

Austal Limited DRP Rules Summary

Summary of Dividend Reinvestment Plan Rules

IMPORTANT NOTICE

The following information is a summary of the rules of the Austal Limited Dividend Reinvestment Plan (**DRP**).

It is intended as a summary only and does not purport to be complete or comprehensive, and does not purport to summarise all information that an investor should consider when deciding whether to participate in the **DRP**.

You are urged to seek your own independent professional advice about the financial and taxation implications for you of participating in the **DRP** given your specific circumstances.

Why does the Company make the **DRP** available?

Austal Limited (the **Company**) has established a **DRP** for the purpose of providing shareholders with the opportunity to apply dividends paid or declared by the Company to purchase fully paid ordinary shares in the Company (**Shares**) rather than receiving those dividends in cash, and without incurring brokerage costs.

How does the **DRP** work?

The **DRP** enables you, as a shareholder in the Company, to reinvest all or part of any dividend payable on your Shares in additional fully paid ordinary shares in the Company instead of receiving the dividend in cash. The Company may, in its discretion, determine whether these Shares are to be issued, or purchased on market (or a combination of both).

Your participation in the **DRP** is entirely optional and voluntary.

If you apply to reinvest your dividends, additional Shares in the Company will be allocated to you following the dividend payment date. You will receive a **DRP** statement setting out the number of Shares allocated to you, the price per Share and other information relevant to the dividend.

Am I eligible to participate?

All holders of Shares who are resident in, or whose address on the register of shareholders is in Australia or New Zealand will generally be entitled to participate in the **DRP**.

At present, if you are a Shareholder with an address outside of Australia or New Zealand, you are not entitled to participate in the **DRP** because the Company has determined that it is not practicable to extend the **DRP** outside of these jurisdictions. Similarly, at present, if you hold the Shares on behalf of other persons who are resident outside Australia or New Zealand, you will not be entitled to participate in the **DRP**. Instead, these Shareholders will receive all dividend entitlements in cash.

How do I participate in the **DRP**?

The **DRP** is being introduced in February 2015. From that date onwards, if you are an existing **DRP** participant who is resident in, or your address on the register of shareholders is in Australia or New Zealand, no action is required by you unless you would like to change your current level of participation.

If you are not an existing **DRP** participant and you are resident in, or your address on the register of shareholders is in, Australia or New Zealand, and you wish to participate, please contact the Company's share registry to obtain an application form to apply for participation (**Participation Notice**):

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
TEL: 1300 554 474

Completed Participation Notices should be returned to the share registry of the Company at the above address.

For more information, a copy of the rules of the **DRP** (**DRP Rules**) are available from the Company's share registry, or alternatively on the Company's website at www.austal.com.

When will my participation begin?

Your participation in the **DRP** will, in general, begin with the first dividend payment after receipt of your Participation Notice. If your Participation Notice is received after the last date for election for participation in the **DRP** as determined by the Company (**Last Election Date**), it will not be effective until the Company's next dividend, unless the Company determines otherwise.

If I participate, do all my Shares participate in the **DRP**?

It's up to you. If you wish to participate in the **DRP** you can elect to participate in respect of all of the Shares registered in your name or elect to participate in respect of a specified number of the Shares registered in your name. Accordingly, you have two options when completing your Participation Notice:

(1) Full Participation

If you elect full participation, dividends on all of your Shares will be reinvested in acquiring new Shares. If you acquire any additional Shares in the future, any dividends on those Shares will also be reinvested in this way.

(2) Partial Participation

If you elect partial participation, you nominate a number of your Shares which participate in the DRP. Only the dividends on those Shares which you nominate will be reinvested in acquiring new Shares. You will continue to receive cash dividends on the rest of your Shares in the normal way.

If you elect partial participation and you acquire additional Shares in the future, those Shares will not participate in the DRP unless you lodge a new Participation Notice increasing the number of Shares you want to participate in the DRP.

If you elect partial participation and you hold less Shares than the number of Shares you have specified in the Participation Notice, then the dividends on the Shares that you actually hold will be reinvested.

If a Participation Notice does not clearly indicate the level of participation in the DRP, it will be deemed to be an application for full participation.

