austin

Annual Report 2017

Austin 2017

Austin is the leading designer and manufacturer of a range of customised mining and earthmoving equipment. Working in close partnership with its clients, be these mining companies, contractors or original equipment manufacturers (OEMs), Austin provides the lowest cost per tonne solution, enabling its clients to enhance productivity and maximise profitability.

Austin's core competitive advantage is in its engineering intellectual property, knowledge and experience. Through which its customised products provide compelling productivity gains for its clients.

Contents

Products / services summary

Renowned globally for its JEC and Westech brands, Austin designs and manufactures customised dump truck bodies, buckets, water tanks, tyre handlers and other ancillary products.

With established business units in the world's principal mining regions, Austin is a complete service provider, offering on and off-site repair and maintenance as well as heavy equipment lifting to its customers.

PRODUCTS

- Off-highway dump truck bodies
- Buckets
- Water tanks
- Service modules
- Tyre handlers
- Ancillary attachments

SERVICES

- Equipment repair and maintenance
- Specialised fabrication
- Specialised machining and line boring
- On-site maintenance and shut-down repairs
- Heavy equipment lifting solutions

Global locations

Established in the world's principal mining regions, Austin has a global footprint offering local support and expertise. The benefit to our clients is premium quality, cost effective solutions delivered on time and supported by repair and maintenance service options.

The Group's manufacturing processes adhere to strict safety and quality standards, using premium input materials and experienced workmanship.

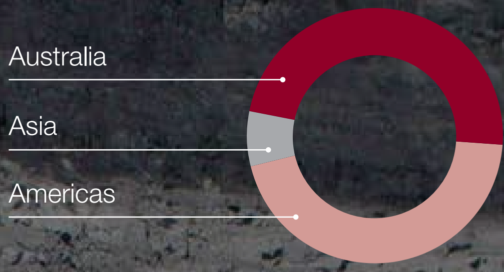
Head Office
- Brisbane, QLD

Austin Australia
- Perth, WA
- Karratha, WA
- Paraburdoo, WA
- Hunter Valley, NSW
- Mackay, QLD

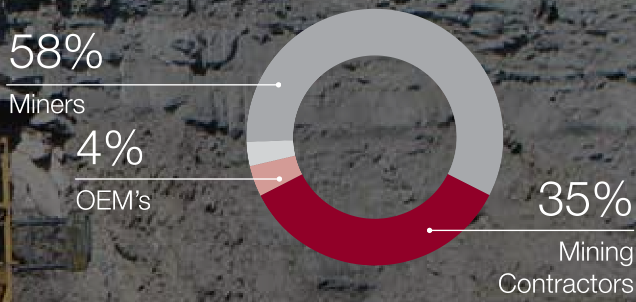
Austin Asia
- Batam, Indonesia

Austin Americas
- Wyoming, USA
- Barranquilla, Colombia
- Antofagasta, Chile
- Calama, Chile
- Lima, Peru
- Arequipa, Peru

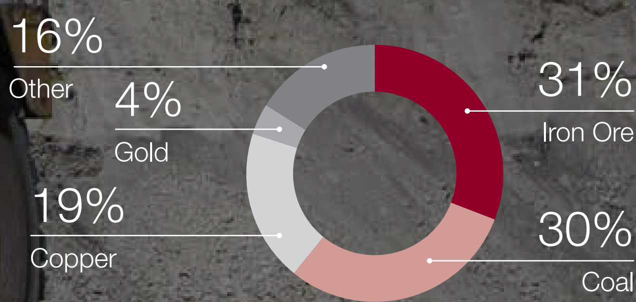
REVENUE BY REGION



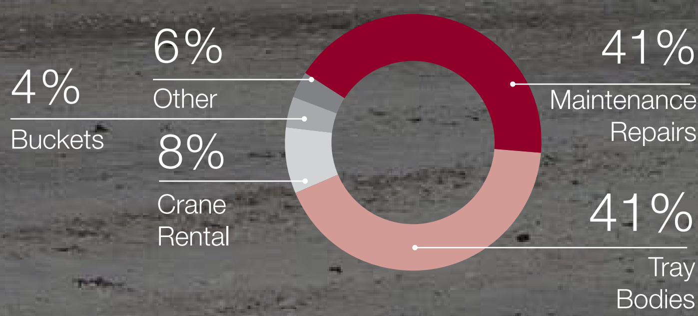
REVENUE BY CUSTOMER TYPE



REVENUE BY COMMODITY



REVENUE BY PRODUCT & SERVICE



Chairman's review

Market conditions have improved throughout calendar year 2017 with major mining companies increasing their spending on replacement components for their fleets. Global commodity prices have strengthened which has resulted in increased opportunities for the mining services sector.

The Company's performance improved markedly from the first half of the year to the second half as a result of internal strategies and improved market conditions. Austin's order book and committed work support a high proportion of the first half of the 2018 financial year expected revenues. Orders received, tenders submitted and enquiry levels remain high.

Financial position

Austin's financial position has strengthened during the year to enable an increase in working capital of $12.5 million and an increase in net debt of $6.2 million to fund the Group's growth. Capital management remains a focus for the Company with a refinancing of its Australian debt facilities substantially complete. The Board considered a reduction of debt leverage as the best use of the Company's capital in the short term, consequently no dividend was declared for the year ended 30 June 2017.

The Board remains committed to delivering value to shareholders and will assess capital management initiatives as the Company's performance and leverage improves.

Executive management

During this financial year the Company has experienced a restructure of the Board and executive management with a number of senior appointments made throughout the business. With new appointments come fresh ideas and valuable experience that I feel has elevated Austin to a new level of professionalism and leaves the Company well positioned to take advantage of improving market conditions.

New Chief Executive Officer

In October 2016, the Company appointed Peter Forsyth as Chief Executive Officer. Peter has worked in the industry for over 35 years and held senior roles, spanning multiple domestic and international territories, at Caterpillar Inc. and Chesterfield Australia. Peter brings high quality business development and strategic focus to lead the organisation and improve operating performance.

New Chief Financial Officer and Company Secretary

Shortly before the appointment of Peter Forsyth, the Company appointed Christine Hayward as Chief Financial Officer and Company Secretary. Christine has over 20 years' experience in senior financial and company secretarial roles including public and ASX listed companies. Christine's appointment provides the Company with an enhanced level of rigour in the finance and governance function.

Governance and the Board

Austin is committed to operating under stringent corporate governance, compliance, safety and risk management protocols. During the 2017 financial year changes were made to the Board together with the recent appointment of Peter Forsyth as Managing Director on 18 August 2017. A number of senior management positions were also created during the year to oversee global risk, safety and human resources functions enhancing the Company's overarching governance function.

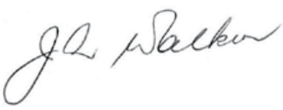
The Company operates in a cyclical market and Austin experienced fiscal pressures in recent years during the mining industry downturn. Strong corporate governance provides the cornerstone of a stable and successful business for the long-term. The Board and executive management continually monitor Company corporate governance practices in line with best practice and the ASX Corporate Governance Principles and Recommendations. The Company's corporate governance statement is available on Austin's website, I would encourage our stakeholders to read this report.

Shareholders, financiers and suppliers

As touched upon previously, Austin has faced significant challenges in recent years. Our shareholders, current financiers and suppliers have been instrumental in enabling the Company to maintain its market leading position during this time, I thank them for their continued support. The Board and executive management remain committed to delivering enhanced returns that our shareholders deserve.

"Global commodity prices have strengthened which has resulted in increased opportunities for the mining services sector.

The Company's performance improved markedly from the first half of the year to the second half as a result of internal strategies and improved market conditions."



Jim Walker
Non-Executive Chairman

Chief Executive Officer's report

> "During my first year at Austin I have encountered a business that has tremendous potential, loyal and committed people, quality products and strong stakeholder relationships. I am excited to be leading this business to effectively harness these internal qualities in an improving external market environment."

During my first year at Austin I have encountered a business that has tremendous potential, loyal and committed people, quality products and strong stakeholder relationships. I am excited to be leading this business to effectively harness these internal qualities in an improving external market environment.

We have been highly successful in filling our order book over the past nine to twelve months. This has resulted in a positive performance for the second half of the 2017 financial year and provides the basis of a strong outlook for the first half of the 2018 financial year. Market opportunities continue to improve, including South America where the business units have performed below expectations in recent years.

Financial performance

The Company reported normalised EBITDA of $14.3 million, which was at the higher end of guidance provided in February 2017. The net loss after tax of $27.6 million includes $19.8 million of non-cash impairments of intangible and property assets. The Company's performance improved markedly in the second half of the financial year and recorded a net profit before tax and impairment charges of $3.8 million for that period.

I am pleased with the improvement in results for the second half of the financial year, and my team and I are focussed on ensuring that the current profitability is sustainable into the future. Specific initiatives to improve Company revenue include an expansion in the global business development function and targeted multilayer customer coverage. Austin continues to review operating costs through its global supply chain procurement initiatives together with engineering and manufacturing efficiency improvements.

Whilst the Group performed reasonably well for the year, certain business units failed to meet expectations. Specific turnaround actions are well progressed in these businesses with an expectation of improved returns in the 2018 financial year.

Engineering focus

Austin's core competency is our engineering intellectual property and expertise, and the Company has invested in manufacturing efficiencies and attachments that increase productivity and lower operating costs for our clients.

Our wide range of mining products are designed and manufactured to meet individual client specific site conditions and mining equipment. These improved product designs are equally suitable for installation onto new and existing equipment.

These products and services have helped us maintain our position as the market leader in delivering lowest cost per tonne solutions for our clients.

People

Austin's success comes from its people, whose expertise, experience and relationships are a key differentiator. Austin now employs nearly 2,200 staff, an increase of over 400 people from 30 June 2016.

Our role as employers is to ensure our people have a safe and fulfilling place of work and are provided with opportunities to succeed in achieving both Company and personal goals. Austin recruited various key global positions during the year to facilitate an increased level of governance, safety and risk management through our people engagement and collaboration activities.

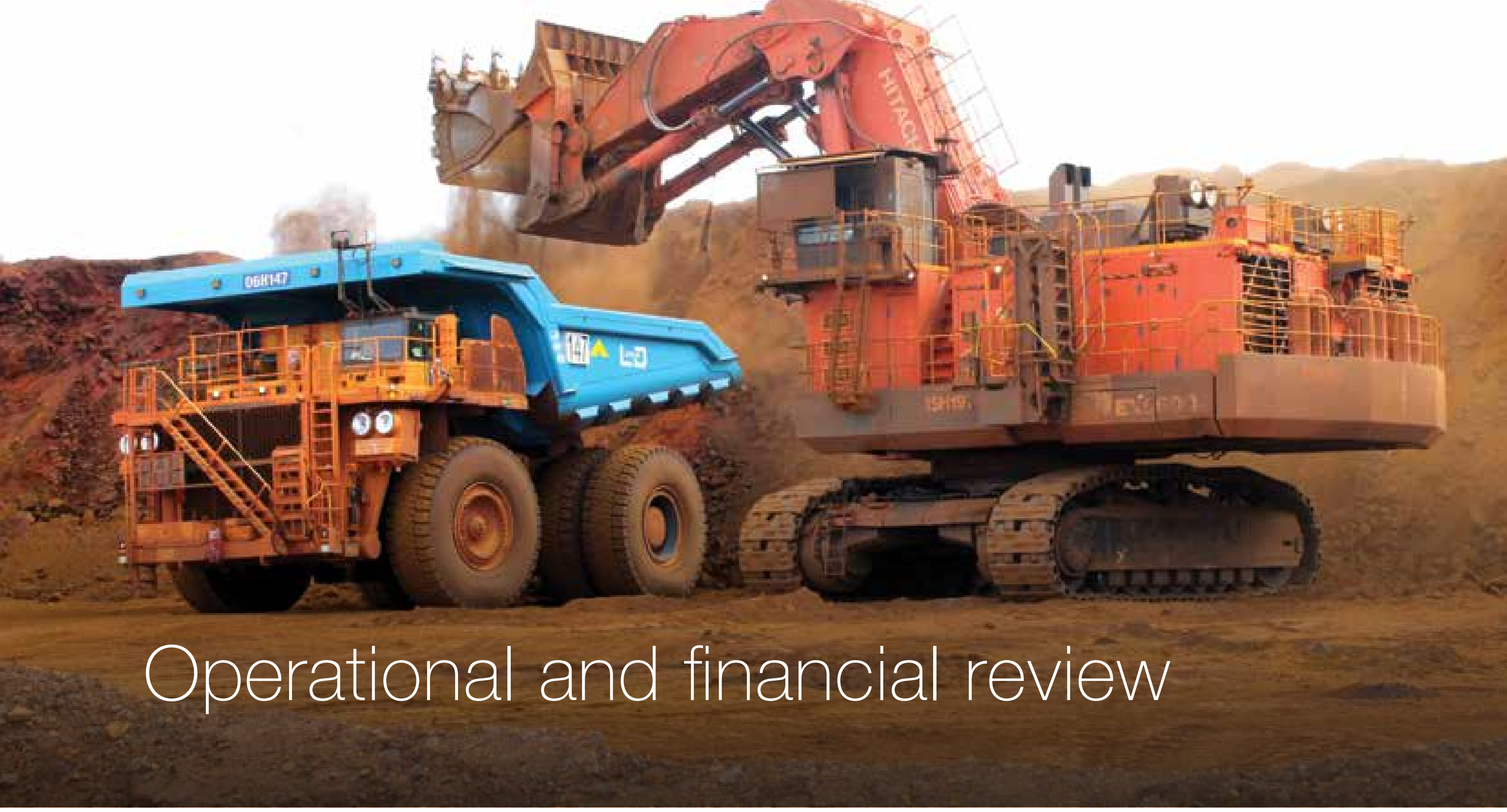
Regrettably and despite every effort to ensure our employees are operating in a safe environment, there were two employee fatalities during the period, one due to a road accident and the other related to a lifting process. These incidents were analysed and the lessons used to further improve work processes around commuting and lifting reinforcing our safety standards across the Group.

Strategy and outlook

Austin is well placed to take advantage of improving market conditions in the near term. The Company is the largest independent global supplier of custom truck bodies and buckets, with enhanced product design. Industry conditions are improving, and there are a large number of attachments currently in the field that are due for replacement.

Our strategy over the medium term is to maximise Austin's core value proposition, namely its engineering intellectual property, quality products and manufacturing expertise, in conjunction with the development of strategic partnerships. This strategy will enable Austin to improve products, increase manufacturing capacity without material levels of capital expenditure required and improved distribution network relationships, resulting in increased total shareholder returns.

