

HEAD OFFICE

173 Cobalt Street (PO Box 64)
Carole Park QLD 4300 Australia

Ph +61 7 3271 2622

Fax +61 7 3271 3689

Email enquiry@austineng.com.au

Web www.austineng.com.au

ABN 60 078 480 136

austinengineering^{LTD}

27 May 2016

Dear Shareholder

Notification to Ineligible Shareholders

On 26 May 2016, Austin Engineering Limited (**Company**) announced that it is undertaking an underwritten pro-rata renounceable entitlement offer to raise up to approximately \$28.1 million, before offer costs (**Entitlement Offer**). The Entitlement Offer is fully underwritten subject to certain conditions and customary termination events pursuant to an underwriting agreement.

The Entitlement Offer provides eligible shareholders with the opportunity to subscribe for 2 new shares for every 1 share held at 7:00pm (Sydney time) on Monday 6 June 2016 (**Entitlement**) at an issue price of \$0.08 per new share (**Offer Price**).

Why are we sending you this letter?

This letter is to inform you about the Entitlement Offer and to explain to you why you are not eligible to participate in the Entitlement Offer.

This letter is not an offer to issue new shares to you, nor an invitation for you to apply for new shares. **You are not required to do anything in response to this letter.**

Why am I not eligible to participate in the Entitlement Offer?

Shareholders who are eligible to participate in the Entitlement Offer (**Eligible Shareholders**) are those persons who:

- (a) are registered as a holder of ordinary shares in the Company as at 7:00pm (Sydney time) on Monday 6 June 2016 (**Record Date**) with a registered address on the Company's register of members in Australia or New Zealand;
- (b) are not in the United States, are not a U.S. Person (as defined in Regulation S of the *United States Securities Act of 1933* (as amended)) and are not acting for the account or benefit of a person in the United States or a U.S. Person; and
- (c) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without the requirement for a prospectus or offer document to be lodged or registered.

The securities laws of many countries require the use of offer documents specific to that country or compliance with local laws for the Entitlement Offer to be made in those countries. Having regard to the number of shareholders in particular countries, the number and value of the Company's ordinary shares to which those shareholders would otherwise be entitled and the potential cost of compliance with local laws to make the Entitlement Offer in those countries, the Company has limited the countries in which the Entitlement Offer will be made.

The Company has determined, pursuant to section 9A(3)(a) of the *Corporations Act 2001* (Cth) (**Act**) and Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in countries outside of Australia and New Zealand in connection with the Entitlement Offer (**Ineligible Shareholders**).

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above.

Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Act, the Company wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for new shares under the Entitlement Offer. However, as the Entitlement Offer is renounceable, you may receive value for Entitlements you would have received had you been eligible to participate in the Entitlement Offer, which is explained further below.

What will happen to the new shares that I would have been entitled to subscribe for if I was an Eligible Shareholder?

The Company will appoint an ASIC approved nominee to arrange for the sale of the Entitlements which would have been granted to you under the Entitlement Offer (**Sale Nominee**).

The Company will issue the Entitlements to the Sale Nominee that would otherwise have been issued to you. The Sale Nominee will not be subscribing for the new shares but may dispose of the Entitlements at any price necessary to any buyer, it is, at its discretion, able to procure.

The Sale Nominee will have the absolute discretion to determine the timing and the price at which your Entitlements may be sold and the manner of any such sale.

Subject to it being economic to do so, any net proceeds of sale will be distributed (net of expenses) to each of those Ineligible Shareholders for whose benefit the entitlements are sold in proportion to the Ineligible Shareholders' entitlement.

Please note that neither the Company nor the Sale Nominee will be held liable for the sale of such Entitlements at any particular price or the timing of such sale. If the Sale Nominee forms the reasonable opinion that there is not a viable market for such Entitlements or a surplus of sale proceeds over expenses from the sale cannot be obtained in relation to the sale of such Entitlements, those Entitlements will be allowed to lapse. No money will be payable to you in such circumstances.

On behalf of the directors and management of the Company, we regret that you are not eligible to participate in the Entitlement Offer and thank you for your continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Pursey', with a stylized flourish at the end.

Peter Pursey
Chairman

Important Information

This letter is issued by Austin Engineering Limited. This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in the Company in any jurisdiction. This letter does not constitute financial product advice and has been prepared without taking account of the investment objectives, financial situation or needs of any particular investor. This letter does not and will not form any part of any contract for the acquisition of shares in the Company.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the Entitlements nor the new shares referred to in this letter have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised by, and the Entitlements and new shares may not be offered or sold to, persons in the United States or to persons that are acting for the account or benefit of persons in the United States unless they have been registered under the U.S. Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

No documents relating to the Entitlement Offer may be sent or distributed, in whole or in part to persons in the United States or to persons that are acting for the account or benefit of any person in the United States.