What happens if I have more than one shareholding?

If you have more than one shareholding in the Company, you will need to lodge a separate Participation Notice for each shareholding registered under a different name or each shareholding bearing a different Shareholder Reference Number or Holder Identification Number.

What type of Shares will I receive under the DRP?

Under the DRP, you will be allocated fully paid ordinary shares in the Company. These may be existing Shares transferred to you or newly issued Shares.

All Shares that are newly issued under the DRP will, from the date of allocation, be listed on the ASX and will rank equally in all respects with existing Shares unless the Company determines that they are not to participate in the next dividend paid and/or any offer of Shares open when the Shares are issued under the DRP.

At what price will the Shares be allocated under the DRP?

The Shares will be allocated to you at the "Average Market Price" of Shares on the ASX during the "Pricing Period" less any discount (**Allocation Price**). The Company may determine in relation to all or any dividends paid, that Shares will be allocated under the DRP subject to a discount below the "Average Market Price" of Shares. In calculating this Allocation Price:

- (1) the "Average Market Price" of Shares is the arithmetic average of the daily volume weighted average price as determined by the Company; and
- (2) the "Pricing Period" is a period of not less than 5 ASX trading days commencing before, on or after the relevant dividend record date as determined by the Company.

The Company will make an announcement to the ASX in relation to the "Pricing Period" and whether there will be a discount at the time of announcing each dividend.

How is my Share entitlement calculated and how are Shares allocated?

Following the payment of a dividend by the Company, the dividend payable on your participating Shares will be paid into a DRP account that the Company will establish and maintain for you.

The Company will then determine the maximum whole number of Shares that will be allocated to you under the DRP, by dividing the amount in your DRP account by the Allocation Price (determined as set out above).

In the case of fractional entitlements, the number of Shares that you will be entitled to under the DRP will be rounded down to the nearest whole number. Any residual balance in your DRP account will be aggregated with any further dividend payments credited to your DRP account in the future. No interest will accrue in respect of any balance in your DRP account.

If any withholding tax is payable in respect of the Dividend, or there is any other amount which the Company must retain (for example, if a shareholder has not quoted a tax file number) these amounts will be deducted from the dividend available to subscribe for or acquire additional Shares.

Can I sell Shares that participate in the DRP or that are allocated to me under the DRP?

If you elect for full participation and then sell some of your Shares, the dividends on your remaining Shares will continue to be reinvested under the DRP.

If you elect for partial participation and then sell some of your Shares, the number of Shares sold will be deemed firstly to be non-participating Shares and, once they are all deemed to be sold, then secondly participating Shares under the DRP.

How do I change my participation or withdraw from the DRP?

You may vary your level of participation in the DRP or withdraw from the DRP at any time by giving a Participation Notice to that effect to the Company's share registry at:

Link Market Services Limited

The variation or termination will be effective in relation to any dividends from the Last Election Date that occurs after your Participation Notice is received. If your Participation Notice is received after a Last Election Date, it will not be effective until the Company's next dividend, unless the Board determines otherwise.

What happens to the carry forward balance in my DRP account if I end my participation in the DRP or sell my Shares or the Company terminates the DRP?

If the DRP is terminated by the Company or you cease to participate in the DRP for whatever reason, any positive balance in your DRP account at that time will be paid to you.

Can the DRP be varied, suspended or terminated?

The DRP Rules may be varied by the Company at any time by notice on the Company's website and by notice to ASX.

If the DRP Rules are varied, you will continue to participate under the DRP pursuant to your prior Participation Notice. The Rules in their varied form will continue to apply unless you vary or terminate your participation in the DRP by validly submitting a Participation Notice to that effect (see above).

The Company may also suspend or terminate the operation of the DRP at any time by notice on the Company's website and by notice to ASX.

If the DRP is suspended, any election as to participation in the DRP will be suspended and all Shares will be deemed to be non-participating Shares for the purpose of any dividend paid while the DRP is suspended. During this period you will receive your dividends in the form of cash.

