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

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2015 $000		Half-Year to 31 December 2014 $000
Revenue	**108,681**	**up 6.5% from**	**102,051**
Net Profit/(Loss) after Tax for the Half Year	**(21,971)**	**up 47.2% from**	**(41,598)**

Brief Explanation of Movements in Revenue and Net Profit

Revenue and net profit after tax for the half-year ended 31 December 2015 continued to be affected by a combination of factors including:

- Continued lower utilisation of productive capacity due to reduced capital expenditure in the mining sector. The decrease in the sale of capital items was partially offset by an increase in services revenue.

- Impairment charges of $9.1 million.

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 29 February 2016, a copy of which is attached herewith on pages 16 and 17. Please also refer to the associated presentation that was released to the market on 29 February 2016.

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
An interim dividend has not been declared for the financial year ended 30 June 2016	-	-

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

Net Tangible Assets per Security

	Half-Year to 31 December 2015	Half-Year to 31 December 2014
Net tangible asset backing per ordinary security (cents)	44.5	81.4

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 2015

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 2015.

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

Peter Pursey (Non-Executive Director to 27 November 2015 and Executive Chairman from 17 February 2016)
Michael Buckland (Managing Director, resigned 15 February 2016)
Eugene Fung (Non-Executive Director)
Charlie Sartain (Non-Executive Director)
John Nicolls (Non-Executive Director, appointed 1 September 2015)
Paul Reading (former Non-Executive Chairman, retired 27 November 2015)

Financial Highlights

	Change	Half-Year 15/16	Half-Year 14/15
		$000	$000
Revenue	+6.5%	108,681	102,051
Unadjusted EBITDA (refer note 3)	+49.4%	(17,883)	(35,312)
Normalised EBITDA	(57.8)%	3,816	9,044
Profit/(loss) before tax	+37.7%	(26,530)	(42,597)
Net profit/(loss) after tax	+47.2%	(21,971)	(41,598)
Net assets	-3.4%	123,918	128,313
Basic earnings per share (cents)	+68.4%	(15.58)cps	(49.36)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 29 February 2016, a copy of which is attached herewith on pages 16 and 17.

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 Class Order 98/100 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

Peter Pursey AM
Executive Chairman

Brisbane
29 February 2016

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY CRAIG 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 2015, 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, 29 February 2016

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 2015

		Consolidated Entity	
		Half-Year	
	Note	**2015**	**2014**
		$000	$000
Revenue	2	108,681	102,051
Expenses			
Raw materials and consumables used	5	(21,155)	(20,049)
Change in inventories and work-in-progress		(7,883)	(2,910)
Employment expenses		(51,787)	(49,423)
Subcontractor expenses		(2,880)	(1,801)
Occupancy and utility expenses		(4,064)	(4,025)
Depreciation expense		(5,534)	(5,163)
Amortisation expense - customer relationships and other intangibles		(459)	(506)
Other expenses	5	(29,452)	(16,914)
Finance costs		(2,937)	(2,977)
Impairment expense		(9,060)	(40,880)
Profit/(loss) before income tax		(26,530)	(42,597)
Income tax credit/(expense)		4,559	999
Profit/(loss) for the half-year		**(21,971)**	**(41,598)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax		(5,424)	4,190
Other comprehensive income for the half-year, net of tax		(5,424)	4,190
Total comprehensive income for the half-year		(27,395)	(37,408)
Profit/(loss) for the half-year is attributable to:			
Owners of Austin Engineering Limited		(21,971)	(41,598)
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		(27,395)	(37,408)
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings/(loss) per share (cents per share)	4	(15.58)	(49.36)
Diluted earnings/(loss) per share (cents per share)	4	(15.58)	(49.36)

