

AUSTAL LIMITED

ACN 009 250 266

Notice of Annual General Meeting

and

Agenda

and

Explanatory Memorandum

Date of Meeting:	Friday 21 October 2011
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 21 October 2011 at 3.00 pm (WST)** for the purpose of transacting the business referred to on the pages following this Notice of Annual General Meeting.

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Agenda

1. **Opening of the Annual General Meeting by the Chairman – Mr John Rothwell**
2. **Operating and financial overview by the Chief Executive Officer – Mr Andrew Bellamy**

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

To receive the consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2011 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 Michael Atkinson**

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

"That Mr Michael Atkinson, 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 Dario Amara**

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

"That Mr Dario Amara, 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 - Election of Mr Andrew Bellamy**

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Mr Andrew Bellamy, who retires pursuant to Article 11.10 of the Company's Constitution, and being eligible, offers himself for re-election, be re-elected as a Director."

7. **Resolution 4 - 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 2011."

To the extent required by section 250(R) of the Corporations Act, a vote on this Resolution must not be cast (on any capacity) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member. However, a person described above may cast a vote on this Resolution if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and the vote is not cast on behalf of the key management personnel or closely related parties described above.

8. **Resolution 5 - Allocation of Shares to Mr Andrew Bellamy**

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issuance of a total of 123,369 fully paid ordinary shares to Mr Andrew Bellamy (or his permitted nominees) in accordance with the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by Mr Andrew Bellamy and by any associate of Mr Andrew Bellamy. 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 the directions on the proxy form to vote as the proxy decides.

To the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 5. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

9. Resolution 6 – Grant of Options to Mr Michael Atkinson under the Employee Incentive Option Plan

To consider and, if thought fit, to pass 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 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 of the Company (except a director who is ineligible to participate in any Company employee incentive scheme) and by an associate of those persons. 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.

To the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 6, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 6. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

**BY ORDER OF THE BOARD
AUSTAL LIMITED**

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line and a small loop at the end.

John Rothwell
Non Executive Chairman
21 September 2011

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 21 October 2011** at **3.00 pm (WST)**.

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

If you appoint the Chairman as your proxy, or the Chairman is appointed as your proxy by default, new rules apply in respect of Resolutions 4, 5 and 6. Your attention is drawn to the section in the proxy form entitled "Important for Resolutions 4, 5 and 6 – where the Chairman is your proxy" and in particular the requirement that you specify how your proxy is to vote or mark the box on that form if you wish your votes to be counted on these Resolutions.

1. Resolutions 1 and 2 – Re-Election of Directors

Mr Michael Atkinson and Mr Dario Amara are required to retire under the Director rotation provisions of Article 11.3 of the Company's Constitution. Mr Michael Atkinson and Mr Dario Amara, being eligible, have offered themselves for re-election as Directors.

The remaining Directors recommend to Shareholders that Mr Michael Atkinson and Mr Dario Amara be re-elected.

2. Resolutions 3 – Election of Director

Mr Andrew Bellamy is required to retire under the Director appointment provisions of Article 11.10 of the Company's Constitution after filling a casual vacancy. Mr Andrew Bellamy, being eligible, has offered himself for re-election as a Director.

The remaining Directors recommend to Shareholders that Mr Andrew Bellamy be re-elected.

3. Resolution 4 – Remuneration report

The Concise Report for the year ended 30 June 2011 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.

In accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, to the extent required by section 250(R)(4) and (5) of the Corporations Act, a vote on Resolution 4 must not be cast (on any capacity) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member.

However, a person described above may cast a vote on Resolution 4 if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and the vote is not cast on behalf of the key management personnel or closely related parties described above.

The term “key management personnel” has the meaning given in the accounting standards and broadly means those persons with the authority and responsibility for planning, directing and controlling the activities of the Company, and includes any director.

The term “closely related party” is defined in the new legislation to include, in respect of a member of key management personnel:

- a spouse or child of the member;
- a child or spouse of the member’s spouse;
- a dependent of the member or the member’s spouse;
- anyone else who is one of the member’s family and may be expected to influence the member, or be influenced by the member, in the member’s dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations that may be made for this purpose.

4. Resolution 5 – Issuance of Shares to Andrew Bellamy

4.1 Background

Resolution 5 seeks Shareholder approval for the issuance of a total of 123,369 shares in the Company to Mr Andrew Bellamy (or his permitted nominees) in satisfaction of the Company’s contractual obligation to pay Mr Bellamy a Long Term Incentive (“LTI”) under his contract of employment.

Mr Bellamy was appointed to the position of Chief Executive Officer on 24 February 2011. Mr Bellamy’s remuneration package as documented in his contract of employment, includes an LTI which is valued at between 30% to 50% of his base salary of \$745,000. The percentage is fixed by the Company’s Remuneration Committee in accordance with their assessment of Mr Bellamy’s performance during the preceding financial year. For the 2010/2011 year, the Remuneration Committee has set the variable LTI percentage at 40%.