Peter Forsyth
Chief Executive Officer



Operational and financial review

	Change %	Consolidated entity 2017 $'000	2016 $'000
Continuing operations			
Revenue	24.5	234,344	188,169
Statutory EBITDA	62.5	(7,730)	(20,590)
Normalised EBITDA	100.2	14,263	7,126
Loss before tax	33.9	(25,026)	(37,859)
Loss after tax	8.0	(27,633)	(30,022)
Basic loss per share (cents)	75.4	(4.94)	(20.07)
Dividend per share	-	-	-
Net assets	(18.1)	112,178	137,021

OPERATIONAL REVIEW

Australia

Perth operations delivered improved earnings for the financial year as major mining companies in the region commenced a reinvestment phase in replacement components for mining fleets. This operation was particularly successful in increasing sales from engineering advancements, which enabled Austin's clients to take advantage of material payload increases and unit cost reductions across their fleets.

Operations in Mackay, which consist of Austin Mackay and Aust Bore, continued facing challenging conditions and were impacted by cyclone events during the year. Aust Bore broadened its service offering to include both mining and non-mining clients.

Market conditions in New South Wales coal improved during the year which provided greater opportunities for revenue for Austin's Hunter Valley operation. High labour costs impacted profitability during the year.

The Australian Site Services business is operating in a highly competitive environment and experienced some margin contraction in the year.

Americas

North American activity levels were subdued for the majority of the year, with improvement in the final quarter. The order book for the 2018 financial year is strong for this region and includes North America's largest ever order for truck bodies, all for delivery in the first half of the 2018 financial year.

Colombia's performance improved markedly from recent years with increased revenues generated from higher margin manufactured products. Revenues have historically been predominantly from repair and maintenance contracts.

Whilst the copper market in Chile and Peru has improved in recent months, it was subdued for the majority of the year which impacted on major mining companies spend in this region. Revenues from Austin's Chilean businesses improved relative to the prior year as a result of increased sales of bodies and buckets into the local market.

Chile's trading volumes and profitability of the crane business were lower than in recent years. The region's overall cost base has been reduced and remains under review to improve future profitability and sustainability.

Market conditions in Peru remain challenging with local mining companies focusing on equipment repairs and maintenance as a preference to component replacement.

Asia

The performance of Indonesian operations improved in the second half of the financial year due to higher throughput of work. Utilisation of this facility increased during the course of the financial year as Austin sought to leverage the facility's highly competitive cost structure and strategic geographical location to secure fabrication work for both Austin products and non-Austin products (including large modular structures and underground mining chutes).

FINANCIAL REVIEW

Performance

Income

The Company reported revenue of $234.3 million which represented a 24.5% increase from the 2016 financial year. Of the total revenue for the year, over 60% was earned in the second half of the financial year.

Revenue from product sales increased by $25.9 million from the 2016 financial year which contributed to improved gross margins. Normalised EBITDA reported was $14.3 million (2016: $7.1 million), an increase of 100.2%.

Austin reported a net loss after tax of $27.6 million (2016: $30.0 million). The results were impacted by impairment charges of $19.8 million (2016: $9.1 million) and restructuring costs of $2.2m (2016: $18.7 million).

Expenditure

Operating expenditure including raw materials and consumables, and employment expenses and other operating expenditure decreased for the year as a proportion of revenue as the Company more effectively recovered its fixed cost base across increased revenue.

Finance costs remained stable at $6.1m for the current year. As a result of refinancing activities undertaken by the Company during the 2016-2017 financial years, a number of non-recurring finance costs have been incurred.

Depreciation and amortisation charges remained stable from the 2016 financial year at $11.2m, these charges are on a straight line basis and as such remain relatively consistent year on year.

Impairment charges of $19.8 million relate predominantly to intangible assets in South America and the Australian Site Services business as a result of their recent performance negatively impacting on their outlook and carrying value. A previous impairment of Indonesia's property of $2.8 million was reversed as a result of their positive outlook.

Cash flow

Operating cash outflows for the year were $14.8 million mainly resulting from increased working capital requirement to support business growth.

Investing cash inflows for the full-year included $6.8 million capital expenditure offset by net proceeds of $6.0 million from the sale of surplus land in Peru and $3.4 million of proceeds from sale of under-utilised plant and equipment. Financing cash inflows include proceeds from share issues of $8.0 million and net repayments of borrowings of $4.6 million. During the year, Austin recorded an overall net cash outflow of $8.8m.

Position

Net debt

The Company's balance sheet has strengthened during the 2017 financial year, whilst net debt has increased by $6.2 million to $45.6 million, the Company has improved relationships with suppliers and has stabilised financing arrangements.

Austin's core Australian debt facility of $20.1 million is due for repayment on 29 July 2018. The Company has secured a credit approved finance package which will improve Austin's overall debt maturity profile and lower its cost of capital. The facility will be used to repay all Australian facilities.

Working capital

Improved activity levels and revenue growth led to increasing working capital by $12.5 million during the year. Trade receivables increased by $15.9 million to $45.3 million, inventories and work in progress increased by $15.8 million to $31.6 million and trade and other payables increased by $19.2 million to $55.7 million.

Non-current assets

At 30 June 2017, the Company held $135.3 million of non-current assets, a decrease of $32.9 million from 30 June 2016. The majority of this decrease was primarily due to depreciation, amortisation and impairment charges totalling $31 million.

Net assets

Net assets of $112.2 million at 30 June 2017 down by 18.1% from $137.0 million at 30 June 2016. The decrease reflects capital raised during the year, offset by the loss and currency translation differences for the year.

At 30 June 2017 the net tangible asset backing per share of 16.5 cents was down from 19.0 cents as at 30 June 2016 as a result of the decreased net tangible assets and increased number of shares on issue.

Operational and financial review

STRATEGY

Austin anticipates an increase in opportunities to deliver its products to the market as a result of improved economic factors and market sentiment. In order to best capitalise on these opportunities, the Company has the following key strategic focus areas:

1. Re-orientation of focus to engineering

Austin considers its core competency is engineering intellectual property and expertise. It is the Company's expertise in the design of custom truck bodies and buckets that positions Austin as the market leader. Historically, Austin has relied upon bricks and mortar, capital intensive workshops to provide its products to clients. This process has been successful for the business to date but has placed a limitation of earnings relative to Group operating capacity of its facilities.

During the 2017 financial year, Austin supplemented its operating capacity beyond its existing facilities by utilising sub-contracting arrangements with trusted partners. The Company provides the engineering, quality assurance and control expertise whilst utilising partner facilities that are able to protect Austin's intellectual property and deliver quality products to our clients.

Austin will continue to manufacture products in our existing facilities while taking advantage of additional capacity through these strategic partnerships to deliver products to new and existing regions. The Company is actively working with global partners to increase global supply and client coverage to better leverage its core competency and provide improved shareholder returns with decreased capital risk.

2. Manufacturing optimisation

Manufacturing capacity is optimised through engineering design and manufacturing methodology improvements. Group engineering teams have successfully reduced the complexity of certain product designs to improve the manufacturing processes and reduce costs. Research and development projects are ongoing and are a key focus for the Company to improve Austin product ranges.

Process improvements involve quality assurance and control throughout the global supply chain, extending from procurement through to after delivery care and performance review. Group manufacturing expertise and best practice operating procedures are shared collaboratively through training and regular manufacturing process reviews. Austin's manufacturing is subject to continuous improvement in processes, delivering enhanced and consistent quality at reduced costs in a safe manner.

3. Market development

Maintaining active client relationships and a strong tender book is important for the business, converting those tenders to committed orders is critical. Austin has strong relationships with a number of major mining companies and is the preferred supplier of custom bodies and buckets for many large global miners and mining services operators. The Company's client coverage and alignment program is being developed and implemented to maximise client's productivity levels at a compelling price.

4. Growth and diversification

Austin's predominant focus is on the provision of mining products and services to open cut mines. Through Austin's global engineering team, there exists a number of designs and products for applications that Austin has not historically competed in. As a result, the Company is actively pursuing partnership arrangements with businesses aligned to Austin with compatible core values and in areas where there is minimal current market participation.

5. Fiscal approach

Austin's financial position has improved over the last two years as it has completed substantial refinancing and recapitalisation activities. Austin has improved fiscal disciplines including Group capital management to best protect the Company's future to provide sustainable returns to shareholders. This approach includes a strategy to reduce leverage and to return to dividend payments.

6. People and culture

Austin understands that our people drive business success. Investment in our people and collaboration across the Group is the key to future success. The Company's core values framework has been refreshed and a unified global code of conduct and knowledge collaboration platform is in the process of being implemented.

PEOPLE AND SAFETY PERFORMANCE

Austin operates in a number of countries in remote areas and near local communities. The Company takes its social responsibilities seriously and seeks to engage with client companies, local communities and governments to support local communities through the provision of training and employment opportunities.

Austin's focus on safety has been reinforced during the year under review with a renewed drive to comply and report within the framework of the Austin Global Occupational Health and Safety standard. The Group's growth has resulted in an increased headcount to meet demand from 1,772 at 30 June 2016 to 2,174 at 30 June 2017, reflecting an increase in man hours of 19%.

The Company improved its safety monitoring and reporting, leading to increased numbers of Lost Time Injuries reported. At year end, Austin's Lost Time Injury Frequency Rate (LTIFR) was 4.42, up from 2.75 in the 2016 financial year. Due to Austin's improved safety management, the Total Recordable Injury Frequency Rate (TRIFR) reduced by 4.10 to 17.91 for the 2017 financial year.

RISK MANAGEMENT

Austin operates globally and therefore faces a wide range of risks that may impact operations. A robust Enterprise Risk Management Policy and Standard was originally approved by the Austin Board at the end of 2015, and was reviewed, updated and approved during the 2017 financial year. Management continued its progressive implementation of the Standard during the year, reporting regularly to the Board through the Risk Committee. A Risk Appetite Statement was re-confirmed by the Board for a range of risk categories, and Management is aware of its obligation to identify, evaluate, manage and report risks in accordance with the Enterprise Risk Management Standard.

A program of formal risk management workshops is being undertaken at each of the Austin sites during 2017, with the objective of confirming a comprehensive set of site and Group level Risk Registers to assist with the recording and monitoring of progress in the effective management of key risks across the Company. Management also placed priority on ensuring that adequate risk management training and resources were being incorporated into business plans.

Austin's business activities are intrinsically linked to the activity levels from global mining operations and the economic and business conditions associated with the related markets. The achievement of targeted financial results for the 2018 financial year is dependent on a continuation of the current improved conditions.

Director's report

The Directors present their report, together with the financial statements, on the Consolidated entity (referred to hereafter as the "Group" or the "Consolidated entity") consisting of Austin Engineering Ltd (referred to hereafter as the "parent entity" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Forsyth	(appointed as Managing Director on 18 August 2017 and Chief Executive Officer from 12 October 2016)
Jim Walker	(appointed as Non-Executive Director 8 July 2016 and Non-Executive Independent Chairman from 25 November 2016)
Peter Pursey	(former Executive Chairman from 14 February 2016 until 25 November 2016, Independent Non-Executive Director thereafter)
Charlie Sartain	(appointed 1 April 2015)
Chris Indermaur	(appointed 8 July 2016)
John Nicholls	(retired 8 July 2016)
Eugene Fung	(retired 25 November 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the manufacture, repair, overhaul and supply of mining attachment products and other associated products and services for the industrial and resources-related business sectors.

DIVIDENDS

There were no interim and final dividends paid or declared for the financial year ended 30 June 2017.

REVIEW OF OPERATIONS AND RESULTS

The loss for the Group after providing for income tax amounted to $27.633 million (2016: $30.022 million) from continuing operations. The loss for the year was predominantly due to impairment charges of $19.815 million (2016: $9.060 million).

A review of and information about the operations of the group during the financial year and of the results of those operations is contained on pages 10 to 13, which form part of this Directors' report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

EVENTS AFTER THE REPORTING DATE

Other than those disclosed in note 23, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the Group or Company subsequent to 30 June 2017.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group in future financial years and the expected results of those operations have been included generally within the financial report and on pages 10 to 13.

ENVIRONMENTAL REGULATION

The Group's Colombian and Chilean facilities are accredited to ISO 14001 Environmental systems.

The facilities yet to receive ISO 14001 accreditation currently meet all internal group requirements and standards for Environmental management.

INFORMATION ON DIRECTORS

Jim Walker	**Non-Executive Chairman from 25 November 2016 and Non-Executive Director from 8 July 2016**
Experience and Expertise	Jim Walker has over 40 years of experience in the resources sector. He is currently non-executive Chairman of Macmahon Holdings Limited, Chairman of the WA State Training Board and a Non-Executive Director of Programmed Maintenance Services Group Limited, Seeing Machines and RACWA Holdings Pty Limited. Jim was formerly Managing Director and Chief Executive Officer of WesTrac Pty Limited, a Director of Seven Group Holdings Limited and National Hire Group Limited and was formerly National President of the Australian Institute of Management. Jim is a graduate member of the Australian Institute of Company Directors (AICD) and Australian Institute of Management (AIM WA).
Qualifications	GAICD, FAIM
Directorships held in other listed entities	Macmahon Holdings Limited from 22 January 2015, Programmed Maintenance Services Limited from November 2013 and Seeing Machines from May 2014.
Former directorships in last 3 years	None.
Special responsibilities	Member of the Audit Committee, Member of the Risk Committee and Member of the Nomination and Remuneration Committee.
Interest in shares and options	80,000 ordinary shares.

Peter Forsyth	**Managing Director from 18 August 2017, Chief Executive Officer from 12 October 2016**
Experience and Expertise	Peter Forsyth has worked as a senior executive with Caterpillar Inc. for 27 years with assignments including USA, Singapore, India and Australia. Peter's roles included Mining Manager, District Manager, Off-Highway Truck Product Manager and Major Projects Manager for Caterpillar Australia. He has successfully managed numerous major mining equipment deals with global mining companies and mining contractors. Peter was instrumental in the development and execution of Caterpillar's emerging market strategy for Off-Highway Trucks. Peter holds a Bachelor of Mechanical and Production Engineering Degree from RMIT University. His most recent role was CEO of Chesterfield Australia which was the Kobelco and John Deere Dealer in Queensland and New South Wales.
Qualifications	B. Eng (Bachelor of Mechanical and Production Engineering), RMIT University
Directorships held in other listed entities	None.
Former directorships in last 3 years	None.
Special responsibilities	None.
Interest in shares and options	None.