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 2015

	Note	Consolidated Entity 31 December 2015	30 June 2015
		$000	$000
Current Assets			
Cash and cash equivalents		3,111	3,319
Trade receivables		30,033	34,851
Inventories		22,310	24,997
Current tax assets		713	205
Assets classified as held for sale		6,847	-
Other receivables and other assets		11,436	7,582
Total Current Assets		**74,450**	**70,954**
Non-Current Assets			
Property, plant and equipment		113,211	125,233
Intangible assets		55,155	59,288
Deferred tax assets		13,442	9,497
Other assets		-	6,639
Total Non-Current Assets		**181,808**	**200,657**
Total Assets		**256,258**	**271,611**
Current Liabilities			
Trade and other payables		40,914	37,704
Financial liabilities	7	8,826	50,325
Provisions		7,873	6,554
Total Current Liabilities		**57,613**	**94,583**
Non-Current Liabilities			
Financial liabilities	7	59,724	47,017
Deferred tax liabilities		10,105	10,588
Provisions		4,898	-
Total Non-Current Liabilities		**74,727**	**57,605**
Total Liabilities		**132,340**	**152,188**
Net Assets		**123,918**	**119,423**
Equity			
Contributed equity	6	117,924	87,344
Reserves		(7,895)	(3,781)
Retained earnings		13,889	35,860
Total Equity		**123,918**	**119,423**

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 2015

	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 2014	87,344	85,192	1,619	(8,514)	165,641
Total comprehensive income for the half-year:					
Loss for the half-year	-	(41,598)	-	-	(41,598)
Other comprehensive income:					
Currency translation differences	-	-	-	4,190	4,190
Total comprehensive income for the half-year	-	(41,598)	-	4,190	(37,408)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Dividends paid	-	-	-	-	-
Share-based payment	-	-	80	-	80
	-	-	80	-	80
At 31 December 2014	**87,344**	**43,594**	**1,699**	**(4,324)**	**128,313**
Total comprehensive income for the half-year:					
Loss for the half-year	-	(7,734)	-	-	(7,734)
Other comprehensive income:					
Currency translation differences				(1,299)	(1,299)
Total comprehensive income for the half-year	-	(7,734)	-	(1,299)	(9,033)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Dividends paid	-	-	-	-	-
Share-based payment	-	-	143	-	143
	-	-	143	-	143
At 30 June 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)
Dividends paid	-	-	-	-	-
Share-based payment	-	-	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**

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 2015

		Consolidated Entity	
		Half-Year	
	Note	2015	2014
		$000	$000
Cash flows from operating activities			
Receipts from customers		123,945	115,861
Payments to suppliers and employees		(119,746)	(109,309)
Interest received		283	1,361
Finance costs		(2,937)	(2,299)
Income tax paid		(361)	(409)
Net cash provided by operating activities		**1,184**	**5,205**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,447)	(1,706)
Release of funds from Escrow in relation to Calama land		-	4,251
Net cash (used in)/provided by investing activities		**(2,447)**	**2,545**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		30,436	-
Proceeds from borrowings		20,000	2,000
Repayment of borrowings		(49,247)	(7,344)
Net cash provided by/(used in) by financing activities		**1,189**	**(5,344)**
Net (decrease)/ increase in cash and cash equivalents		**(74)**	**2,406**
Cash and cash equivalents at the beginning of the period		3,319	7,385
Effects of exchange rate changes on cash and cash equivalents		(134)	348
Cash and cash equivalents at the end of the period		**3,111**	**10,139**

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 2015 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 2015 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 2015.

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.

For the half-year ended 31 December 2015, the Consolidated Entity realised a net loss after tax of $22.0 million (December 2014: loss after tax of $41.6m). This loss was largely due to the impairment of goodwill and assets of $9.1 million (refer note 5), provisioning and restructure costs of $13.1 million (refer note 5) and the impact of subdued business conditions on associated workloads. Due to this, future breaches of existing banking covenants are likely to occur unless further actions are undertaken by the Consolidated Entity.

As a result of previous efforts to retire gross debt levels, these have fallen from $97.4 million at 30 June 2015 to $68.6 million at 31 December 2015.

The directors have taken steps to ensure the Consolidated Entity can continue as a going concern, including:

- Examination and progress in respect of a broad range of options to extend the term of debt, to provide access to new debt facilities, to consider acquisition and disposal transactions which improve the capital structure and the potential to source additional equity or additional equity investors;
- Revision to terms of the covenants for the existing senior debt to 31 December 2015;
- Raising US$4.5m of bridging debt in the form of a subordinated loan from two existing shareholders subsequent to balance date and drawn down on 3 February 2016, with the proceeds used to prepay a portion of senior debt facilities;
- Progress in respect of the planned sale of a block of land in Peru (which is committed to retiring the bridging debt) and land associated with the Colombian workshop;
- Evaluation and response to inward inquiry from potential buyers of certain non-core assets and non-core businesses;
- The closure of the Brisbane workshop, announced on 24 November 2015, which is expected to reduce costs by $2.8 million per annum;
- Completion of the first phase of a strategic review, with business improvement initiatives in progress to increase sales effectiveness and the efficiency of operations;
- Appointment of Blue Ocean Equities Pty Ltd to assist with the identification and management of inquiries for new equity investments and structured capital investments.