The value of the LTI is to be paid to Mr Bellamy (or his nominees) in an equivalent value of shares in the Company. This number of shares to be issued to Mr Bellamy (“the LTI shares”) is calculated by dividing the quantum of the LTI payment by the average weighted market price of the Company’s Shares traded on ASX calculated over the 20 trading days immediately after the announcement of the Company’s financial results for the 2010/2011 year. The volume weighted average price for this period was \$2.4155 resulting in the proposal to issue 123,369 shares to Mr Bellamy.

The Company and Mr Bellamy have agreed that Mr Bellamy must retain the LTI shares for a minimum period of 18 months from the date of issuance.

4.2 Listing Rule Requirements

Listing Rule 10.11 provides, in essence, that unless an exception applies the approval of ordinary shareholders by ordinary resolution is required before a company can issue shares to a related party. A related party includes a Director, such as Mr Bellamy.

4.3 Listing Rule Disclosure Requirements

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 5:

- (a) The LTI shares will be registered in the name of Mr Andrew Bellamy or his permitted nominee. Mr Bellamy is a related party of the Company by virtue of the fact that he is a Director of the Company;
- (b) the number of Shares that will be issued by the Company to Mr Bellamy (and in respect of which approval is being sought) is 123,369 Shares;
- (c) the LTI shares will be issued to Mr Bellamy as soon as practicable after (and in any event within one month of) the date of shareholder approval of Resolution 5;
- (d) no cash amount will be payable to the Company in respect of the issue of these LTI shares (rather, they are being issued by the Company in satisfaction of the LTI provisions of Mr Bellamy's contract of employment and in return for the provision of services by Mr Bellamy pursuant to that contract). The LTI shares will have a deemed issue price of \$2.4155 (being the average weighted market price of the Company's Shares traded on ASX calculated over the 20 trading days immediately after the announcement of the Company's financial results for the 2010/2011 year); and
- (e) as no cash will be payable to the Company in respect of the issue of the LTI shares, no funds will be raised as a result of their issue.

If Shareholders approve the issue of the LTI shares under Listing Rule 10.11, approval is not separately required under Listing Rule 7.1 (which Listing Rule provides that a listed company must not issue equity securities representing more than 15% of its issued capital in any 12 month period unless the issue is approved by shareholders or fits within an exception). Accordingly, if Shareholders approve Resolution 5, the LTI shares will not count towards the 15% capacity to issue securities for the purposes of Listing Rule 7.1.

4.4 Voting Exclusion Statement

In accordance with Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 5 by Mr Andrew Bellamy and by any associate of Mr Andrew Bellamy. 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 the directions on the proxy form to vote as the proxy decides.

In accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, to the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 5, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 5. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

5. Resolution 6 – Grant of Options to Michael Atkinson

5.1 Background

Resolution 6 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 Options to Mr Michael Atkinson (or his permitted nominee) is intended to act as a strong incentive for Mr Michael Atkinson to align with the Company’s Strategic plan focusing on seeking improved performance, the growth of the Company and better returns for Shareholders.

5.2 Key Details of the Options

Key details of the Options to be granted by the Company to Mr Michael 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 the 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 19 September 2014 and 19 September 2018	19 September 2018

5.3 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 and receive the Options, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

5.4 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 6:

- (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 Michael Atkinson is an Executive Director of the Company;
- (b) the maximum number of Options that may be issued to Mr Michael Atkinson (or his permitted nominees) is 140,000 (each of which will, upon exercise, result in the issue of one Share);
- (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 the 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 Michael Atkinson is the only 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. Since the Option Plan was last approved by Shareholders in 2009, 140,000 options have previously been issued to Mr Atkinson (which issue was approved by Shareholders at the 2010 Annual General Meeting) each of which was issued for no consideration in accordance with the terms of the Option Plan;
- (e) the Company will not provide a loan to Mr Michael Atkinson in relation to the grant of the Options;
- (f) no funds will be raised by the Company from the grant of the Options. The Company will use the funds raised from Mr Michael Atkinson's payment of the exercise price (if and when the Options are exercised) 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.

Options issued under the Option Plan fit within exception 9 to Listing Rule 7.2, and accordingly, the Options (and any shares issued on exercise of the Options) will not count towards calculating the Company's 15% capacity to issue shares under Listing Rule 7.1.

5.5 Voting Exclusion Statement

In accordance with Listing Rules 10.15 and 14.11, the Company will disregard any votes cast on Resolution 6 by any Director of the Company (except a director who is ineligible to participate in any Company employee incentive scheme) and an Associate of those persons. 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.

In accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, and to the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 6, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 6. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

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