Director's report

Peter Pursey, AM	Non-Executive Director from 2004 to 27 November 2015, Non-Executive Chairman from 28 November 2015 to 14 February 2016, Executive Chairman from 15 February 2016 to 25 November 2016 and Non-Executive Director from 25 November 2016.
Experience and Expertise	Peter Pursey is an experienced company director of both listed and non-listed public companies. In the last decade his commercial interests have included the resources, energy, defence and pharmaceutical industry sectors. He is experienced in executive management, leadership, strategic planning and capital raising and remains active in those business roles. He is a Member of the Australian Institute of Company Directors and a Fellow of the Australian College of Defence and Strategic Studies
Qualifications	MBA, ACDSS, psc.
Honours and Awards	Order of Australia (AM).
Directorships held in other listed entities	None.
Former directorships in last 3 years	None.
Special responsibilities	Chair of the Audit Committee and Member of the Nomination and Remuneration Committee.
Interest in shares and options	2,225,232 ordinary shares.

Chris Indermaur	Non-Executive Director from 8 July 2016
Experience and Expertise	Chris Indermaur has over 30 years of experience in large Australian companies in engineering and commercial roles. He is currently the non-executive Chairman of Poseidon Nickel Limited and Medibio Limited and Non-Executive Director of Centrex Metals Limited. Chris was formerly the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Limited. Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws of the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.
Qualifications	B. Eng (Bachelor of Engineering), Graduate Diploma of Engineering (Chemical), B. Law, M. Law, Graduate Diploma in Legal Practice.
Directorships held in other listed entities	Poseidon Nickel Limited from 2 July 2007, Medibio Limited from 2 April 2015 and Centrix Metals Limited from 1 July 2017.
Former directorships in last 3 years	None.
Special responsibilities	Chair of the Nomination and Remuneration Committee, Member of the Audit Committee and Member of the Risk Committee.
Interest in shares and options	None.

Charlie Sartain	Non-Executive Director from 1 April 2015
Experience and Expertise	Charlie Sartain is a mining engineer with more than 30 years' operational and executive experience in the mining industry. In the earlier part of his career Charlie had extensive mining engineering and executive experience across several mining operations of MIM Holdings Limited, culminating in his appointment to the MIM Holdings Executive Committee as MIM's most senior executive in Latin America. After the takeover of MIMH by Xstrata Plc in 2003, he served as CEO of Xstrata's global copper business for nine years from 2004 until 2013. Xstrata Copper's businesses included mining operations and projects spanning eight countries. Since 2013, Charlie has served on a range of Boards of listed companies and not-for-profit organisations. In addition to his role with Austin, he is currently a Non-Executive Director of ASX-listed ALS Limited and TSX/NYSE-listed Goldcorp Inc., a Member of the Senate of the University of Queensland, Chairman of the Advisory Board of the Sustainable Minerals Institute, and a Board member of the Wesley Medical Research Institute.
Qualifications	B. Eng (Bachelor of Engineering (Hons)(Mining)), University of Melbourne; Fellow, Australasian Institute of Mining and Metallurgy; Fellow, Australian Academy of Technological Sciences and Engineering.
Directorships held in other listed entities	ALS Limited from 1 February 2015, Goldcorp Inc. from 1 January 2017.
Former directorships in last 3 years	None.
Special responsibilities	Chair of the Risk Committee.
Interest in shares and options	3,542,500 ordinary shares.

Eugene Fung	Non-Executive Director from 4 May 2004 until retired on 25 November 2016
Experience and Expertise	Eugene Fung is a corporate lawyer and partner of a national law firm. He advises both listed and unlisted companies regularly on corporate finance matters, mergers and acquisitions, corporate governance and the ASX listing rules. He is a member of the Australian Institute of Company Directors and is a Fellow of the Financial Services Institute of Australasia and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia (now FinSIA).
Qualifications	B. Com (Bachelor of Commerce), LL.B (Hons) (Bachelor of Laws), Grad Dip (Applied Finance and Investment)
Directorships held in other listed entities	None.
Former directorships in last 3 years	None.
Special responsibilities	Chair of the Nomination and Remuneration Committee and member of the Audit Committee until retired on 25 November 2016.
Interest in shares and options	2,083,241 ordinary shares, at retirement date.

Director's report

John Nicholls	Non-Executive Director since 1 September 2015 until retirement on 8 July 2016
Experience and Expertise	John Nicholls has established manufacturing businesses throughout Asia including those engaged in steel fabrication. He has had a long association with the mining industry domestically and internationally as a senior executive and a Director of companies engaged in the sector. Additionally, he has extensive Public and Private company experience as a Director since 1995 and prior to that as a Director of subsidiaries/associates of public companies in various jurisdictions.
Qualifications	B. Com (Bachelor of Commerce), MBA
Directorships held in other listed entities	E&A Ltd since 1 September 2015.
Former directorships in last 3 years	None.
Special responsibilities	Member of the Risk Committee and member of the Nomination and Remuneration committee until 8 July 2016.
Interest in shares and options	726,000 ordinary shares, at retirement date.

INFORMATION ON COMPANY SECRETARIES

Christine Hayward, Chief Financial Officer and Company Secretary since 10 October 2016

Christine Hayward (B.Commerce (Accounting), Graduate Diploma Applied Corporate Governance, FCPA, FGIA and International Chartered Secretary). Christine was appointed as Chief Financial Officer and Company Secretary in October 2016. She is a highly experienced, qualified senior finance and governance executive with over 20 years' experience in the ASX listed environment, corporate finance, company secretarial and corporate governance. Christine consulted to Austin in a senior capacity from March 2016 to October 2016 supporting financial reporting, commercial initiatives and refinancing activities. Christine has previously held roles as Chief Executive Officer, Chief Financial Officer and Company Secretary in public and ASX listed companies including most recently Titan Energy Services and Rivercity Motorway Group.

Scott Richardson, Company Secretary from 13 January 2014 until resignation on 10 October 2016

Scott Richardson (B.Bus (Accounting), GDBA, FCPA) was Chief Financial Officer and Company Secretary and was a fellow of CPA Australia. Scott has over 20 years experience in various senior finance roles with other large Australian companies including Brambles, Downer EDI, Macarthur Coal and BGW Group.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Board of Directors		Audit Committee		Nomination & Remuneration Committee		Risk Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Jim Walker	14	14	1	1	3	3	1	1
Peter Pursey	14	14	2	2	-	-	-	-
Charlie Sartain	14	14	-	-	-	-	3	3
Chris Indermaur	14	14	1	1	-	-	3	3
Peter Forsyth	-	-	-	-	-	-	-	-
John Nicholls	1	1	-	-	-	-	-	-
Eugene Fung	6	6	1	1	3	3	-	-

AUDITED REMUNERATION REPORT

The audited remuneration report is set out on pages 23 to 27 and forms part of the Directors' Report.

SHARES UNDER OPTION

Unissued ordinary shares of Austin Engineering Limited under option at the date of this report are as follows:

No options were granted to Directors or employees during the year, or after the year end.

Grant date	Expiry date	Exercise price	Number of shares under option
29 July 2015	31 July 2018	$0.60	4,000,000
29 July 2015	31 July 2018	$1.00	6,000,000
29 July 2015	31 July 2018	$1.75	2,000,000

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of the Company under option at the date of this report are as follows:

No performance rights were granted to, or exercised by, Directors or employees during the year, or after the year end.

Grant date	Expiry date	Exercise price	Number of shares under right
21 November 2014	21 November 2019	$0.00	316,772
27 November 2015	27 November 2020	$0.00	897,121

INSURANCE OF OFFICERS AND INDEMNITIES

(a) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) Indemnity of auditors

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The Directors have considered the position and, in accordance with advice received from the Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Services provided related to taxation compliance and advisory services. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 28 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Director's report

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

J A Walker

Jim Walker
Non-Executive Chairman
27 September 2017
Brisbane

Auditor's independence declaration

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Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor of Austin Engineering Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 27 September 2017

Audited remuneration report

This audited Remuneration Report sets out information about the remuneration of the Group's key management personnel for the financial year ended 30 June 2017 and forms part of the Directors' Report for the year ended 30 June 2017. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1. EXECUTIVE REMUNERATION

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration policy is to ensure it is competitive and appropriate for the results delivered. The remuneration of senior executives is reviewed annually by the Board through a process that considers the performance of individual business units and the overall performance of the Group. In addition, external analysis and advice is sought by the Board, where considered appropriate, to ensure that the remuneration for senior executives is competitive in the market place. The policy attempts to align executive reward with the achievement of strategic objectives and the creation of value for shareholders. The major features are:

- Economic profit is a core component;
- Attract and retain high quality executives;
- Reward capability and experience;
- Reflect competitive rewards for contributing to growth in shareholder's wealth; and
- Provide recognition for contribution.

Base pay and benefits:

Executive Directors and senior executives are offered a competitive base pay with due regard to current market rates. This base pay is calculated on a total cost basis and may include charges associated with the provision of a motor vehicle, including FBT charges, as well as employer contributions to superannuation funds. The remuneration of Executive Directors is reviewed annually by the Board and the remuneration of senior executives is reviewed annually by the Nomination and Remuneration Committee. There is no guaranteed base pay increases included in any Executive Directors or senior executive contracts.

Short-term performance incentives:

Short-term incentive plan (STI Plan) arrangements in place for senior executives for the year ended 30 June 2017 are set out below:

Percentage of approved budget NPAT	STI	LTI	Subject to achieving performance hurdles	
Chief Executive Officer	Up to $100,000 combined incentive per annum		✓	✓
Chief Financial Officer and Company Secretary	Up to $25,000 per annum	Nil	✓	✓

Senior Executive

The Board determined that the Group's financial performance for the year ended 30 June 2017 was not at an appropriate level to pay incentives to the Chief Executive Officer and Chief Financial Officer and Company Secretary. There were no short-term incentives paid to other senior managers for the year ended 30 June 2017.

Long-term incentives

The current long-term incentive plan (LTI Plan) in place is to be discontinued once existing commitments are concluded. No key management personnel of the Group participate in the current LTI Plan. The Nomination and Remuneration Committee is considering the appropriate performance measure for the Company's current circumstances prior to establishing a new LTI Plan for senior executives.

The current LTI Plan is delivered through the grant of performance rights to the former Chief Executive Officer and selected senior executives from time to time as part of their total remuneration.

Performance rights

No performance rights were granted to Directors during the current financial year.

Performance Indicators

The table below sets out summary information about the Group's earnings and movements in shareholder wealth since 2013 and forms the background against which short-term incentives and also long-term incentives through the grant of options, over the relevant periods has been considered:

Audited remuneration report

Consolidated entity	30 June 2017 $'000's	30 June 2016 $'000's	30 June 2015 $'000's	30 June 2014 $'000's	30 June 2013 $'000's
Revenue	234,344	188,169	187,239	209,870	288,838
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(7,730)	(20,589)	(34,032)	15,162	51,118
Normalised EBITDA	14,263	7,126	13,766	15,162	51,118
Net profit/(loss) after tax – continuing operations	(27,633)	(30,022)	(49,445)	896	28,442
Net profit/(loss) after tax – discontinued and continuing operations	(27,633)	(40,455)	(49,332)	896	28,442
Share price at start of year ($)	0.08	0.48	1.61	3.15	4.30
Share price at end of year ($)	0.22	0.08	0.48	1.61	3.15
Interim dividend - fully franked (cents)	-	-	-	4.50	4.50
Final dividend - fully franked (cents)	-	-	-	-	10.50
Basic earnings/(loss) per share (cents)	(4.94)	(20.07)	(58.67)	1.14	39.18
Diluted earnings/(loss) per share (cents)	(4.94)	(20.07)	(58.67)	1.14	38.61

Service agreements

The Company's senior executives are engaged under executive service agreements that are ongoing and have no fixed end date. However, these contracts may be terminated by notice from either party.

Key details of the executive service agreements of the current Chief Executive Officer and Chief Financial Officer and Company Secretary, and former executive key management personnel, are set out below:

	Total Fixed Remuneration	Other remuneration	Notice periods to terminate	Termination payments	At risk remuneration
Current executive key management personnel					
Chief Executive Officer Peter Forsyth	$500,000 (including superannuation)	Short-term incentives as described above. Long-term incentives in accordance with agreed future LTI Plan.	1 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements	16.67 %
Chief Financial Officer and Company Secretary Christine Hayward	$425,000 (including superannuation)	Short-term incentives as described above. Long-term incentives in accordance with agreed future LTI Plan.	1 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements	5.56%
Former executive key management personnel					
Former Executive Chairman' Peter Pursey	$20,000 per month increase in fees whilst engaged as an Executive Director.	No short or long term incentives in place for the financial year ended 30 June 2017.	1 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements	0.00%
Former Chief Executive Officer Michael Buckland (resigned 15 August 2016)	$821,600 (including superannuation)	No short or long term incentives in place for the financial year ended 30 June 2017.	6 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements	0.00%
Former Chief Financial Officer and Company Secretary Scott Richardson (resigned 10 October 2016)	$400,000 (including superannuation)	No short or long term incentives in place for the financial year ended 30 June 2017.	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements	0.00%

There were no loans made, guaranteed or secured, directly or indirectly, by Austin Engineering Ltd and any of its subsidiaries to Directors of Austin Engineering Ltd and other key management personnel of the Group, including their close family members and entities related to them.

2. NON-EXECUTIVE DIRECTOR REMUNERATION

The structure of the remuneration provided to Non-Executive Directors is distinct from that applicable to executives. Non-Executive Directors receive only fixed remuneration which is not linked to the financial performance of the Company.

The annual fees paid, inclusive of superannuation, to Non-Executive Directors for the financial year ended 30 June 2017 were set out below:

	30 June 2017 $
Chairman	115,000
Non-Executive Director	85,000
Additional Committee Chairman fee	9,000

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executive Directors' fees are determined with an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 and was approved by shareholders at the general meeting on 23 November 2012.

3. REMUNERATION GOVERNANCE

The Board oversees the remuneration arrangements of the Company. In performing this function the Board is assisted by input and recommendations from the Nomination and Remuneration Committee ("Committee"), external consultants and internal advice as required. The Committee is responsible for the overview, and recommendation to the Board, of remuneration arrangements for Directors and executive managers. The Chief Executive Officer, in consultation with the Board, sets remuneration arrangements for other senior managers. No employee is directly involved in deciding their own remuneration (including the Chief Executive Officer).

Further details of the role and function of the Committee are set out in the Charter for the Nomination and Remuneration Committee on the Company's website at http://www.austineng.com.au.

The Committee obtains advice and market remuneration data from external remuneration advisors as required. When advice and market remuneration data is obtained, the Committee follows protocols regarding the engagement and use of external remuneration consultants to ensure ongoing compliance with executive remuneration legislation. These protocols ensure that any remuneration recommendation from an external consultant is free from undue influence by any member of the Company's key management personnel to whom it relates.