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.

The ability of the Consolidated Entity to continue as a going concern is dependent on the ability to implement some combination of the following:

- Raise sufficient equity to assist the company to retire a portion of the senior debt;
- Refinance the debt after retiring a portion of the senior debt;
- Secure the ongoing support of the Consolidated Entity's financiers through further financial accommodation should a portion of the senior debt not be retired by 31 March 2016;
- Complete the proposed sale of the Peru land and the sale and leaseback of the Colombian workshop property;
- Implement the outcomes of the strategic review and revised business plan through a planned, deliberate and progressive approach to better position the company for the current market environment.

Should the Consolidated Entity be unable to raise sufficient equity, refinance debt, secure the continued financial support from the financiers or the other matters described above, a material uncertainty would exist as to whether the Consolidated Entity will be able to continue as a going concern, and therefore, whether they will realise their assets and liabilities in the normal course of business. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Consolidated Entity not continue as a going concern.

New, revised or amending 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 will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

Note 2: Revenue and other income

	Half-Year 2015	Half-Year 2014
Revenue	$000	$000
Sales revenue:		
Sale of goods	50,792	52,425
Services	57,239	47,807
Other revenue:		
Interest - bank deposits	283	1,361
Other	367	458
Total revenue	108,681	102,051

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 2015 and 31 December 2014 is as follows:

	Australia		Americas		Asia		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	$000	$000	$000	$000	$000	$000	$000	$000
Total segment revenue - from external customers	62,951	58,803	44,063	37,466	1,667	5,782	108,681	102,051
EBITDA	(8,077)	2,373	(642)	1,376	(104)	1,819	(8,823)	5,568
Total segment assets								
31 December 2015	102,654		141,410		12,194		256,258	
30 June 2015	102,179		153,326		16,106		271,611	
Total segment liabilities								
31 December 2015	89,289		41,155		1,896		132,340	
30 June 2015	111,098		39,373		1,717		152,188	

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 profit before income tax is as follows:

	Half-Year 2015	Half-Year 2014
	$000	$000
EBITDA used for segment reporting*	(8,823)	5,568
Impairment expense	(9,060)	(40,880)
Reported EBITDA	(17,883)	(35,312)
Depreciation	(5,534)	(5,163)
Amortisation	(459)	(506)
Interest revenue	283	1,361
Finance costs	(2,937)	(2,977)
Profit/(Loss)before income tax	(26,530)	(42,597)

*Includes one-off costs of $12.639 million (2014: $3.476 million).

Note 4: Earnings per share

	Half-Year 2015	Half-Year 2014
	$000	$000
Earnings used in basic and diluted earnings per share calculation	(21,971)	(41,598)
	No.(000)	No.(000)
Weighted average number of ordinary shares used in calculating basic earnings per share	141,014	84,274
Weighted average number of ordinary shares used in calculating diluted earnings per share	141,014	84,274

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 31 December 2015:

Business conditions and the associated workload for the period to the end of December 2015 continued to be subdued.

The other expenses category has increased significantly on the prior corresponding period. The major movements influencing this increase relate to the onerous lease ($6.3m), restructuring costs taken up in relation to the Brisbane workshop closure ($1.3m) and deferred restructuring cost payable to the banking syndicate ($1.2m). Legal and consultancy costs for the Group during the period were $4.3m, which includes the Westech settlement fee (refer note 10) as well as ongoing costs relating to the banking restructure.

The Company currently has a lease over the Brisbane location until February 2021. As previously announced to the market and mentioned above, an onerous lease provision of $6.3m was recorded at 31 December 2015, in relation to the Brisbane workshop closure.

