

AUSTAL LIMITED
ACN 009 250 266

NOTICE OF ANNUAL GENERAL MEETING

AND

AGENDA

AND

EXPLANATORY MEMORANDUM

Date of Meeting:	Friday 22 October 2010
Time of Meeting:	3.00 pm (WST)
Place of Meeting:	Fremantle Sailing Club Marine Terrace Fremantle Western Australia

This Notice of Annual General Meeting and accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of Austal Limited will be held at the **Fremantle Sailing Club, Marine Terrace, Fremantle, Western Australia** on **Friday 22 October 2010** at **3.00 pm (WST)** for the purpose of transacting the business referred to on the pages following this Notice of Annual General Meeting.

AGENDA

1. **Opening of the Annual General Meeting by the Chairman – Mr John Rothwell**

2. **Operating and financial overview by the Managing Director & CEO - Mr Bob Browning**

3. **Directors' report and financial statements**

To receive the consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2010 together with the Directors' declaration and report in relation to that financial year and the auditors' report on those financial statements.

4. **Resolution 1 - Election of Mr John Rothwell**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That Mr John Rothwell, who retires in accordance with Article 11.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

5. **Resolution 2 - Election of Mr Ian Campbell**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That Mr Ian Campbell who retires in accordance with Article 11.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

6. **Resolution 3 - Remuneration Report**

To consider and, if thought fit, to pass, the following as an **advisory resolution**:

"To approve the Remuneration Report for the year ended 30 June 2010."

7. **Resolution 4 – Grant of Options to Michael Atkinson**

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of a total of 140,000 Options by the Company to Mr Michael Atkinson (or his permitted nominees) in accordance with the Company's Employee Incentive Option Plan approved by Shareholders in 2009 and otherwise in accordance with the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Annual General Meeting."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by any director and Michael Atkinson and by an associate of Michael Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides."

**BY ORDER OF THE BOARD
AUSTAL LIMITED**

A handwritten signature in black ink, appearing to be 'John Rothwell', written over a horizontal line.

John Rothwell
Non Executive Chairman
20 September 2010

AUSTAL LIMITED
ACN 009 250 266

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Austal Limited ("**Austal**" or "**Company**") in connection with the business to be conducted at the **Annual General Meeting of Shareholders** to be held at the **Fremantle Sailing Club, Marine Terrace, Fremantle, Western Australia** on **Friday 22 October 2010** at **3.00 pm (WST)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

Terms used in the Notice of Annual General Meeting and the Explanatory Memorandum, unless the context otherwise requires, have the same meaning given to them in the Glossary of Terms.

1. RESOLUTIONS 1 AND 2 – RE-ELECTION OF DIRECTORS

Mr John Rothwell and Mr Ian Campbell are required to retire under the Director rotation provisions of Article 11.3 of the Company's Constitution. Mr John Rothwell and Mr Ian Campbell, being eligible, have offered themselves for re-election as Directors.

The remaining Directors recommend to Shareholders that Mr John Rothwell and Mr Ian Campbell be re-elected.

2. RESOLUTION 3 – REMUNERATION REPORT

The Concise Report for the year ended 30 June 2010 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. A copy of the report is set out on pages 8 to 13 of the Concise Report and can also be found on the Company website at www.austal.com.

Pursuant to section 250R(3) of the Corporations Act 2001, the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the Company's remuneration policy.

3. RESOLUTION 4 - GRANT OF OPTIONS TO MICHAEL ATKINSON

3.1 BACKGROUND

Resolution 4 seeks Shareholder approval for the grant of a total of 140,000 Options under the Employee Incentive Option Plan ("**Option Plan**") by the Company to Mr Michael Atkinson (or his permitted nominees). The Option Plan was approved by Shareholders in 2009.

The grant of the Options to Mr Atkinson (or his permitted nominees) is intended to act as a strong incentive for Mr Atkinson to align with the Company's strategic plan focusing on seeking improved performance, the growth of the Company and better returns for Shareholders.

3.2 KEY DETAILS OF THE OPTIONS

Key details of the Options to be granted by the Company to Mr Atkinson are set out below:

Executive Director	Number of Options	Exercise Details	Expiry Date
Michael Atkinson	140,000	The Exercise Price shall be not less than the greater of: i. 20 cents per share or such other minimum amount (if any) prescribed by the Listing Rules; or ii. the average market price per share (weighted by reference to volume) of the shares sold through ASX during the 5 trading days on ASX ending on the day preceding the date that the Options are first offered to the Optionholder. The Options may be exercised between 20 September 2013 to 20 September 2017	20 September 2017

3.3 LISTING RULE REQUIREMENTS

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) a Director;
- (b) an Associate of a Director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Accordingly, in order for Mr Atkinson to participate in the Option Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

3.4 LISTING RULE DISCLOSURE REQUIREMENTS

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 5:

- (a) the name of the person referred to in LR 10.14 who is entitled to participate in the Option Plan is Michael Atkinson (or his permitted nominees). Mr Atkinson is an Executive Director of the Company;
- (b) the maximum number of Options that may be issued to Mr Atkinson (or his permitted nominees) is 140,000;
- (c) the Options will be granted as employee incentive options under the Option Plan. The Options are exercisable at not less than the greater of:
 - i. 20 cents per Share or such other minimum amount (if any) prescribed by the Listing Rules; or
 - ii. the average market price per share (weighted by reference to volume) of the Shares sold through ASX during the 5 trading days on ASX ending on the day preceding the date that the Options are first offered to the Optionholder.
- (d) as at the date of the Notice, Mr Atkinson is the only Executive Director entitled to participate in the Option Plan and no other person referred to in Listing Rule 10.14 has received securities under the Option Plan;
- (e) the Company will not provide a loan to Mr Atkinson in relation to the grant of the Options or their exercise;
- (f) the Company will use any funds raised from Mr Atkinson's payment of the exercise price towards its general working capital requirements; and
- (g) the Options will be issued as soon as practicable, but in any event not later than twelve months after the date of shareholder approval.

3.5 VOTING EXCLUSION STATEMENT

In accordance with Listing Rules 10.15 and 14.11, the Company will disregard any votes cast on Resolution 5 by any Director and by Michael Atkinson and any Associate of Michael Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as a proxy decides.

Accordingly, Mr Atkinson and his Associates may not vote on Resolution 4.