The protocols for any external consultant providing remuneration recommendations prohibit them from providing advice or recommendations to employees or Directors before recommendations are given to the Committee. These arrangements were implemented to ensure that any external party will be able to carry out its work, including information capture and formation of its recommendations, free from undue influence by the individuals to whom they relate.

During the year the Committee engaged Egan Associates to provide benchmarking data for the setting of executive remuneration packages for the Chief Executive Officer and Chief Financial Officer and Company Secretary. Egan Associates were engaged by, and reported directly to, the Committee Chair. The fee for these services provided was $3,570.

The report was provided directly to the Committee independently of management. As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of key management personnel.

Audited remuneration report

4. VALUE PROVIDED TO KEY MANAGEMENT PERSONNEL

The following tables show details of the remuneration received by Austin Engineering Limited Non-Executive Directors, Executive Directors and other key management personnel of the Group for the current and previous financial year. The names of the Directors of Austin Engineering Ltd and their position are set out on pages 15 to 18 above.

Amounts paid or payable (in round dollars) or otherwise made available to Directors and senior executives as at the date of this report were:

		Short-term benefits		Post- employment benefits	Long-term benefits	Share based payments-equity settled	
Table 1		Cash salary & fees $	Cash bonus $	Superannuation $	Leave $	Options & rights $	Total $
Non-Executive Directors							
Jim Walker[1]	2017	92,327	-	8,771	-	-	**101,098**
	2016	-	-	-	-	-	**-**
Charlie Sartain	2017	75,884	-	18,116	-	-	**94,000**
	2016	75,475	-	17,025	-	-	**92,500**
Chris Indemaur[2]	2017	85,069	-	3,617	-	-	**88,686**
	2016	-	-	-	-	-	**-**
Peter Pursey[3]	2017	50,870	-	4,833	-	-	**55,703**
	2016	32,329	-	29,728	-	-	**62,057**
Eugene Fung[4]	2017	24,180	-	14,257	-	-	**38,437**
	2016	62,500	-	30,000	-	-	**92,500**
John Nicholls[5]	2017	1,888	-	-	-	-	**1,888**
	2016	70,833	-	-	-	-	**70,833**
Total compensation for Non-Executive Directors	2017	330,218	-	49,594	-	-	**379,812**
	2016	241,137	-	76,753	-	-	**317,890**
Table 2							
Executive Directors and Senior Executives							
Peter Forsyth[6]	2017	334,586	-	25,669	-	-	**360,255**
	2016	-	-	-	-	-	**-**
Peter Pursey[3]	2017	142,817	-	4,068	-	-	**146,885**
	2016	143,760	-	-	-	-	**143,760**
Christine Hayward[7]	2017	295,202	-	14,284	-	-	**309,486**
	2016	-	-	-	-	-	**-**
Charles Rottier[8]	2017	251,956	-	-	-	-	**251,956**
	2016	154,080	-	-	-	-	**154,080**
Scott Richardson[9]	2017	181,516	-	9,879	-	-	**191,395**
	2016	372,507	15,000	27,500	5,935	29,281	**450,223**
Michael Buckland[10]	2017	100,432	-	-	-	-	**100,432**
	2016	821,600	-	-	3,733	50,767	**876,100**
Total compensation for Executive Directors and Senior Executives	2017	1,306,509	-	53,900	-	-	**1,360,409**
	2016	1,491,947	15,000	27,500	9,668	80,048	**1,624,163**
Total key management personnel remuneration	**2017**	**1,636,727**	**-**	**103,494**	**-**	**-**	**1,740,221**
	2016	**1,733,084**	**15,000**	**104,253**	**9,668**	**80,048**	**1,942,053**

[1] Jim Walker was appointed as a Non-Executive Director on 8 July 2016 and Chairman on 25 November 2016.

[2] Chris Indermaur was appointed as a Non-Executive Director on 8 July 2016.

[3] Peter Pursey was appointed Executive Chairman from 17 February 2016 until 25 November 2016. His Remuneration during the period of his executive role is included in Table 2. Outside of this period, Peter was a Non-Executive Director, his fees earned as a Non-Executive Director are included in Table 1.

[4] Eugene Fung retired as Non-Executive Director on 25 November 2016.

[5] John Nicholls retired as Non-Executive Director on 8 July 2016.

[6] Peter Forsyth commenced as Chief Executive Officer on 12 October 2016 and was appointed Managing Director on 18 August 2017, his remuneration did not change with this appointment.

[7] Christine Hayward was appointed as Chief Financial Officer and Company Secretary on 10 October 2016.

[8] Charles Rottier was appointed as Chief Strategy Officer on 3 February 2016 and interim Chief Executive Officer from 8 July 2016 to 12 October 2016.

[9] Scott Richardson resigned as Chief Financial Officer and Company Secretary on 10 October 2016.

[10] Michael Buckland resigned as Chief Executive Officer on 15 August 2016.

No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

No bonus payments were made to key management personnel during the 30 June 2017 financial year.

Other transactions with related parties

Eugene Fung, a former Non-Executive Director of the company, is a partner with the law firm Thomson Geer Lawyers. The firm provided legal services to the group on normal commercial terms to the value of $0.196m (2016: $0.842m) during the year to 25 November 2016, when Thomson Geer Lawyers ceased to be a related party. No amounts were outstanding to related parties at 30 June 2017 (2016: $0.141m).

There were no other transactions with related parties during the year to 30 June 2017.

Loans to key management personnel

There were no loans made, guaranteed or secured, directly or indirectly, by Austin Engineering Ltd and any of its subsidiaries to Directors of Austin Engineering Ltd and other key management personnel of the group, including their close family members and entities related to them.

5. EQUITY INSTRUMENTS

Options held by key management personnel

There were no options held by key management personnel at 30 June 2017 and 30 June 2016.

Performance Rights held by key management personnel

The number of performance rights over ordinary shares in the company held during the financial year by each Director and other members of key management personnel of the Group, including their related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/forfeited/ other	Balance at the end of the year
Name	No.	No.	No.	No.	No.
Former Key Management personnel					
Michael Buckland	469,108	-	-	(469,108)	-
Scott Richardson	230,728	-	-	(230,728)	-
Total	**699,836**	**-**	**-**	**(699,836)**	**-**

The terms and conditions of each grant of rights over ordinary shares affecting remuneration of the former key management personnel in this financial year or future reporting periods are as follows:

		Fair Value of rights			
Grant date	Exercise price	Total shareholder return	Earnings per share	Performance period	Expiry date
27 November 2015	0.00	0.08	0.19	1 July 2015 to 30 June 2018	27 November 2020

At 30 June 2017, no current key management personnel held performance rights.

Shares held by key management personnel

The number of performance shares held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of year	Options exercised during the year	Bought during the year	Granted during the year	Sold during the year and other changes	Balance at end of the year
Name	No.	No.	No.	No.	No.	No.
Current key management personnel						
Peter Pursey	2,225,232	-	-	-	-	2,225,232
Jim Walker	-	-	80,000	-	-	80,000
Charlie Sartain	-	-	5,449,000	-	(1,906,500)	3,542,500
Current key management personnel						
Michael Buckland	4,402,555	-	-	-	(4,402,555)	-
Scott Richardson	250,000	-	-	-	(250,000)	-
John Nicholls	726,000	-	-	-	(726,000)	-
Eugene Fung	2,112,024	-	-	-	(2,112,024)	-
Total	**9,715,811**	**-**	**5,529,000**	**-**	**(9,397,079)**	**5,847,732**

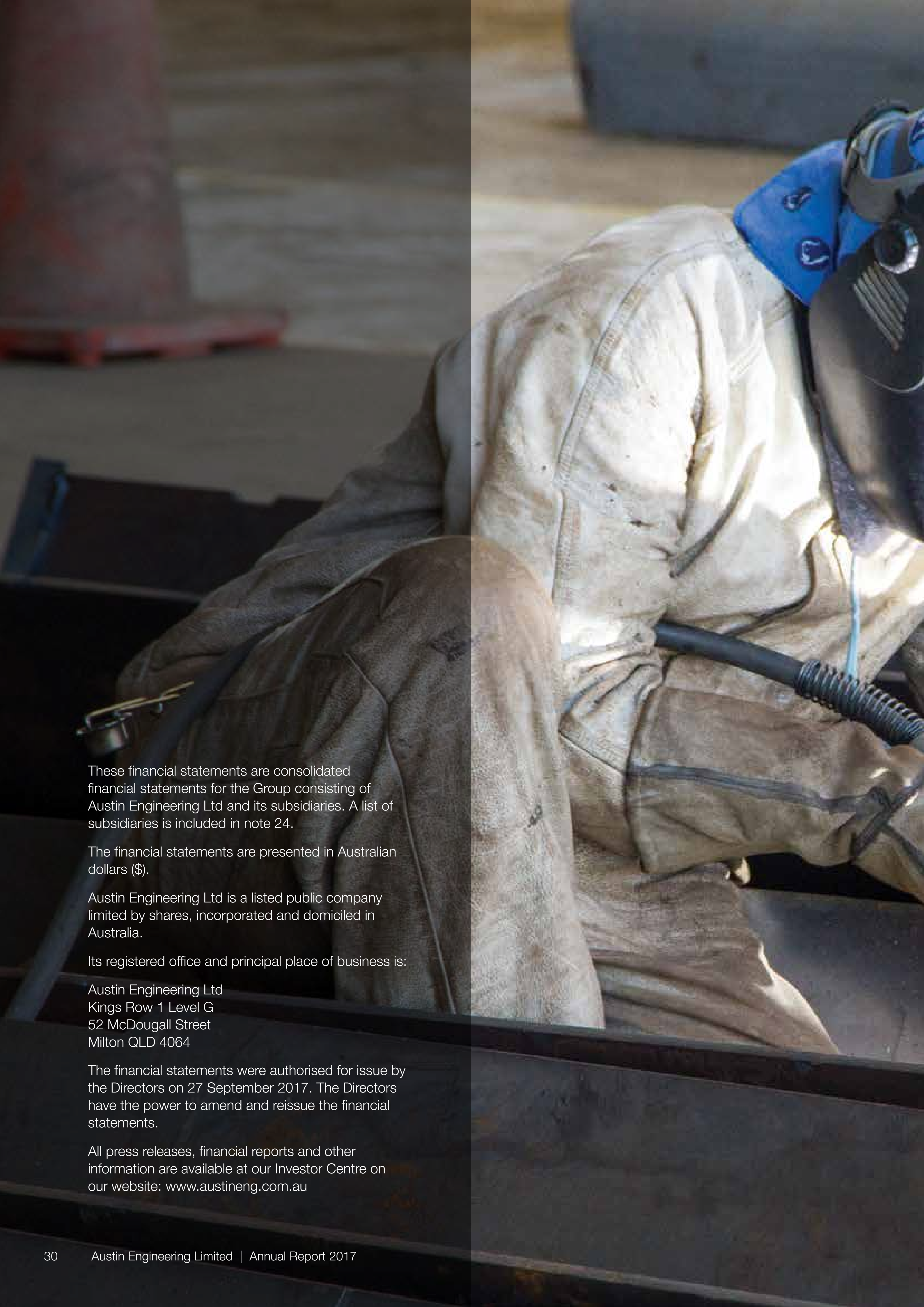
No other key management personnel held shares at 30 June 2017 and 30 June 2016. None of the shares above were held nominally by the Directors or any of the other key management personnel.

Corporate governance statement

Austin Engineering Ltd is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ('the ASX Principles').

The 2017 Corporate Governance Statement, which is available at www.austineng.com.au, reflects the corporate governance practices in place throughout the 2017 financial year and was approved by the board on 27 September 2017.



These financial statements are consolidated financial statements for the Group consisting of Austin Engineering Ltd and its subsidiaries. A list of subsidiaries is included in note 24.

The financial statements are presented in Australian dollars ($).

Austin Engineering Ltd is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Austin Engineering Ltd
Kings Row 1 Level G
52 McDougall Street
Milton QLD 4064

The financial statements were authorised for issue by the Directors on 27 September 2017. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investor Centre on our website: www.austineng.com.au

Financial statements

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	Consolidated entity 2017 $'000	2016 $'000
Revenue from continuing operations	2	234,344	188,169
Expenses			
Raw materials and consumables used		(68,535)	(39,938)
Changes in inventories and work in progress		15,803	(6,973)
Employment expenses		(102,018)	(87,593)
Subcontractor expenses		(14,388)	(10,451)
Occupancy and utility expenses		(6,431)	(13,054)
Depreciation expense	14	(10,311)	(10,277)
Amortisation expense	15	(883)	(863)
Production operational expenses		(13,239)	(10,055)
Other expenses		(33,451)	(31,608)
Finance costs		(6,102)	(6,156)
Impairment expense	3	(19,815)	(9,060)
Loss before income tax		**(25,026)**	**(37,859)**
Income tax (expense)/benefit	4	(2,607)	7,837
Loss for the year from continuing operations		**(27,633)**	**(30,022)**
Loss from discontinued operation		-	(10,433)
Loss for the year		**(27,633)**	**(40,455)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax	18	(5,135)	(1,991)
Other comprehensive income for the year		**(5,135)**	**(1,991)**
Total comprehensive income for the year		**(32,768)**	**(42,446)**
Loss for the year is attributable to:			
Owners of Austin Engineering Limited		**(27,633)**	**(40,455)**
Total comprehensive income for the year is attributable to:			
Owners of Austin Engineering Limited		**(32,768)**	**(42,446)**
		Cents	**Cents**
Earnings per share from continuing operations attributable to the owners of Austin Engineering Limited:			
Basic loss per share (cents per share)	5	(4.94)	(20.07)
Diluted loss per share (cents per share)	5	(4.94)	(20.07)
Earnings per share from continuing and discontinued operations attributable to the owners of Austin Engineering Limited:			
Basic loss per share (cents per share)	5	(4.94)	(27.04)
Diluted loss per share (cents per share)	5	(4.94)	(27.04)

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2017

	Notes	Consolidated entity 2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	7	3,923	12,832
Trade and other receivables	8	45,312	29,371
Inventories	9	31,617	15,814
Current tax assets	4	545	1,809
Assets classified as held for sale	11	-	8,740
Other receivables and other assets	10	14,814	11,985
Total current assets		**96,211**	**80,551**
Non-current assets			
Property, plant and equipment	14	105,327	113,308
Intangible assets	15	16,768	37,268
Deferred tax assets	4	13,242	17,632
Total non-current assets		**135,337**	**168,208**
Total assets		**231,548**	**248,759**
Current liabilities			
Trade and other payables	12	55,661	36,509
Financial liabilities	16	17,045	19,657
Current tax liabilities	4	1,931	15
Provisions	13	5,927	8,247
Total current liabilities		**80,564**	**64,428**
Non-current liabilities			
Financial liabilities	16	32,446	32,593
Deferred tax liabilities	4	5,862	10,512
Provisions	13	498	4,205
Total non-current liabilities		**38,806**	**47,310**
Total liabilities		**119,370**	**111,738**
Net assets		**112,178**	**137,021**
Equity			
Share capital	17	153,927	145,829
Retained earnings		(30,500)	(4,595)
Reserves	18	(11,249)	(4,213)
Total equity		**112,178**	**137,021**