In July and August 2015 the company undertook a $51.6 million capital raising comprising:

- A fully underwritten pro-rata accelerated non-renounceable entitlement offer that raised approximately $31.6 million before costs. The entitlement offer comprised institutional and retail components that raised $19.1 million and $12.5 million respectively at an issue price of $0.45 per share. A total of 70,228,337 new ordinary shares were issued. The shares issued rank equally with existing fully paid ordinary shares.
- A subordinated loan of $20 million provided by LIM Asia Special Situations Master Fund Limited (LIM). The loan was fully drawn down on 29 July 2015. The loan bears interest at 9% per annum, is secured by a second ranking general security over the company and is repayable within 36 months from the date of the draw down. Further to this, LIM was issued 12 million options on 29 July 2015, expiring on 31 July 2018 at various exercise prices (refer Note 6), as part consideration for the subordinated loan.

$47.15 million of the proceeds from the capital raising were used to reduce senior debt.

The continued adverse business conditions have resulted in an impairment expense of $9.06 million. This has been allocated against goodwill ($3.52 million) and property, plant and equipment ($5.54 million). The impairment expense was allocated against the following cash generating units (CGUs):

Austin Ingenieros Chile	$2.65 million
PT Austin Engineering Indonesia	$2.89 million
Austin Engineering USA Inc	$3.52 million

Impairment

The company reassessed the recoverable amount of its cash generating units which resulted in a total impairment charge of $9.06 million. The impairment testing was performed on all cash generating units. The impairment was the result of the company reassessing the recoverable values of its cash generating units in light of subdued business conditions and associated workloads.

The carrying amounts of goodwill disclosed in the statement of financial position are $0 million for Austin Ingenieros Chile (30 June 2015: $0 million), $0 million for PT Austin Engineering Indonesia (30 June 2015: $0 million) and $3.91 million for Austin Engineering USA Inc (30 June 2015: $6.98 million).

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).

Note 5: Significant movements (continued)

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.

The pre-tax discount rates used for the Chilean based cash generating units, including Austin Ingenieros Chile and Austin Arrendamientos Chile (Servigrut) is 15.28% (30 June 2015: 14.97%). The pre-tax discount rates used for the Colombian based cash generating unit, including Austin Colombia, is 21.65% (30 June 2015: 20.15%). The pre-tax discount rates used for the Indonesian based cash generating unit, including PT Austin Engineering Indonesia is 21.94% (30 June 2015: 22.34%). The pre-tax discount rates used for the USA based cash generating unit, including Austin Engineering USA Inc is 14.91% (30 June 2015: 15.85%). The pre-tax discount rates used for the Australian based cash generating units, including Austbore and Austin Engineering Site Services is 13.69% (30 June 2015: 13.44%).

The perpetual growth rates used for the cash generating units are 3% (30 June 2015: 3%).

Impact of reasonably possible changes in key assumptions
Austin Ingenieros Chile, PT Austin Engineering Indonesia and Austin Engineering USA Inc are all written down to recoverable values at 31 December 2015. Therefore any future adverse changes in key assumptions may result in future impairments.

The company believes there is a reasonably possible change in assumptions for the cash generating units of Austbore, Austin Engineering Site Services and Austin Arrendamientos Chile (Servigrut) that could possibly result in future impairment. These changes are listed below. There is no reasonably possible change in assumptions that would result in impairment for goodwill allocated to the other cash generating units.

The difference between the carrying value and recoverable amount of these cash generating units as at 31 December 2015 is as follows:

(a)	Austbore:	$1.96 million
(b)	Austin Engineering Site Services:	$0.94 million
(c)	Austin Arrendamientos Chile (Servigrut)	$1.58 million

The implications of the key assumptions for the recoverable amount are discussed below:

EBITDA Margin
The following changes in the EBITDA margin would result in impairment for the following cash generating units.
Austbore: a reduction of 2.42% in the EBITDA margins used would result in impairment.
Austin Engineering Site Services: a reduction of 0.63% in the EBITDA margins used would result in impairment.
Austin Arrendamientos Chile (Servigrut): a reduction of 0.78% in the EBITDA margins used would result in impairment.

Discount rates
The following changes in the pre-tax discount rate would result in impairment for the following cash generating units.
Austbore: an increase of 1.31% in the pre-tax discount rate would result in impairment.
Austin Engineering Site Services: an increase of 0.52% in the pre-tax discount rate would result in impairment.
Austin Arrendamientos Chile (Servigrut): an increase of 0.42% in the pre-tax discount rate would result in impairment.

Growth rate
The following changes in the long term growth rate would result in impairment for the following cash generating units.
Austbore: a reduction of 2.26% in the long term growth rate would result in impairment.
Austin Engineering Site Services: a reduction of 0.73% in the long term growth rate would result in impairment.
Austin Arrendamientos Chile (Servigrut): a reduction of 0.63% in the long term growth rate would result in impairment.

