

## HEAD OFFICE

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27 May 2016

Dear Shareholder

### Renounceable Entitlement Offer

On 26 May 2016 Austin Engineering Limited (**Company**) announced that it is undertaking a pro-rata renounceable entitlement offer to raise up to \$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.

### Details of the Entitlement Offer

The Entitlement Offer provides you 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.

The issue price of \$0.08 under the Entitlement Offer represents a discount of approximately:

- 25% to the TERP<sup>1</sup> of \$0.107 per share; and
- 50% to the Company's closing price of \$0.16 per share on Monday, 23 May 2016.

### Eligible Shareholders

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 and 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

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<sup>1</sup> TERP is the theoretical price at which shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price.

- (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 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**). The Company will not offer the Entitlement Offer to Ineligible Shareholders.

### **Additional Shares**

Eligible Shareholders who take up their full Entitlement may subscribe for additional new shares from a pool of those not taken up by Eligible Shareholders as at the closing date of the Entitlement Offer (**Shortfall Facility**).

The Company, in consultation with the underwriter, retains complete discretion regarding the allocation of additional shares which Eligible Shareholders subscribe for in excess of their Entitlement.

Eligible Shareholders will be allocated additional shares initially according to their pro-rata share of the Shortfall Facility having regard to their shareholdings at the Record Date (or any lesser amount sought). If any shortfall remains, further rounds of allocating the remaining shortfall pro-rata will occur on the same basis until all of the shortfall has been allocated or all shortfall applications have been satisfied in full.

There is no guarantee that Eligible Shareholders will receive the number of additional shares applied for under the Shortfall Facility, or any. The Company's and the underwriter's decision on the number of additional shares to be allocated to you will be final.

### **Entitlements**

Entitlements will be rounded up to the nearest whole number of new shares and holdings on different registers or sub-registers will not be aggregated to calculate Entitlements.

Entitlements are renounceable and will be tradeable on the ASX or otherwise transferable. They are expected to be quoted and tradeable on market from Friday, 3 June 2016 to Thursday, 16 June 2016 (**Entitlement Trading Period**).

You may sell your Entitlements in order to realise value that may attach to those Entitlements if sold at that time. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact on the ability to sell Entitlements on market and the price able to be achieved.

Prices obtained for Entitlements may rise and fall over the Entitlement Trading Period and will depend on many factors including the demand for and supply of Entitlements and the value of the Company's shares relative to the issue price. If you sell your Entitlement, you may receive a higher or lower amount than a shareholder who sells their Entitlement at a different time during the Entitlement Trading Period.

### **Effect of the Entitlement Offer on the Company's capital structure**

The Company currently has 154,502,341 shares on issue.

The table below provides a pro-forma capital structure of the Company after completion of the Entitlement Offer (assuming no other shares are issued by the Company and no options or performance rights are exercised). The actual outcome of the Entitlement Offer may differ.

| <b>Share Capital</b>                                     | <b>Shares</b>                        |
|--|--------------------------------------|
| Shares on issue on announcement of the Entitlement Offer | 154,502,341                          |
| New shares to be issued under the Entitlement Offer      | Approximately<br>350,822,504         |
| <b>Shares on issue after the Entitlement Offer</b>       | <b>Approximately<br/>526,233,756</b> |

*This table is indicative and has been prepared for illustrative purposes only. Shareholders should be aware that the actual number of shares issued may differ from this table.*

### **Further information**

The Entitlement Offer will be made under section 708AA of the Act. Accordingly, the Company will not prepare a prospectus or other disclosure document. The Company will release a copy of the Entitlement Offer booklet and the Entitlement and Acceptance Form to ASX on 7 June 2016 and send a copy to all Eligible Shareholders on this date.

Further details of the Entitlement Offer will be included in the Entitlement Offer booklet.

## Action required by Eligible Shareholders

Your Entitlement may have value and it is important you determine whether to (in whole or in part) take up, transfer, sell or do nothing in respect of your Entitlement. There are a number of ways in which you can sell all or part of your Entitlement, each of which may result in a different value for those Entitlements sold.