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2017

Consolidated entity	Notes	Contributed equity $'000	Other reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2015		**87,344**	**1,842**	**(5,623)**	**35,860**	**119,423**
Total comprehensive income for the year:						
Loss for the year		-	-	-	(40,455)	(40,455)
Other comprehensive income, net of tax:						
Currency translation differences		-	-	(1,991)	-	(1,991)
Total comprehensive income for the year		-	-	**(1,991)**	**(40,455)**	**(42,446)**
Transactions with owners in their capacity as owners:						
Issue of share capital	17	61,346	-	-	-	61,346
Share issue costs	17	(2,861)	-	-	-	(2,861)
Share-based payments		-	1,559	-	-	1,559
		58,485	**1,559**	**-**	**-**	**60,044**
Balance at 30 June 2016		**145,829**	**3,401**	**(7,614)**	**(4,595)**	**137,021**
Balance at 1 July 2016		**145,829**	**3,401**	**(7,614)**	**(4,595)**	**137,021**
Total comprehensive income for the year:						
Loss for the year		-	-	-	(27,633)	(27,633)
Other comprehensive income, net of tax:						
Currency translation differences		-	-	(5,135)	-	(5,135)
Total comprehensive income for the year		-	-	**(5,135)**	**(27,633)**	**(32,768)**
Transactions with owners in their capacity as owners:						
Issue of share capital	17	8,416	-	-	-	8,416
Share issue costs	17	(318)	-	-	-	(318)
Share-based payments		-	(173)	-	-	(173)
Transfers		-	(1,728)	-	1,728	-
		8,098	**(1,901)**	**-**	**1,728**	**7,925**
Balance at 30 June 2017		**153,927**	**1,500**	**(12,749)**	**(30,500)**	**112,178**

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

As at 30 June 2017

	Notes	Consolidated entity 2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		231,138	230,671
Payments to suppliers and employees		(241,175)	(227,040)
Interest received		88	27
Finance costs		(6,102)	(5,747)
Income tax refund		1,209	1,234
Income tax paid		-	(1,095)
Net cash used in operating activities		**(14,842)**	**(1,950)**
Cash flows from investing activities			
Payments for property, plant and equipment	14	(6,736)	(12,763)
Payments for intangibles		(70)	-
Proceeds from sale of property, plant and equipment		3,437	914
Proceeds from sale of COR Cooling Pty Ltd		-	13,400
Proceeds from sale of assets held for sale		5,959	-
Net cash provided by investing activities		**2,590**	**1,551**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	17	7,962	57,259
Proceeds from borrowings		37,867	34,202
Repayment of borrowings		(42,412)	(81,400)
Net cash provided by financing activities		**3,417**	**10,061**
Net (decrease)/increase in cash and cash equivalents		**(8,835)**	**9,662**
Cash and cash equivalents at the beginning of the financial year		12,832	3,319
Effects of exchange rate changes on cash and cash equivalents		(74)	(149)
Cash and cash equivalents at the end of the year	**7**	**3,923**	**12,832**

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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For the year ended 30 June 2017

Note 1. 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, other products and repair and maintenance services 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. Segment information for the years ended 30 June 2017 and 30 June 2016 is as follows:

	Australia		Americas		Asia		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Total segment revenue from continuing operations - from external customers	104,634	92,237	112,286	89,678	17,424	6,254	**234,344**	**188,169**
EBITDA from continuing operations	8,068	(11,252)	952	(557)	3,065	279	**12,085**	**(11,530)**
Other segment information								
Depreciation and amortisation	2,543	2,951	7,721	7,231	930	958	**11,194**	**11,140**
Impairment	12,425	-	10,182	6,170	(2,792)	2,890	**19,815**	**9,060**
Segment assets	71,759	81,735	139,023	155,664	20,766	11,360	**231,548**	**248,759**
Total assets include:								
Additions to non-current assets (other than financial assets and deferred tax)	2,316	894	4,250	11,943	170	32	**6,736**	**12,869**
Segment liabilities	57,922	60,000	54,398	50,016	7,050	1,722	**119,370**	**111,738**

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length basis. These transfers are eliminated on consolidation.

Segment revenue and non-current assets

	Consolidated entity	
	2017 $'000	2016 $'000
Total revenues from external customers attributed to:		
- Australia	104,634	88,379
- all foreign countries	129,710	99,790
Revenues from external customers attributed to the following individual foreign countries were material:		
- Chile	45,731	41,744
- USA	34,490	20,593
Revenues derived from a single external customer were attributable to Australia	51,096	27,299
Non-current assets, excluding financial instruments and deferred tax assets, located:		
- in Australia	29,262	42,095
- in Chile	56,506	78,776
- in foreign countries	36,327	29,705

Note 1. Segment information (continued)

Corporate expenses

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 and liability amounts are measured in the same way that they are measured in the financial statements. Segment assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

The reconciliation of EBITDA to loss before income tax is as follows:

	Consolidated entity	
	2017 $'000	**2016 $'000**
EBITDA used for segment reporting*	**12,085**	**(11,530)**
Impairment expense	(19,815)	(9,060)
Reported EBITDA	**(7,730)**	**(20,590)**
Depreciation expense	(10,311)	(10,277)
Amortisation expense	(883)	(863)
Interest revenue	152	27
Finance costs	(6,254)	(6,156)
Loss before income tax from continuing operations	**(25,026)**	**(37,859)**

*The 30 June 2017 EBITDA includes restructuring costs totalling $2.178m (2016: $18.656m).

Note 2. Revenue

The Group derives the following types of revenue:

	Consolidated entity	
	2017 $'000	**2016 $'000**
Sale of goods	124,169	98,285
Services	109,892	88,917
Interest and other income	283	967
Total revenue from continuing operations	**234,344**	**188,169**

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest income

Interest income is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Note 3. Expenses

(a) Loss for the year from continuing operations includes the following expenses:

	Consolidated entity	
	2017 $'000	**2016 $'000**
Cost of goods sold	163,234	131,937
Rental expense on operating leases	2,346	9,253
Defined contribution superannuation costs	3,344	3,466
Net foreign currency exchange losses	557	976

(b) Impairment charge

Impairment charges of $19.815m (2016: $9.060m) have been allocated against goodwill of $16.045m (2016: $3.519m), to identifiable intangible assets of $3.170m (2016: nil) and to property, plant and equipment $0.600m (2016: $5.541m). Refer to Notes 14 and 15.

Note 4. Tax

(a) Income tax expense/(benefit)

	Consolidated entity	
	2017 $'000	**2016 $'000**
Components of income tax expense/(benefit):		
Current tax - current period	892	676
Over-provision in respect of prior years	1,458	(653)
Deferred tax - origination and reversal of temporary differences	257	(7,557)
	2,607	**(7,534)**
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	2,607	(7,837)
Profit from discontinued operation	-	303
	2,607	**(7,534)**
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable:		
Loss from continuing operations before income tax expense	(25,026)	(37,859)
Loss from discontinuing operation before income tax expense	-	(10,130)
	(25,026)	**(47,989)**
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	(7,508)	(14,397)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable items	6,222	7,231
Over-provision for tax in prior years	1,458	(653)
Share options expensed in the year	(52)	52
Differences in overseas tax rates	855	524
Non-assessable items and other allowances:		
Deferred tax assets not recognised on tax losses	1,632	128
Other	-	(419)
Income tax expense/(benefit)	**2,607**	**(7,534)**

Note 4. Tax (continued)

(b) Current tax asset and liability

	Consolidated entity 2017 $'000	Consolidated entity 2016 $'000
Current tax assets	545	1,809
Current tax liabilities	(1,931)	(15)
	(1,386)	**1,794**

(c) Deferred Tax

	Consolidated entity 2017 $'000	Consolidated entity 2016 $'000
Deferred tax assets - non-current:		
Employee leave entitlements	1,581	1,698
Warranty and other provisions	206	1,898
Transaction costs on equity issue	967	1,266
Tax losses	9,503	7,974
Other	985	4,796
Total deferred tax assets	**13,242**	**17,632**
Deferred tax liabilities - non-current:		
Intangibles	2,353	2,415
Asset financing	756	6,460
Other	2,753	1,637
Total deferred tax liabilities	**5,862**	**10,512**

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Movements:				
2017				
Deferred tax assets				
Employee leave entitlements	1,698	(138)	21	**1,581**
Warranty and other provisions	1,898	(1,697)	5	**206**
Transaction costs on equity issue	1,266	(299)	-	**967**
Tax losses	7,974	1,500	29	**9,503**
Other	4,796	(3,960)	149	**985**
Total deferred tax assets	**17,632**	**(4,594)**	**204**	**13,242**
Deferred tax liabilities				
Intangibles	2,415	(60)	(2)	**2,353**
Asset financing	6,460	(5,460)	(244)	**756**
Other	1,637	1,183	(67)	**2,753**
Total deferred tax liabilities	**10,512**	**(4,337)**	**(313)**	**5,862**

Note 4. Tax (continued)

(c) Deferred Tax

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Disposals $'000	Closing balance $'000
Movements:					
2016					
Deferred tax assets					
Employee leave entitlements	1,782	168	7	(259)	**1,698**
Warranty and other provisions	233	1,681	3	(19)	**1,898**
Transaction costs on equity issue	241	-	1,025	-	**1,266**
Tax losses	3,940	4,033	1	-	**7,974**
Other	3,301	1,627	-	(132)	**4,796**
Total deferred tax assets	**9,497**	**7,509**	**1,036**	**(410)**	**17,632**
Deferred tax liabilities					
Revaluation of assets on acquisition	35	(35)	-	-	**-**
Intangibles	3,457	(1,041)	(1)	-	**2,415**
Asset financing	4,095	2,370	(5)	-	**6,460**
Other	3,001	(1,342)	(22)	-	**1,637**
Total deferred tax liabilities	**10,588**	**(48)**	**(28)**	**-**	**10,512**

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's Australian subsidiaries, together with the Company, form a tax consolidated group for income tax purposes.

Note 5. Earnings per share

	Consolidated entity 2017 Cents	2016 Cents
Basic earnings per share		
From continuing operations	(4.94)	(20.07)
From discontinued operations	-	(6.97)
Total basic earnings per share	**(4.94)**	**(27.04)**
Diluted earnings per share		
From continuing operations	(4.94)	(20.07)
From discontinued operations	-	(6.97)
Total diluted earnings per share	**(4.94)**	**(27.04)**
	$'000	**$'000**
Reconciliation of earnings to loss		
Loss after tax:		
From continuing operations	(27,633)	(30,022)
From discontinued operation	-	(10,433)
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(27,633)**	**(40,455)**
Weighted average number of shares used as the denominator	**No.**	**No.**
Weighted average number of shares	558,946,633	149,613,457
Effect of dilutive securities - share options	-	-
Used to calculate diluted earnings per share	**558,946,633**	**149,613,457**

Performance rights granted to employees under the performance rights plan, rights granted to senior executives under the performance rights plan and options issued as part consideration for the subordinated loan are considered to be potential ordinary shares. Whilst that is the case, because of the net loss after tax, these have not been included in the determination of diluted earnings per share as they are considered to be anti-dilutive.

Note 6. Dividends

Recognised amounts

There were no interim or final dividends paid during the year ended 30 June 2017 and 30 June 2016.

Dividends not recognised at the end of the reporting period

Since the end of financial year the Directors have not declared a final dividend for the financial year ended 30 June 2017 (2016: Nil cents per share).

Franking credits

	Consolidated entity 2017 $'000	2016 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2016 - 30.0%)	26,627	26,627

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

There has been no reduction in the franking account since the end of the reporting period, as there was no final dividend declared at year end.

Operating assets and liabilities notes

Note 7. Cash and cash equivalents

	Consolidated entity	
	2017 $'000	2016 $'000
Cash and cash equivalents	3,923	12,832
	3,923	**12,832**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Restricted cash

At 30 June 2017, there were no restricted cash balances (2016: $8.622m of the cash balance was held in a restricted account on escrow with our former banking syndicate as security for financial liabilities due to the syndicate).

Note 8. Trade and other receivables

	Consolidated entity	
	2017 $'000	2016 $'000
Trade receivables	45,545	29,537
Provision for impairment of receivables	(233)	(166)
	45,312	**29,371**
The carrying amounts of the consolidated entity's trade receivables are denominated in the following currencies:		
Australian dollars	22,051	13,249
Chilean pesos (Australian dollar equivalent)	7,189	5,714
US dollars (Australian dollar equivalent)	11,275	5,280
Indonesian rupiah (Australian dollar equivalent)	2,309	59
Colombian pesos (Australian dollar equivalent)	2,488	1,614
Peruvian nuevo soles (Australian dollar equivalent)	-	3,455
	45,312	**29,371**
The age of trade receivables that were past due but not impaired was as follows:		
30 days	4,089	4,107
31-60 days	1,554	1,823
61-90 days	543	726
	6,186	**6,656**

The trade receivables that were past due but not impaired relate to a number of customers for whom there is no recent history of default or other indicators of impairment.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment loss on receivables

Receivables are determined to be uncollectible only when there is no expectation of recovering any additional cash. This may occur when there is a final distribution from administrators or liquidators or where unsuccessful attempts have been made to recover the debt through legal actions or debt collection agencies and the prospect of recovering any additional cash is remote. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit and loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Refer to note 19 for more information on the consolidated entity's risk management policy, the credit quality and risk of trade receivables.

Note 9. Inventories

	Consolidated entity	
	2017 Cents	**2016 Cents**
At Cost:		
Raw materials and consumables	13,154	9,246
Work-in-progress	17,699	6,212
Finished goods	764	356
	31,617	**15,814**

Raw materials, consumables and work in progress

Inventories consist of raw materials, consumables and work in progress and are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Note 10. Other current assets

	Consolidated entity	
	2017 $'000	**2016 $'000**
Current		
Prepayments	3,216	2,199
Accrued income	7,715	6,205
Other receivables	3,883	3,581
	14,814	**11,985**

Note 11. Assets held for sale

Assets are classified as held for sale when its carrying value will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

There were no assets classified as held for sale as at 30 June 2017 (at 30 June 2016: $8.740m), those classified as assets held for sale at 30 June 2016 related to property assets held by the group in Peru and Colombia which were either sold or reclassified to property, plant and equipment during the year ended 30 June 2017.