Note 6: Contributed equity - ordinary shares

	Half-Year 2015		**Half-Year 2014**	
	No.(000)	$000	No. (000)	$000
Balance at beginning of half-year	84,274	87,344	84,274	87,344
Non-renounceable entitlement offer	70,228	31,603	-	-
Cost of share issues	-	(1,023)	-	-
Balance at end of half-year	154,502	117,924	84,274	87,344

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. The proceeds raised were used to reduce the group's debt.

Options
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
On 1 December 2015 the company issued 2,266,440 performance rights to the Managing Director and to Executives. The issue of 304,436 performance rights to the Managing Director was approved at the Annual General Meeting held on 27 November 2015. The issue of performance rights to Executives did not require shareholder approval. The performance rights are exercisable into one ordinary share in Austin and have a nil exercise price and expire on 30 November 2020. The performance rights will vest if the Performance and Exercise conditions are achieved.

Note 7: Bank facilities

During the half year the group prepaid $47.15 million of its senior debt and as a result the senior lenders agreed to vary the minimum normalised 30 September 2015 and 31 December 2015 EBITDA and the interest cover ratio (now suspended until 1 July 2016) covenants in senior facility documents.

In December 2015 the group entered into a further variation of its multi-currency syndicated facilities agreement. The variations are as follows:

- The group agreed to repay an additional amount of not less than A$5 million by 31 January 2016, this was subsequently extended to 3 February 2016.
- The minimum adjusted EBITDA was varied for 30 September 2015 and 31 December 2015.
- The ratio of Gross Debt: Adjusted EBITDA for the period 30 September 2015 to 31 December 2015 was increased from 4.0:1 to 6.0:1.
- All other financial covenants remain unchanged.
- The expiry date of all facilities, except the LC facility, were extended to 20 March 2017.

In December 2015 the group entered into a variation of the LIM facility agreement. The variations are as follows:

- The ratio of Senior Debt: Adjusted EBITDA for 31 December 2015 and 31 March 2016 was increased from 4.0:1 to 6.0:1, reverting to 4.0:1 from 30 June 2016 onwards (Senior Debt means all indebtedness under the Senior Debt documents)

The group complied with all its borrowing covenants at 31 December 2015 and has since repaid A$5 million of its senior debt during February 2016.

Note 8: Contingent liabilities and contingent assets

Bank guarantees are issued to third parties arising out of dealings in the normal course of business.

Westech patent case

The Westech patent infringement case has been settled. Refer to Note 10 for resolution.

Note 9: 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 2015.

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 2016.

Note 10: Events subsequent to reporting date

Senior debt prepayment

Since the end of the half-year the group prepaid A$5 million of its senior debt via a short-term shareholder loan.

Westech patent case

As previously reported, Philippi-Hagenbuch Inc. and LeRoy Hagenbuch sued Western Technology Services International, Inc. (Westech) and WOTCO, a wholly owned subsidiary of Westech, alleging infringement of patents and false advertising. The parties to the proceedings entered into a settlement agreement that resulted in a full and final settlement of all claims and counterclaims in the case. On 13 January 2016 the U.S. District Court for the Central District of Illinois dismissed the case with prejudice, with each party to bear its own attorneys' fees and costs.

Resignation of Managing Director, Michael Buckland

Managing Director and Chief Executive Officer, Mr Michael Buckland, has tendered his resignation with the company. He stepped down as a director of Austin on 15 February 2016, but continues to serve as CEO for the remainder of his contracted term, until 30 June 2016, working in conjunction with the Executive Chairman (Mr Peter Pursey AM) to effectively manage the company through the transition period.