### (a) Take up an Entitlement in full and apply for Additional Shares

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form.

If you have applied to take up all of your Entitlement, you may also apply for Additional Shares. Follow the instructions set out in the Entitlement and Acceptance Form.

### (b) Take up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of new shares you wish to take up. You do not need to take any other action as the portion of your Entitlement that you do not take up will lapse.

### (c) Sell all or part of your Entitlement on ASX

If you wish to sell all of your Entitlement on ASX, you should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form. Allow sufficient time for your instructions to be carried out by your stockbroker.

If you wish to sell part of your Entitlement on ASX and:

- (i) let the balance lapse - follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX, and do nothing in respect of the balance; or
- (ii) take up the balance – follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX and complete the Entitlement and Acceptance Form for the number of new shares you wish to take up.

### (d) Transfer all or part of your Entitlement other than on ASX

If you wish to transfer all or part of your Entitlement other than on ASX you must forward a completed Renunciation and Transfer Form together with the Entitlement and Acceptance Form and the transferee's application money to the Company's share registry in relation to the part of your Entitlement that you wish to transfer.

If you hold issuer sponsored securities, you can obtain a Renunciation and Transfer Form through the Company's Share Registry on (08) 9389 8033 (within Australia) or +61 8 9389 8033 (outside Australia) at any time from 8.30am to 5.00pm (Perth time) Monday to Friday during the Entitlement Offer period.

The Renunciation and Transfer Form together with the application money and the Entitlement and Acceptance Form must be received by the share registry no later than 5.00pm (Sydney time) on Thursday, 23 June 2016. If the Share Registry receives both a completed Renunciation and Transfer Form and an application for new shares in respect of the same Entitlement, the transfer will be given effect in priority to the application.

If you hold broker / CHESS sponsored securities, you should request a Renunciation and Transfer Form from your stockbroker.

If you wish to transfer part of your Entitlement and:

- (i) let the balance lapse - follow the procedures above in respect of the part of your Entitlement you wish to transfer, and do nothing in respect of the balance; or
- (ii) take up the balance – follow the procedures above in respect of the part of your Entitlement you wish to transfer and complete the Entitlement and Acceptance Form for the number of new shares you wish to take up.

You may only transfer your Entitlements in this way to an Eligible Shareholder.

(e) **Do nothing and allow your Entitlement to lapse**

If you do nothing your Entitlement will lapse and you will receive no benefit. Although you will continue to own the same number of shares, your percentage holding in the Company will be diluted.

**Important dates**

| <b>Event</b>  | <b>Date</b>                          |
|---|--------------------------------------|
| Announcement of Entitlement Offer   | 26 May 2016                          |
| Existing shares quoted on an 'ex-entitlement' basis<br>Entitlements trading commences (on a deferred<br>settlement basis) | 3 June 2016                          |
| Record Date   | 7.00pm (Sydney time)<br>6 June 2016  |
| Entitlement Offer opens<br>Entitlement Offer booklet and acceptance forms<br>released to ASX and despatched               | 7 June 2016                          |
| Entitlements trading ends   | 16 June 2016                         |
| Entitlement Offer closes  | 5.00pm (Sydney time)<br>23 June 2016 |
| Announcement of shortfall (if any) under the<br>Entitlement Offer   | 28 June 2016                         |
| Issue date of new shares issued under the Entitlement<br>Offer  | 30 June 2016                         |
| Despatch of holding statements for new shares issued<br>under the Entitlement Offer                                       | 1 July 2016                          |
| Normal trading of new shares issued under the<br>Entitlement Offer  | 1 July 2016                          |

*\*The Company reserves the right, in consultation with the underwriters, and subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the closing date of the Entitlement Offer or accepting late applications, without notice. The commencement of quotation and trading of new shares is subject to confirmation from ASX.*

On behalf of the directors and management of the Company we thank you for your ongoing support of the Company.

Yours sincerely,



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.