Note 12. Trade and other payables

	Consolidated entity	
	2017 $'000	**2016 $'000**
Current unsecured liabilities		
Trade payables	35,852	22,860
Accrued and other payables	12,751	10,632
Progress payments in advance	7,058	3,017
	55,661	**36,509**

Note 12. Trade and other payables (continued)

	Consolidated entity	
	2017 $'000	2016 $'000
The carrying amounts of the consolidated entity's trade and other payables are denominated in the following currencies:		
Australian dollars	23,390	15,635
US dollars (Australian dollar equivalent)	13,007	6,056
Chilean pesos (Australian dollar equivalent)	9,061	6,385
Indonesian rupiah (Australian dollar equivalent)	3,468	1,000
Colombian pesos (Australian dollar equivalent)	4,118	1,000
Peruvian nuevo soles (Australian dollar equivalent)	1,987	6,433
Singaporean dollars (Australian dollar equivalent)	630	-
	55,661	**36,509**

For information about the consolidated entity's exposure to foreign exchange risk refer to note 19.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

Invoicing in advance of revenue recognition is treated as progress payments in advance and presented as liabilities until revenue recognition criteria is met. All current trade and other payables are measured at face value.

Note 13. Provisions

	Consolidated entity	
	2017 $'000	2016 $'000
Current		
Employee leave entitlements	4,559	5,488
Warranty provisions	782	542
Onerous operating leases	-	1,382
Other	586	835
	5,927	**8,247**
Non-current		
Employee leave entitlements	498	-
Onerous operating leases	**-**	4,205
	498	**4,205**

Note 13. Provisions (continued)

Movements in each class of provision during the financial year, other than employee leave entitlements and other provisions, are set out below:

	Warranty $'000	Onerous operating leases $'000
2017		
Carrying amount at start of year	542	5,587
Amounts utilised during the year	(272)	(4,238)
Charged/(credited) to profit or loss	512	(1,349)
Carrying amount at end of year	**782**	**-**
2016		
Carrying amount at start of year	503	-
Amounts utilised during the year	218	6,292
Charged/(credited) to profit or loss	(179)	(705)
Carrying amount at end of year	**542**	**5,587**

A provision is recognised in the consolidated statement of financial position when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts has been reliably estimated. Provisions are not recognised for future operating losses.

Employee benefits - short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations

Liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recorded as non-current. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of Australian Corporate Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Warranties

Provision is made for potential warranty claims at the reporting date and is based on management assessments of the likelihood of claims arising from products delivered during the year as well as historical costs incurred on meeting warranty claims in prior years.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated group from a contract are lower than the unavoidable cost meeting its obligations under the contract. Expected future payments are discounted using market yields at the end of the reporting period of Australian Corporate Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

There is no onerous operating lease provision at 30 June 2017 (2016: the onerous operating lease related to the closure of Brisbane workshop site).

Note 14. Property, plant and equipment

	Consolidated entity	
	2017 $'000	2016 $'000
Freehold land		
Cost	22,748	20,154
	22,748	**20,154**
Freehold buildings		
Cost	43,486	42,134
Accumulated depreciation	(13,239)	(5,606)
	30,247	**36,528**
Plant and equipment		
Cost	102,947	102,386
Accumulated depreciation	(51,124)	(46,082)
	51,823	**56,304**
Assets under construction		
Cost	509	322
	509	**322**
	105,327	**113,308**

Consolidated entity	Freehold Land $'000	Buildings $'000	Capital Work in Progress $'000	Plant And Equipment $'000	Total $'000
Year ended 30 June 2017					
Opening net book amount	20,154	36,528	322	56,304	**113,308**
Additions	-	910	438	5,388	**6,736**
Reallocation of capital work in progress	(200)	75	-	125	**-**
Disposals	(845)	-	(35)	(1,517)	**(2,397)**
Transfers*	4,892	(2,458)	-	1,756	**4,190**
Foreign currency exchange movements	(1,253)	(2,851)	(216)	(1,279)	**(5,599)**
Impairment**	-	(600)	-	-	**(600)**
Depreciation expense	-	(1,357)	-	(8,954)	**(10,311)**
Closing net book amount	**22,748**	**30,247**	**509**	**51,823**	**105,327**

* Transfer from assets held for sale, see note 11 and reclassification of assets category land in Colombia.

** The Company undertook market valuations of its Australian property portfolio during the financial year. The recoverable amount of properties at the Austin Mackay, Austin Hunter Valley and Aust Bore businesses was below the carrying value. Consequently an impairment charge of $3.393m was expensed in the year. The recoverable amount of the PT Austin Engineering Indonesia CGU increased such that an impairment recorded on property, plant and equipment in the year ended 30 June 2016 of $2.793m was reversed at 30 June 2017. Valuation for property, plant and equipment were performed using the direct comparison method.

Note 14. Property, plant and equipment (continued)

Consolidated entity	Freehold Land $'000	Buildings $'000	Capital Work in Progress $'000	Plant And Equipment $'000	Total $'000
Year ended 30 June 2016					
Opening net book amount	20,557	44,140	251	60,285	**125,233**
Additions	-	571	169	12,023	**12,763**
Reallocation of capital work in progress	-	-	(73)	73	**-**
Disposals	-	(511)	(30)	(834)	**(1,375)**
Disposal of subsidiary	-	(392)	-	(2,599)	**(2,991)**
Transfers*	(730)	(3,198)	-	(355)	**(4,283)**
Foreign currency exchange movements	327	197	5	(190)	**339**
Impairment	-	(2,887)	-	(2,654)	**(5,541)**
Depreciation expense	-	(1,392)	-	(9,445)	**(10,837)**
Closing net book amount	**20,154**	**36,528**	**322**	**56,304**	**113,308**

* Transfer to assets held for sale, see note 11.

(i) Non-current assets pledged as security
Refer to note 16 for information on non-current assets pledged as security by the Group.

(ii) Leased assets

Plant and equipment	2017 $'000	2016 $'000
Assets under finance lease arrangements included in the totals noted above are as follows:		
Opening balance	15,058	14,837
Additions	2,403	6,989
Assets no longer under finance lease arrangements	(3,502)	(4,799)
Disposals	-	(655)
Foreign currency exchange movements	(26)	36
Depreciation expense	(1,212)	(1,350)
Net book amount	**12,721**	**15,058**

Cost

Property, plant and equipment are measured on the cost basis. The cost of fixed assets constructed includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	*Depreciation rate*
Buildings	2%-3%
Plant and equipment	5%-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that have suffered an impairment are reviewed for possible reversal of impairment at the end of each reporting period.

Note 15. Intangible assets

	Goodwill $'000	Brands $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Year ended 30 June 2016					
Opening net book amount	45,216	2,749	10,693	630	**59,288**
Additions	-	-	-	106	**106**
Disposal of subsidiary	(14,423)	(2,699)	(731)	(104)	**(17,957)**
Release of deferred taxes	(108)	-	-	-	**(108)**
Exchange differences	330	-	94	4	**428**
Amortisation charge	-	-	(932)	(38)	**(970)**
Impairment charge	(3,519)	-	-	-	**(3,519)**
Closing net book amount	**27,496**	**50**	**9,124**	**598**	**37,268**
At 30 June 2016					
Cost	64,250	50	14,688	675	**79,663**
Accumulated amortisation and impairment	(36,754)	-	(5,564)	(77)	**(42,395)**
Net book amount	**27,496**	**50**	**9,124**	**598**	**37,268**
Year ended 30 June 2017					
Opening net book amount	27,496	50	9,124	598	**37,268**
Additions	-	-	-	70	**70**
Exchange differences	(346)	-	(205)	79	**(472)**
Amortisation charge	-	-	(700)	(183)	**(883)**
Impairment charge	(16,045)	(50)	(3,120)	-	**(19,215)**
Closing net book amount	**11,105**	**-**	**5,099**	**564**	**16,768**
At 30 June 2017					
Cost	63,749	50	14,938	824	**79,561**
Accumulated amortisation and impairment	(52,644)	(50)	(9,839)	(260)	**(62,793)**
Net book amount	**11,105**	**-**	**5,099**	**564**	**16,768**

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash generating units ("CGU") as follows:

	Consolidated entity	
Cash generating unit	**2017 $'000**	**2016 $'000**
Aust Bore Pty Ltd	6,310	8,310
Pilbara Hire Group Pty Ltd	-	6,982
Austin Engineering USA Inc.	3,606	3,706
Austin Mackay	1,189	1,189
Austin Ingenieros Chile Ltda	-	2,487
Austin Arrendaminentos Ltda	-	4,822
Net carrying value	**11,105**	**27,496**

Note 15. Intangible assets (continued)

Customer relationships

Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation. Amortisation is calculated on the straight line basis and utilises an estimated useful life of the customer relationships, which is estimated to be 13 years.

Brands

Brands that are acquired by the group and that have indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Other intangibles

Other intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives, which vary from 2 to 20 years.

Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the cash generating units ("CGU") is based on value in-use calculations. These calculations use cash flow projections covering a five year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

Impairment charge

The impairment was the result of the Company reassessing the recoverable values of its CGUs in light of the anticipated risks and opportunities that exist in each CGU.

During the year, a net impairment charge of $19.215m (2016: $3.519m) have been allocated to the following intangible assets and CGUs:

Consolidated entity	Goodwill $000's	Other intangible assets $000's	2017 $000's	2016 $000's
Pilbara Hire Group Pty Ltd	6,982	50	**7,032**	-
Austin Arrendamientos Ltda	2,206	1,333	**3,539**	-
Austin Ingenieros Chile Ltda	4,857	1,787	**6,644**	-
Aust Bore Pty Ltd	2,000	-	**2,000**	-
Austin Engineering USA Inc.	-	-	**-**	3,519
Total impairment	**16,045**	**3,170**	**19,215**	**3,519**

Note 15. Intangible assets (continued)

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 covering a five year period that are based on financial forecasts of how the business is expected to operate based on current performance consistent with previous experience and external data, excluding any benefit expected to arise from future restructuring or from improved asset performance. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

(a) Growth rates used within the forecast period;

(b) Discount rates; and

(c) Growth rates used to extrapolate cash flows beyond the forecast period.

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 CGU, 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. A risk premium is included in each CGU's discount rate, reflecting the level of forecasting, size, country and financing risks for that CGU. The pre-tax WACC's are shown below:

Pre-tax WACC

Region	**2017 %**	**2016 %**
Australia	15.44	15.71
USA	15.40	16.67
Chile	15.73	16.45
Colombia	20.24	20.13
Peru	17.18	18.75
Indonesia	16.18	19.81

Perpetual growth rates are applied based on the CGU's location. The average perpetual growth rates used for the CGU are 3% (2016: 3%) based on the long-term growth rates experieced in the group's end-markets and external forecasts.

Impact of reasonably possible changes in key assumptions

The impairments recorded during the year were based on management determination on the CGU's recoverable amount, after taking into consideration of any possible change in key assumptions of value-in-use calculation of the CGU's. At 30 June 2017, after the impairment charges, and applying reasonable sensitivity analysis, the recoverable amount of each CGU exceeds its carrying value.

Capital and financial risk management notes

Note 16. Financial liabilities

	2017 Current $'000	2017 Non-current $'000	2016 Current $'000	2016 Non-current $'000
Secured liabilities				
Bank facilities	8,621	11,462	9,695	4,928
Non-bank core debt	-	20,080	6,602	19,752
Other	8,424	904	3,360	7,913
	17,045	**32,446**	**19,657**	**32,593**

Assets pledged as security - fixed/floating charge

		Consolidated entity	
	Notes	2017 $'000	2016 $'000
Current			
Floating charge			
Cash and cash equivalents	7	2,268	12,832
Receivables	8	25,795	29,371
Inventories		14,352	15,814
Total current assets pledged as security		**42,415**	**58,017**
Non-current			
Finance lease			
Property, plant and equipment	14	12,721	15,058
Floating charge			
Property, plant and equipment		55,890	98,250
Total non-current assets pledged as security		**68,611**	**113,308**
Total assets pledged as security		**111,026**	**171,325**

Financing facilities

The group had access to the following financing facilities at the reporting date:

	Consolidated entity	
	2017 $'000	2016 $'000
Total facilities		
Bank facilities	25,902	21,548
Non-bank core debt	20,080	26,354
Other	10,327	11,273
	56,309	**59,175**
Utilised facilities		
Bank facilities	20,083	14,623
Non-bank core debt	20,080	26,354
Other	9,328	11,273
	49,491	**52,250**
Unused		
Bank facilities	5,819	6,925
Non-bank core debt	-	-
Other	999	-
	6,818	**6,925**

Note 16. Financial liabilities (continued)

Banking facilities

The banking facilities relate to bank guarantees, leases and bank loans in various jurisdictions within the group totalling $25.902m (2016: $21.548m). Of these facilities, $5.629m relates to a property mortgage in Chile which bears interest of 9.36% per annum, expiring 2 December 2024.

At 31 December 2016, a subsidiary of the Company did not meet its Debt : EBITDA covenant of a bank facility. The lender agreed to waive this non-compliance in February 2017. There are no reportable facility covenants that the subsidiaries have to meet as at 30 June 2017.

Non-bank core debt

The group entered into a loan agreement with LIM Asia Special Situations Master Fund Limited (LIM) for $20.000m, which was fully drawn down on 29 July 2015. The loan bears interest at 9% per annum, is secured by general security over the assets of Austin Engineering Ltd and is repayable on 29 July 2018. Further to this, LIM was issued 12 million share options on 29 July 2015, expiring on 31 July 2018 at various exercise prices as part consideration for the loan. The group must maintain financial covenants relating to earnings compared to the group debt drawn.

Other

The Company has a working capital financing facility drawn in July 2016. The facility does not have any financial covenants.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Note 17. Equity - issued capital

	2017 No.	2017 $'000	2016 No.	2016 $'000
Ordinary shares				
Opening balance	526,233,756	145,829	84,274,004	87,344
Non-renounceable entitlement offer	52,600,000	8,416	70,228,337	31,603
Share placement	-	-	20,908,911	1,673
Renounceable entitlement offer	-	-	350,822,504	28,070
Cost of share issues	-	(318)	-	(2,861)
Balance at end of year	578,833,756	153,927	526,233,756	145,829

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote per share. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

On 30 June 2016 the company issued 350,822,504 ordinary shares pursuant to a renounceable entitlement offer. The shares were issued at $0.08 per share.

On 1 June 2016 the company issued 20,908,911 fully paid ordinary shares at an issue price of $0.08 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.

