

Austro Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 2001/029771/06)
Share code: ASO ISIN: ZAE000090882
("Austro" or "the company")

ACQUISITION OF NEW WAY MOTOR & DIESEL ENGINEERING AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

INTRODUCTION

Further to the cautionary announcement dated 26 March 2007, shareholders are advised that the company has concluded an agreement with Johnathan Freed, Peter Dengler, Justin Freed, Denise Abrahams and Wayne Freed (collectively "the vendors") in terms of which Austro will acquire from the vendors the entire issued share capital and all the vendors' claims (the "New Way equity") in and against New Way Motor & Diesel Engineering (Proprietary) Limited ("New Way") ("the acquisition").

BACKGROUND TO THE NEW WAY

New Way, which provides heavy machinery for the commercial, industrial, mining and public sectors, began in 1983 with the rebuilding of diesel engines. By 1996, it had extended its operations to include the distribution of industrial diesel engines and the assembly of diesel generators.

During 1997, New Way secured the sole distribution rights for John Deere Industrial and Marine Diesel Engines, Funk Axles and Transmissions in Sub Saharan Africa. Further agencies have since been obtained for, amongst others, Mitsubishi, Doosan Infacore (formerly Daewoo Industrial) and Marathon Electric.

In 2007, New Way established a new company, Genesis Alternators (Pty) Ltd ("Genesis") for the distribution of auxiliary equipment to the generator industry. Genesis supplies alternative, reliable, cost effective and complete power sources to the Sub-Saharan Africa market for prime peak and standby applications.

New Way has a head office in Robertsham, which is supported by additional offices, distributors and dealerships in South Africa and Sub Saharan Africa.

RATIONALE

New Way will enhance the Austro strategy of being a major player in strategic niche markets in the construction and allied sectors. Austro expects the demand for alternative power in the current industrial and construction sectors to increase in line with the activity for 2010.

Both Austro and New Way are highly regarded in their respective markets for the best of breed products and excellent customer service that their respective markets demand.

TERMS OF THE ACQUISITION

The effective date of the acquisition is 30 April 2007.

The aggregate purchase consideration payable to the vendors for the New Way equity is R200 000 000. The purchase consideration is to be discharged as to R100 000 000 in cash (and which payment may be funded by way of a vendor placement) and the remaining R100 000 000 by Austro issuing in aggregate 40 500 000 new Austro shares at approximately R2,47 per share to the vendors.

The acquisition is subject to the following conditions precedent:

- the approval (either unconditionally or on such conditions as are reasonably acceptable to the company) of the acquisition by the Competition Authorities by no later than 23 August 2007;
- the conclusion of new executive service and restraint of trade agreements between New Way and certain key employees of New Way on terms acceptable to the company by no later than 23 May 2007;
- Austro furnishing the vendors with written confirmation that it is satisfied with the outcome of its due diligence exercise by no later than the later of 23 May 2007 or 21 days after the delivery to the company of the audited financial statements of New Way for the 12 month period ended 30 June 2006 and as at the effective date for the period commencing on 1 July 2006;
- confirmation (on terms reasonably acceptable to the company) of the licensors/distributors in respect of the key licensing and distribution agreements that the change in control of New Way will have no adverse effects on New Way and/or is otherwise commercially acceptable to such licensors/distributors by no later than 23 May 2007; and
- the securing, to the extent necessary, of all approvals required in terms of the JSE Listings Requirements for the conclusion and implementation of the acquisition by no later than 23 May 2007.

The acquisition is subject to terms and warranties usual for a transaction of the nature contemplated.

Subject to the implementation of the acquisition, New Way's articles of association will be amended to conform with the articles of association of a listed company as required in terms of the JSE Listings Requirements.

CIRCULAR TO SHAREHOLDERS

A circular providing full details of the acquisition will be posted to Austro's shareholders in due course.

CAUTIONARY ANNOUNCEMENT

Until the financial effects have been published Austro shareholders should continue to exercise caution when dealing in Austro shares.

Johannesburg
4 April 2007

Corporate advisor, legal advisor and sponsor
Java Capital (Proprietary) Limited