The DRP may be reinstated following a suspension by notice on the Company's website and by notice to ASX. Unless otherwise determined by the Company, upon re-commencement of the DRP, all prior elections are re-instated and will continue to apply unless you provide a Participation Notice which validly varies or terminates your participation prior to the next Last Election Date after reinstatement of the DRP.

Are there any minimum or maximum levels for participation?

The Company may, from time to time by notification on the Company's website and by notice to ASX, set minimum or maximum participation limits (whether in respect of a particular dividend or dividends generally) which will limit the number of Shares that you may nominate to participate in the DRP.

The Company will announce to the ASX any maximum or minimum participation limits that are to apply. If the Company does not announce minimum or maximum participation requirements, no such restrictions apply.

What happens if I exceed any maximum or minimum participation limit?

Details of any maximum or minimum participation limits will be announced to the ASX (and will be available from the Company's share registry).

If the number of your Participating Shares exceed any maximum limit set by the Company, you are deemed to have elected to participate to that limit. Any of your Shares in excess of the limit will not participate in the DRP and you will receive cash dividends in the usual way in respect of those Shares;

If the number of your Shares which are participating in the DRP is less than any minimum participating holding set by the Company, you will be deemed to have no Shares participating in the DRP. Instead you will receive cash dividends on all of your Shares.

What is the cost of participation?

It will cost you nothing to participate. No brokerage, commission, stamp duty or other transaction costs will be payable by participants in respect of Shares allocated under the DRP.

Will I receive a statement?

After each dividend payment date you will receive a DRP statement. The DRP statement will contain relevant information, including:

- the number of your Shares participating in the DRP held at the dividend record date;
- the amount of the relevant Dividend Payment in respect of the participating Shares;
- the amount (if any) in your DRP account immediately prior to the payment of the relevant dividend;
- the number of Shares allotted under the DRP in relation to that dividend and the date of the allocation of those Shares;
- the residual cash balance in your DRP account carried forward as a result of any rounding due to fractional entitlements;
- the total holding of Shares after the allocation; and
- the information required for completing your tax return regarding the dividend paid.

What are the taxation implications of participating in the DRP?

The following outline of the taxation treatment of the DRP is for general information only. The taxation position of each shareholder may vary considerably according to that shareholder's particular circumstances. The Company cannot provide taxation advice for

individual shareholders and nor can the Company accept responsibility for any reliance by shareholders on the following information. **You will need to obtain your own financial and taxation advice in relation to participation under the DRP.**

The table below provides general guidelines of the taxation implications of the DRP under current Australian law and practice for Australian tax resident shareholders:

Income Tax	Shares received under the DRP are treated as dividends for taxation purposes on the same basis as cash dividends.
Dividend Imputation	Where the Company declares franked dividends, shares issued to shareholders under the DRP will be treated as dividends which are franked to the same extent as cash. Franking credits will attach to those shares for Australian income tax purposes.
Tax File Number	Where shareholders have failed to provide the Company with their Tax File Number, they will have resident withholding tax deducted at the top marginal rate to the extent that the dividends are not franked.
Capital Gains Tax	Shares received under the DRP will be subject to Australian capital gains tax upon their disposal, irrespective of the date of acquisition of the shares in respect of which they were issued. For the purposes of capital gains tax the acquisition date of the DRP shares will be the date they are issued, that is, the dividend date. The cost base of the new shares will be the amount of the dividend (less deductions, if any, due to dividend withholding tax or failure to provide a Tax File Number or both).

Other information

Details of the Allocation Price of the Shares allocated under the DRP will be announced to the ASX on or around the dividend payment date and details of the total number of Shares issued pursuant to the DRP will be announced to the ASX at the time those Shares are issued.

Additional information about the Company and its group are available on the Company's website at www.austal.com.

Enquiries

A copy of the DRP Rules are available on the Company's website at www.austal.com. A copy of the most recent annual report is also available on the Company's website at www.austal.com or on request from the Company.

If you wish to enquire further about the DRP, please contact the Company's share registry:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
TEL: 1300 554 474

Under the Corporations Act, a prospectus is not required to be lodged or registered in relation to Shares to be issued under the DRP described in this summary. If you are in any doubt as to whether to participate in the DRP, you should seek your own independent professional advice.