All shares issued in the year to 30 June 2017 ranked equally with all existing fully paid ordinary shares from the date of issue of the respective shares and the proceeds were used to support group working capital.

Options and Performance Rights Plan

For information relating to Austin Engineering Limited's employee option plan and performance rights plan, including details of options and rights issued, exercised and lapsed during the financial year and the options and rights outstanding at the year-end, refer to note 31.

Note 17. Equity - issued capital (continued)

Capital management

Management controls the capital of the group in order to maintain optimal debt to equity and leverage ratios, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The Group's total capital is defined as the shareholders' net equity plus net debt and amounted to $157.746m at 30 June 2017 (30 June 2016: $176.439m). The objective when managing the Group's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The gearing ratios for the years ended 30 June 2017 and 30 June 2016 are as follows:

	Consolidated entity	
	2017 $'000	**2016 $'000**
Total borrowings	49,491	52,250
Less cash and cash equivalents	(3,923)	(12,832)
Net debt	**45,568**	**39,418**
Total equity	112,178	137,021
Total capital	**157,746**	**176,439**
Net gearing ratio	**29%**	**22%**

Note 18. Equity - reserves

Share-based payments

The option/performance rights reserve records items recognised as expenses on the valuation of Director and employee share options, performance shares and performance rights.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Note 19. Financial risk management

The group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The Group had no derivatives at the end of the financial year. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. The Group's policy is to centralise debt and surplus cash balances and also to match the assets and liabilities currency exposure whenever possible.

Risk management is carried out by the finance function under principles and parameters approved by the Board of Directors. The finance function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings in financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Chilean peso, Colombian peso, Peruvian nuevo soles and Indonesian rupiah as a result of its operations in the Americas and Indonesia.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Australian dollar is the functional currency for a large part of the Group's entities and business activities.

Note 19. Financial risk management (continued)

Management has put in place a policy requiring business units and group entities to manage their foreign exchange risk against their functional currency. The group companies are required to bring significant foreign currency transactions to the attention of the central finance function for evaluation as to the use of hedging using forward foreign currency contracts.

Sensitivity

A sensitivity analysis was performed at 30 June 2017, to determine how the measurement of financial instruments denominated in a foreign currency would be affected if the Australian dollar weakened or strengthened by 10%. The analysis was performed on the same basis as 2016, as indicated below:

	Consolidated entity			
	Strengthening by 10%		Weakening by 10%	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2017				
US dollar	305	(230)	(305)	230
Chilean peso	2,884	1,843	(2,884)	(1,843)
Indonesian rupiah	(898)	(129)	898	129
Colombian peso	(775)	(212)	775	212
Peruvian nuevo soles	(479)	307	479	(307)
Total	**1,037**	**1,579**	**(1,037)**	**(1,579)**
30 June 2016				
US dollar	(1,748)	259	1,748	(259)
Chilean peso	(5,997)	1,080	5,997	(1,080)
Indonesian rupiah	(1,144)	42	1,144	(42)
Colombian peso	(934)	92	934	(92)
Peruvian nuevo soles	(657)	8	657	(8)
Total	**(10,480)**	**1,481**	**10,480**	**(1,481)**

(ii) Price risk

The group is not exposed to material price risk relating to equity securities and it has therefore not been included in the sensitivity analysis.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk predominantly arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest rate risk and fixed interest rates expose the group to fair value interest rate risk. The Group analyses its interest rate exposure on an ongoing basis. Various interest rate shifts are simulated taking into account refinancing, renewal of existing positions and facilities, alternative financing and hedging. Based on these interest rate shifts, the Group calculates the impact on profit and loss. The interest rate shift scenario is run only for assets and liabilities that represent the major interest-bearing positions.

The following table analyses the group's financial assets and liabilities that are subject to interest rate risk.

	Consolidated entity			
	Weighted Average Interest Rate %	2017 $'000	Weighted Average Interest Rate %	2016 $'000
Cash	0.3	3,923	0.3	12,832
Financial liabilities	8.9	(49,491)	7.2	(52,250)
Net exposure to cash flow interest rate risk	-	(45,568)	-	(39,418)

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Note 19. Financial risk management (continued)

Sensitivity

Based on the simulations performed, the annual impact on profit and loss of a one per cent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $0.456m (2016: $0.394m). The simulation is performed on a bi-annual basis to estimate the maximum loss potential.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or contract, leading to a financial loss. Credit risk arises principally from cash deposits and receivables. Credit risk is co-operatively managed by the finance function and the operating units for customers, including outstanding receivables and committed transactions and at a group level for credit risk arising from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. Only reputable banks and financial institutions are dealt with.

Trade and other receivables:

The Group's exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The group enters into transactions with a number of high quality customers within the resources industry sector thereby minimising concentration of credit risk for trade and other receivables. The group has multiple contracts with its significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations. The Group's activities are largely focused on the mining and mining services industry sectors and as a result its credit risk for trade and other receivables is concentrated in this sector.

Individual risk exposures are set for customers in accordance with specified limits established by management based on independent credit reports, financial information, credit references and the Group's credit and trading history with the customer. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk projects or shipments for customers are generally covered by letters of credit or other forms of guarantee.

At 30 June 2017, included in trade receivables is one significant customer accounting for approximately 25% (2016: 26%) of the total trade receivables. Details of trade and other receivables past due but not impaired are provided in note 8.

The maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event that other parties fail to perform their obligations under financial instruments for each class of reporting recognised financial asset at the reporting date is the carrying amount of those assets as indicated in the statement of financial position.

Refer note 8 for a summary of the group's exposure to credit risk relating to receivables at the end of the financial year.

Cash and cash equivalents:

The credit risk on cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. The group has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring cash flows on a daily basis as well as forecasting cash flows on a medium and long-term basis;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows;
- Maintaining adequate reserves and support facilities;
- Monitoring liquidity ratios and all constituent elements of working capital; and
- Maintaining adequate borrowing and finance facilities.

The group maintains backup liquidity for its operations and currently maturing debts through a combination of bank overdrafts, bank guarantees and general finance facilities, of which $6.818m were undrawn at 30 June 2017 (2016: $6.925m). The principal terms of repayment are detailed in note 16.

The table below analyses the group's financial liabilities into maturity groupings based on the remaining period from the reporting date to the contractual maturity date. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments, these balances will not necessarily agree with the amounts disclosed on the statement of financial position.

Note 19. Financial risk management (continued)

	1 Year $'000	1 to 5 Years $'000	Total $'000
At 30 June 2017			
Bank facilities	9,405	13,341	**22,746**
Non-core debt	1,849	20,688	**22,537**
Other	9,520	-	**9,520**
	20,774	**34,029**	**54,803**
At 30 June 2016			
Bank facilities	9,695	4,928	**14,623**
Non-core debt	-	20,607	**20,607**
Other	10,354	8,453	**18,807**
Total	**20,049**	**33,988**	**54,037**

The group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risks. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The group uses, when necessary, derivative financial instruments such as foreign exchange contracts to hedge certain market risk exposures. The group has no derivatives at the end of the financial year. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. The group's policy is to centralise debt and surplus cash balances and also to match the assets and liabilities currency exposure whenever possible.

Note 20. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly(derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2017 the Group did not have any financial instruments that were measured and recorded at fair value. The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents and other receivables

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Receivables and other assets

The carrying value approximates their fair value as they are short term in nature.

Short-term borrowings and other payables

The carrying value approximates their fair value as they are short term in nature.

Long-term borrowings

The fair value of variable rate borrowings, and fixed rate borrowings repriced within twelve months, approximates the carrying value. Discounted cash flow model was used to calculate the fair value of other fixed term long-term borrowings. The Australian CGU discount rate as disclosed in note 15 was applied.

The carrying value of fixed rate borrowings not repriced within twelve months is $20.080m (2016: $19.752m). This borrowing has a fair value of: $20.262m (2016: $19.715m).

Unrecognised items notes

Note 21. Contingent liabilities

There are no contingent liabilities other than bank guarantees that are issued to third parties arising out of dealings in the normal course of business.

Note 22. Capital and leasing commitments

	Consolidated entity	
	2017 $'000	2016 $'000
Finance and hire purchase lease commitments:		
Not later than one year	3,489	3,752
Between one and five years	7,224	8,453
	10,713	**12,205**
Minimum lease payments		
Less: future finance charges	(763)	(932)
	9,950	**11,273**

Plant and equipment is leased from finance providers for periods lasting between one and five years. Lease payments are for fixed amounts over the term of the leases. Lease liabilities are secured by a charge over the leased assets.

Operating lease commitments:		
Not later than one year	2,584	3,434
Between one and five years	4,442	9,182
Greater than 5 years	-	741
	7,026	**13,357**

The group has various property leases under non-cancellable arrangements expiring between 1 and 10 years with rent payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum payments be increased by CPI or current market rental at various review periods. Options exist to renew the leases at the end of their term for additional periods and conditions. The leases allow for subletting of the lease areas.

Capital commitments:

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities was $0.381m (2016: $0.342m). The capital commitments are payable within twelve months. No capital commitments are payable after twelve months.

Note 23. Events occurring after the reporting period

After the reporting date, the Company secured credit approved letters of offer for combined senior and working capital facilities that will be utilised to refinance the LIM Asia Special Solutions Master Fund Limited (LIM) debt of $20.080m and other non-bank loans in Australia. All elements of the finance package are fully credit approved subject to the agreement of legal documents and satisfaction of draw down conditions.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

Group structure notes

Note 24. Interests in other entities

	Place of business/country of incorporation	Percentage owned 2017	2016
Parent entity			
Austin Engineering Limited	Australia		
Subsidiaries of Austin Engineering Limited			
Aust Bore Pty Ltd	Australia	100%	100%
Austin Engineering USA Inc.	USA	100%	100%
Austin Engineering South America (No.1) Pty Ltd	Australia	100%	100%
Austin Engineering South America (No.2) Pty Ltd	Australia	100%	100%
Austin Engineering Singapore Pte Ltd	Singapore	100%	100%
PHG Services Pty Ltd	Australia	100%	100%
Pilbara Hire Group Pty Ltd	Australia	100%	100%
Subsidiaries of Austin Engineering USA Inc.			
Western Technology Services International Inc.	USA	100%	100%
Subsidiaries of Austin Engineering South America (No.1) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	99%	99%
Austin Ingenieros Chile Ltda	Chile	1%	1%
Austin Engineering Peru S.A.C	Peru	99%	99%
Austin Arrendamientos Chile Ltda	Chile	0.01%	0.01%
Subsidiaries of Austin Engineering South America (No.2) Pty Ltd			
Austin Inversiones Chile Ltda	Chile	1%	1%
Subsidiaries of Austin Engineering Singapore Pte Ltd			
Austin Engineering Offshore Pte Ltd	Singapore	100%	100%
Austin Engineering Batam Pte Ltd	Singapore	100%	100%
Subsidiaries of Western Technology Services International Inc.			
WOTCO Inc.	USA	100%	100%
Subsidiaries of Austin Inversiones Chile Ltda			
Austin Ingenieros Chile Ltda	Chile	99%	99%
Austin Arrendamientos Chile Ltda	Chile	99.99%	99.99%
Subsidiaries of Austin Ingenieros Chile Ltda			
Austin Ingenieros Colombia S.A.S	Colombia	100%	100%
Austin Ingenieros Peru S.A.C	Peru	1%	1%
Subsidiaries of Austin Engineering Offshore Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	1%	1%
Subsidiaries of Austin Engineering Batam Pte Ltd			
PT Austin Engineering Indonesia	Indonesia	99%	99%

Cash and short-term deposits held in Asian countries (including Indonesia) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is $0.534m (2016: $0.229m). There are no other restrictions on exporting capital from any of the other foreign entities within the Group.

Note 25. Deed of cross guarantee

Guarantees in relation to the debts of subsidiaries

Austin Engineering Ltd and its former wholly-owned subsidiary COR Cooling Pty Ltd were parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed, the wholly-owned entities were relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (wholly-owned companies) instrument 2016/785.

Following the sale of COR Cooling Pty Ltd in May 2016, the deed was terminated.

Note 26. Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $'000	2016 $'000
Balance sheet		
Current assets	115,610	153,807
Non-current assets	57,125	57,484
Total assets	**172,735**	**211,291**
Current liabilities	35,268	31,431
Non-current liabilities	20,984	23,966
Total liabilities	**56,252**	**55,397**
Net assets	**116,483**	**155,894**
Equity		
Contributed equity	153,927	145,829
Options reserve	1,500	3,401
Retained earnings	(38,944)	6,664
	116,483	**155,894**
(Loss)/Profit for the year	(45,608)	4,335
Other comprehensive income	-	-
Total comprehensive income	**(45,608)**	**4,335**

Contractual commitments for the acquisition of property, plant or equipment

At 30 June 2017 and 30 June 2016 there were no contractual commitments entered into in respect of capital expenditure projects.

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity, please see note 25 above.

Other information notes

Note 27. Cash flow information

	Consolidated entity	
	2017 $'000	2016 $'000
a) Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(27,633)	(40,455)
Adjustment for		
Depreciation and amortisation	11,194	11,807
Impairment expense	19,815	9,060
Loss on disposal of property, plant and equipment	(41)	268
Loss on disposal of subsidiary	-	11,389
Fair value reduction of assets classified as held for sale	-	2,169
Share options expense	(173)	400
Interest capitalised	473	-
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(16,949)	2,356
(Increase)/decrease in inventories	(16,662)	4,382
(Increase)/decrease in other assets	(3,371)	(4,510)
Increase/(decrease) in payables	19,258	3,962
Increase/(decrease) in income taxes payable and deferred	3,021	(9,306)
Increase/(decrease) in other provisions	(3,774)	6,528
Net cash inflow (outflow) from operating activities	**(14,842)**	**(1,950)**
(b) Non-cash investing and financing activities		
Acquisition of plant and equipment by means of finance leases	2,403	6,989
(c) Net debt reconciliation		
Cash and cash equivalents	3,923	12,832
Financial liabilities – repayable within one year	(17,045)	(19,657)
Financial liabilities – repayable after one year	(32,446)	(32,593)
Net debt	**(45,568)**	**(39,418)**

Note 28. Remuneration of auditors

	Consolidated entity 2017 $	Consolidated entity 2016 $
Auditor of the parent entity (BDO Audit Pty Ltd) for:		
Auditing or reviewing the financial reports of any entity in the group	274,362	275,555
Entities related to BDO Audit Pty Ltd:		
Taxation services	119,476	224,948
Corporate advisory services	20,425	41,800
	139,901	266,748
Network firms of BDO Audit Pty Ltd:		
Auditing or reviewing the financial reports	164,965	143,991
Taxation services	17,787	31,929
	182,752	175,920
Remuneration of other auditors (non BDO Audit Pty Ltd or related Network firms):		
Auditing or reviewing the financial reports	103,895	105,124
Taxation services	54,330	105,401
Other services	253	24,410
	158,478	234,935
Total auditors' remuneration	**755,493**	**953,158**

Note 29. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Ultimate parent company

Austin Engineering Limited is the ultimate parent company.