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 2015 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.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

In the Directors' opinion:

a) The financial statements and notes set out on pages 4 to 12 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 2015 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

Peter Pursey AM
Executive Chairman

Brisbane
29 February 2016

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2015, 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 2015 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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of equity, refinancing of the debt or the continued financial support of the financers and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 29 February 2016

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

Austin Engineering Ltd – Half Year Results to December 2015

Financial Overview

	HY 15-16	HY 14-15	%
	$m	$m	Change
Revenue	**108.7**	**102.05**	**+6.5%**
EBITDA*	**3.8**	**9.04**	**-58.0%**
NPBT*	**(4.8)**	**1.80**	**-366.7%**
NPAT**	**(22.0)**	**(41.6)**	**+47.1%**
Net assets	**123.9**	**128.31**	**-3.4%**
Basic earnings per share	**(15.58)cps**	**(49.36)cps**	**+68.4%**

***Excluding impairment/one-off costs**
****Including impairment/one-off costs**

Brisbane, 29 February 2016: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year revenue of $108.7m (increase on the prior corresponding period of $102.05m) and normalised EBITDA of $3.8m (decrease on the prior corresponding period of $9.04m). The result was impacted by continuing subdued capital spending in the mining industry.

Review of Operations
Conditions remained subdued within the mining industry despite increases in production levels from all the major miners.

Capital spending has continued to be deferred and although our customers repair and maintenance budgets have been increased, there is a continuing focus on cost reduction. This is despite current equipment now reaching a point where it becomes uneconomical not to replace.

The last two years have seen Austin Engineering put more emphasis on the repair and maintenance side of the business and have established specific repair and maintenance operations around the world to cater for this shift. This has a number of benefits which include:

- securing base load work for the Company,
- providing a higher base when throughput increases, and
- permitting the Company to form strategic alliances with miners to gain market intelligence and create productivity improvements for these customers.

It is also pleasing (and important) to note that Austin Engineering has continued to add new clients and now has a larger client base than previous years.

Revenue for the Company increased over the PCP reflecting the increased revenue from repair and maintenance revenue, albeit at a lower margin than the traditional business lines.

The Australian operations produced a small normalised EBITDA profit led by the Perth, COR Cooling and Austin Engineering Site Services divisions. It is pleasing to note orders from the major miners are starting to now be received for replacement products. The Eastern States operations are continuing to be effected by the depressed state of the coal industry. The Company took the decision during the half to close the Brisbane facility and transfer orders to the Hunter Valley and Mackay facilities.

Indonesia after a record year of profit in FY15 had a subdued half with a number of major orders being deferred.

The Americas produced a normalised EBITDA result below that of the PCP due mainly to deferral of orders. Westech produced a result significantly below any previously recorded half, despite having a very high tender book. The Chilean and Peruvian operations were affected by the slide in Copper prices with all miners looking at deferring orders and cutting costs in these regions. Colombia produced a fair result with the awarding of the 3 year maintenance contract for a large Miner.

Normalised NPBT of ($4.8m) was down on the prior corresponding period. NPAT of ($22.0m) was higher than the prior corresponding period, with the prior corresponding period reflecting $40.9m of impairment charges and $3.5m of one-off charges, as a result of subdued capital expenditure in the mining industry.

CEO Michael Buckland commented on the half-year result saying "The last six months have seen the toughest period in the life of Austin Engineering with the Miners deferring everything they can regarding capital equipment replacement and costs.

Review of Operations (continued)

While the result is the poorest recorded over a six month period, the Company has addressed this by the closing of the Brisbane facility, increased focus on offsite and onsite repairs and maintenance, as well as new product offerings to the market.

The Company has continued to address the current situation through the closure of over capacity, introduction of new products, innovative finance packages, increased focus on repairs and maintenance and working to become our clients strategic partner in relation to our products.

The Company is positioned to increase revenue and market share in the current depressed conditions and gives a higher base when the market does recover to any increased level."

Net Assets

Net assets of $123.9m at December 2015 were down by 3% from $128.3m at December 2014. The decrease reflects the proceeds from equity raising undertaken, offset by impairment combined with foreign currency translation differences relating to balance day adjustments on foreign equity balances. At December 2015 the net tangible asset backing per share of 44.5c reduced by 45% from 81.4c for the December 2014 half-year period.

Cash Flow, Liquidity and Debt

Operating cash flows for the half-year to December 2015 were $1.2m.

Non-operational cash flows for the half-year included $2.4m spent on capital expenditure projects, the most notable of which was equipment for a new contract in Peru. Other non-operating cash flows included net proceeds from the issue of shares of $30.4m, offset by net repayments of borrowings of $29.2m.

Dividends

Since the end of the half-year, the Directors have not declared an interim dividend for the financial year ending 30 June 2016 (2015 – no dividends paid).

End

For further information, contact Chief Executive Officer Michael Buckland or Chief Financial Officer Scott Richardson on +61 7 3271 2622.
