim Walker
Chairman

Brisbane
24 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austin Engineering Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austin Engineering Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Austin Engineering Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Engineering Ltd is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 24 February 2017

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Austin Engineering Ltd – Half Year Results to 31 December 2016

Financial Overview

	HY 15-16*	HY 16-17	%
	$m	**$m**	**Change**
Revenue	96.6	91.1	(5.7%)
Normalised EBITDA**	2.8	0.0	(100.0%)
EBITDA	(18.9)	0.4	n/a
NPBT	(27.2)	(9.0)	67.0%
NPAT	(22.5)	(5.7)	74.7%
Net assets	123.9	140.0	13.0%
Basic earnings per share	(15.99)	(1.05)	93.43%

*** Re-presented to show only continuing operations**
****Excluding impairment/one-off costs**

Brisbane, 24 February 2017: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year revenue of $91.1m (lower than the prior corresponding period of $96.6m) and normalised EBITDA of $0.0m (lower than the prior corresponding period of $2.8m) as a result of timing on product delivery. The half-year normalised EBITDA result is in line with guidance.

Chairman, Mr Jim Walker, commented on the half-year results saying *"Austin has delivered a break-even normalised result as foreshadowed during the Company's updates released during November 2016. The Strategic Refocus activities implemented during 2016 and appointment of our key management team, CEO Peter Forsyth and CFO/Company Secretary Christine Hayward has provided a strong platform of stability and leadership to take advantage of the improved industry sector opportunities."*

Review of Operations

The group performance was mixed for the period across the various business units as some regions remained affected by subdued trading conditions. The Australian Perth facility and Aust Bore operations led the way during the period in improved performance.

The Australian operations produced a positive EBITDA. This was mainly as a result of our Perth and Aust Bore divisions; in particular Perth delivered an improvement of 61% on H1 FY16 EBITDA. Together with our Indonesian facility, Australasian manufacturing sites are operating at high utilisation levels with a healthy pipeline of orders supporting the remainder of FY17 and beyond. The majority of our divisions located on the East Coast of Australia have recorded subdued results during the period, however, recently we have noted an increased number of inquiries and orders.

Indonesia had a subdued half-year. However this division has a high level of secured orders for delivery in H2 FY17 with an expectation of a positive EBITDA contribution for the full year.

The Americas produced a positive EBITDA for the period. North America delivered a reduced EBITDA result compared to the prior corresponding period in a soft USA market, but client activity is showing good signs of recovery. The Colombian division contributed positively to EBITDA, supported by a strong order book of tray manufacture. Austin's Chilean and Peruvian divisions recorded EBITDA results below that of the corresponding period as a result of timing of orders and continuing challenging market conditions.

Group reported EBITDA, NPBT and NPAT were all improved from the prior corresponding period as a result of reduced one-off expenses and no impairment recorded. During the period, one-off expenses were more than offset by positive one-off non-cash adjustments to the onerous lease provision, reversal of impairment on the Colombian property and profits on the sale of plant and equipment.

FY17 outlook

Austin commenced the 2017 calendar year with an improved order book relative to the start of the financial year with encouraging signs at the majority of our business operations. Further to the Company's update in November 2016 where it was advised that a second half FY2017 underlying trading result was expected to be above the prior year result of c.$9.2m, the order book has continued to improve for the second half FY2017 as well as orders being received well into the first half of FY2018.

The Company now provides normalised EBITDA guidance range for the full year to 30 June 2017 of between $11m to $15m with a total order book and committed work of c.72% for the second half FY2017. The Group's 6 month forward order book, including committed work, increased by 69% from the position as at the AGM in November 2016.

Mr Peter Forsyth, CEO said *"Our projection for the second half FY2017 has exceeded our initial expectations with our manufacturing facilities returning to high levels of utilisation and we are looking forward to steadily improving performance for Austin during the 2017 calendar year. Austin's engineering solutions and product range continue to perform well in the field with a reduction in the cost per tonne meeting our clients expectations and driving business development activities."*

Capital Management

During 1H FY17, Austin exited the Australian banking syndicate and repaid all short-term subordinated debt. Net repayments of debt facilities for the period were $6.6m.

The company raised $8.0m in new capital following a share placement in November 2016. Funds utilised during the period for working capital to support the increase in manufacturing operations expected during 2H FY17 were $2.3m, the balance of funds from the placement were held on deposit at 31 December 2016.

Net Assets

Net assets of $140.0m at 31 December 2016 represented an increase of 3%, compared to $137.0m at 30 June 2016. The increase reflects the proceeds from the share placement, offset by the net loss after tax for the period.

At 31 December 2016 the net tangible asset backing per share of 17.8c reduced by 7% from 19.0c at 30 June 2016.

Asset Sales

The Company has determined that the previously announced sale and leaseback of the Colombian property is not required at this time given the current financial position. The Company will continue to assess any opportunities that may be available with respect to future sales and/or leaseback arrangements for specific assets.

Dividends

Since the end of the half-year, the Directors have not declared an interim dividend for the financial year ending 30 June 2017 (2016 – no dividends paid). The payment of dividends will continue to be reassessed on a periodic basis.

End

For further information, contact Chief Executive Officer, Peter Forsyth or Chief Financial Officer and Company Secretary, Christine Hayward on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, Indonesia, the USA 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, 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 American and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. 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. 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. 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.