Controlled entities

Interests in subsidiaries are set out in note 24.

Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity 2017 $	Consolidated entity 2016 $
Sales and purchases of goods and services		
Purchase of legal services from other related parties*	196,392	841,890
Outstanding balances arising from sales/purchases of goods and services		
Current payables (purchases of services)		
Other related parties*	-	140,908

* Eugene Fung, a former non-executive of the company (retired on 25 November 2016), is a partner with Thomson Geer Lawyers. The firm provided legal services to the company on normal commercial terms. Thomson Geer lawyers ceased to be a related party subsequent to Eugene's retirement as a Non-Executive Director of the company.

Note 30. Key management personnel compensation

	Consolidated entity	
	2017 $	2016 $
Short-term employment benefits	1,636,727	1,761,000
Post-employment benefits	103,494	139,253
Long-term benefits	-	9,668
Share-based payments	-	80,048
	1,740,221	**1,989,969**

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 27.

Note 31. Share-based payments

Equity settled share based payments form part of the remuneration of employees (including executives) of the consolidated entity. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options and performance rights with the relative TSR performance measure is calculated at the grant date using the Monte-Carlo simulation model, taking into account, amongst other things, the impact of the TSR condition and that right holders are not entitled to dividends during the vesting period.

The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Group has the following share-based payment arrangements:

- Performance rights
- Options

The total reversal of expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $0.173m (2016: $0.400m).

Performance rights

On 30 September 2014, the Company announced that it would be proceeding with the Austin Engineering Limited (Austin) Performance Rights Plan. The Performance Rights Plan is a long term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling senior executives to have greater involvement with, and share in the future growth and profitability of the Company.

The performance rights are exercisable into one ordinary share in Austin and have a nil exercise price. The performance rights will vest if the Performance and Exercise Conditions are achieved. The Performance Conditions consist of meeting a Total Shareholder Return (TSR) target and earnings per share (EPS) growth target relative to a selected group of peers.

On 21 November 2014 and 25 September 2014 the former Chief Executive Officer and to Executives were granted 164,672 and 985,627 performance rights respectively. The issue of 164,672 performance rights to the former Chief Executive Officer was approved at the 2014 Annual General Meeting. The issue of performance rights to Executives did not require shareholder approval. The performance rights were issued in two tranches. The first tranche of 281,773 performance rights is for the performance period 1 July 2013 to 30 June 2016 and the second tranche of 868,526 performance rights is for the performance period 1 July 2014 to 30 June 2017. The performance rights expire on 25 September 2019.

On 27 November 2015 the Company issued 2,132,933 performance rights to the former Chief Executive Officer and to Executives. The issue of 304,436 performance rights to the former Chief Executive Officer 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 for the period 1 July 2015 to 30 June 2018 and expire on 27 November 2020.

NOTE 31. Share-based payments (continued)

Performance rights (continued)

	2017 Number	2017 Weighted Average Exercise Price $	2016 Number	2016 Weighted Average Exercise Price $
Performance rights outstanding and exercisable at the reporting date are as follows:				
Outstanding at beginning of year	3,283,232	-	1,150,299	-
Granted	-	-	2,132,933	-
Expired	-	-	-	-
Exercised	-	-	-	-
Forfeited/lapsed	(2,069,339)	-	-	-
Outstanding at end of year	**1,213,893**	**-**	**3,283,232**	**-**
Total exercisable at end of year	-	-	281,773	-

The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date		Expiry date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield	Weighted average fair value of rights granted	Fair value of rights TSR	Fair value of rights EPS
27/11/2015	Former Chief Executive Officer	27/11/2020	-	$0.25	57.46%	2.09%	8.67%	$0.25	$0.08	$0.19
27/11/2015	Other executives	27/11/2020	-	$0.25	57.46%	2.09%	8.67%	$0.25	$0.08	$0.19

The expected price volatility is based on the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information.

Options

The Company granted 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 fair value of the options shares granted to LIM was calculated using the Binomial simulation model. The options expire on 31 July 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).

Share options outstanding and exercisable at the reporting date are as follows:

	2017 Number	2017 Weighted Average Exercise Price $	2016 Number	2016 Weighted Average Exercise Price $
As at 1 July	12,000,000	0.99	-	-
Granted	-	-	12,000,000	0.99
Exercised	-	-	-	-
Forfeited/lapsed	-	-	-	-
	12,000,000	**0.99**	**12,000,000**	**0.99**

The options outstanding at 30 June 2017 had a weighted average remaining contractual life of 1.08 years.

NOTE 31. Share-based payments (continued)

Options (continued)

The valuation model inputs used to determine the fair value, based on the Binomial simulation model, at the grant date are as follows:

Grant date	Expiry date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield	Fair value at grant date
29/07/15	31/07/18	$0.60	$0.46	64.82%	2.139%	4.5%	$0.14
29/07/15	31/07/18	$1.00	$0.46	64.82%	2.139%	4.5%	$0.08
29/07/15	31/07/18	$1.75	$0.46	64.82%	2.139%	4.5%	$0.04

Note 32. Critical accounting estimates and judgements

Key estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangibles

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and require the group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. For information relating to these calculations refer to note 15.

Contractual customer relationships

The useful life of contractual customer relationships of 10 to 20 years is based on management's expectation of future attrition rates based on historical rates. An increase in attrition rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge. The actual attrition rates for the 2017 and 2016 financial years did not differ materially from the expected attrition rates. The carrying value of contractual customer relationships is disclosed in note 15.

Taxation - Carried forward tax losses

The group has tax losses mainly in Australian, North American and Colombian taxable entities that have the potential to reduce tax payments in future years. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the projected future taxable income of these taxable entities and after taking account of specific risk factors that affect the recovery of these assets.

Key judgements

Other than those already referred to, the key judgements are:

Contractual customer relationships

Judgement is exercised by management in identifying those acquired relationships with customers that meet the definition of separately identifiable intangibles that have a finite life.

Going concern

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

Although the Company has incurred a net loss of $27.633m, the earnings before tax, interest, depreciation, amortisation and impairment charge was positive at $12.085m (2016: negative $11.530m). At reporting date, the excess of current assets over current liabilities was $15.647m (2016: $16.123m). The Director's expectations of returning to profitability and continued compliance with current and proposed financing covenants is based on approved budgets and forecasts. These forecasts are necessarily based on best estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the group. The forecasts take into account reasonably possible changes in trading performance.

After the reporting date, the Company secured credit approved letters of offer for combined senior and working capital facilities that will be utilised to refinance the LIM Asia Special Solutions Master Fund Limited (LIM) debt of $20.080m and other non-bank loans in Australia. All elements of the finance package are fully credit approved subject to the agreement of legal documents and satisfaction of draw down conditions. The Directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied that the group will return to profitability and the cash flows will improve due to the improved outlook.

Note 33. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Austin Engineering Ltd and its subsidiaries.

(a) New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations have been published that are not compulsory for the 30 June 2017 reporting period. The consolidated entity's assessment of the impact of the new standards and interpretations that may affect the financial report are set out below.

AASB 9 Financial Instruments

AASB 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is not applicable until 1 January 2018 but is available for early adoption.

When adopted, the standard will affect the group's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The group does not currently have any available-for-sale financial assets that would be impacted by this standard. Additionally there will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

The new rules for hedge accounting should make it easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The Group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules, and it has not yet decided whether to adopt AASB 9 early. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. This standard is not applicable until reporting periods beginning on or after 1 January 2018.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.

The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

Other standards and interpretations

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

Note 33. Summary of significant accounting policies (continued)

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Austin Engineering Ltd is a for-profit entity for the purpose of preparing the financial statements.

(c) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Austin Engineering Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Note 33. Summary of significant accounting policies (continued)

(e) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(g) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(h) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Director's declaration

30 June 2017

In the Directors' opinion:

(a) the financial statements and notes set out on pages 31 to 74, are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

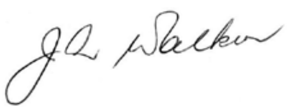
(b) the remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the Corporations Act 2001.

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 33 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Jim Walker
Non-Executive Chairman
27 September 2017
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Austin Engineering Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 2 of the financial report. Revenue is a key driver to the Group. Revenue is generated from multiple streams including the sale of goods as well as the rendering of various services to the mining industry. The Group's management focuses on revenue as a key driver by which the performance of the Group is measured. This area is a key audit matter due to revenue being the most significant item in the financial statements and the volume of transactions included in revenue.	Our audit procedures included: • Assessing the Group's revenue recognition policy's for compliance with Australian Accounting Standards • Selecting a sample of services rendered, and sale of goods recognised as revenue in the general ledger and agreeing to supporting invoices, signed customer contracts and proof of delivery where applicable • Obtaining and evaluating credit notes issued post year end and performing cut-off testing to ensure revenue transactions around year end have been recorded in the correct reporting period • Checking, for a sample of deferred revenue amounts, whether the amount recognised in the current period was consistent with services supplied per the terms of the customer agreement • Analytical review procedures on all significant revenue streams on a disaggregated basis and against expected trends and the prior year • Assessing the adequacy of the Group's disclosures within the financial statements.

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Impairment Assessment of Non-Financial Assets

Key audit matter	***How the matter was addressed in our audit***
The Group's disclosures about impairment are included in Notes 3, 14 and 15, which details the impairment expense recognised on Property, Plant & Equipment and Intangible Assets. Note 15 also discloses the allocation of goodwill to the various Cash Generating Units (CGU's), sets out the key assumptions for value-in-use calculations and the impact of possible changes in these assumptions. This impairment assessment was significant to our audit because the total impairment expense recognised of $19,815,000 for the year ended 30 June 2017, the value of Property, Plant & Equipment of $105,327,000 and Intangible Assets of $16,768,000 (post impairment) are material to the financial statements. The carrying values of CGU's is supported by either a value-in-use calculation or fair value less costs to sell assessment. Management's value in use impairment assessment is complex, highly judgmental and is based on assumptions such as margins, growth rates, and discount rates that are affected by expected future market or economic conditions.	For assets supported by a value in use calculation, our audit procedures included, but were not limited to the following: • Obtaining an understanding of the 'Value in Use' model and evaluating management's methodologies and their key assumptions • Assessing management's allocation of goodwill and assets and liabilities, including corporate assets to CGU's • Evaluating the inputs used in the value in use calculation including the growth rates, discount rates and the underlying cash flows by comparing them to historical results, current contracts, economic and industry forecasts • Involving our internal specialists to assess the discount rates and terminal value growth rates against comparable market information. For assets supported by valuations at fair value less costs to sell our procedures included, but were not limited to the following: • Agreeing the fair value less costs of disposal of particular items of Property, Plant & Equipment to a valuation obtained by the Group from valuation experts and assessing the extent to which we could use the work of the valuation experts by considering their competence and objectivity. • Assessing the independent valuations assumptions and judgements used to determine they were reasonable. We reviewed the adequacy of the disclosures related to the goodwill and the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Recognition of Deferred Tax Assets

Key audit matter	***How the matter was addressed in our audit***
Refer to Note 4 of the financial report. The Group recognised deferred tax assets of $13,242,000 as at 30 June 2017 which includes temporary differences and carried forward tax losses. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable in future taxable profits. This was a key audit matter as the assessment of the future taxable profits involves judgement by management.	Our audit procedures included: • Evaluating management's forecast of future taxable profits and assessing whether it is probable that there will be sufficient future profits to utilise the deferred tax assets recognised • Assessing the key assumptions used in the forecast period including revenue, expenditure and growth rates applied against actual results achieved • Comparing the taxable income generated for the year ended 30 June 2017 with the forecast taxable income provided during the 30 June 2016 audit • Assessing the disclosures related to the recognition of the deferred tax assets and unrecognised deferred tax assets.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Austin Engineering Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

C R Jenkins
Director

Brisbane, 27 September 2017

Additional information for public listed companies

The shareholder information set out below was applicable as at 22 September 2017

A. Substantial holders at 22 September 2017

	Number held	Percentage
Thorney Investments	122,530,685	21.17%
LIM Advisors	55,139,062	9.53%
IOOF Holdings	40,174,995	6.94%
Discovery Assets Management Pty Ltd	38,820,183	6.71%
UniSuper Limited	29,130,220	5.03%

B. Distribution of equity securities

Range of Holding	Number of shareholders	Number of shares
1 - 1,000	820	272,235
1,001 - 5,000	791	2,253,174
5,001 - 10,000	446	3,476,738
10,001 - 100,000	1,162	46,246,175
100,001 and over	378	526,585,434
	3,597	578,833,756

C. Voting Rights

All ordinary shares issued by the company carry one vote per share without restriction.

D. Twenty largest shareholder at 22 September 2017

Name	Number of ordinary shares held	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	165,146,926	28.07
UBS Nominees Pty Ltd	55,074,904	8.98
BNP Paribas Nominees Pty Ltd	40,699,204	6.86
Transfield Finance Pty Ltd	22,222,222	4.48
Merrill Lynch (Australia) Nominees Pty Ltd	18,565,509	3.84
SJ Quinlivan Pty Ltd	17,982,453	3.21
JP Morgan Nominees Australia Limited	17,072,046	3.11
National Nominees Limited	14,612,328	2.34
RBC Investor Services Australia Nominees Pty Ltd (BK A/C)	11,863,916	2.05
RBC Investor Services Australia Nominees Pty Ltd (VFA A/C)	10,029,937	1.73
Citicorp Nominees Pty Ltd	9,186,087	1.59
Citicorp Nominees Pty Ltd (Colonial First State Investment A/C)	5,453,220	0.94
Mr Peter Howells	5,431,197	0.85
BNP Paribas Noms Pty Ltd	3,818,522	0.61
Sartain Enterprises Pty Ltd	3,400,000	0.59
Mr Sanjay Sharma & Dr Seema Sharma	2,340,000	0.40
Mr Peter Louis Pursey & Mrs Helen Elizabeth Pursey	2,075,232	0.36
Depofo Pty Ltd	2,003,942	0.35
Mr David Zalmon Baffsky	2,000,000	0.35
Cannow Pty Ltd	2,000,000	0.35
	410,977,645	**71.06**

E. Additional Information

There is no on-market buy-back currently in effect.

Company information

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Secretary:
Christine Hayward

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Australian Securities Exchange

ASX Code:
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