AVENG LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1944/018119/06)

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("Aveng", "the Company" or “the Group”)

LIQUIDITY UPDATE, GENREC AWARD, OUTCOME OF REVIEW OF LONG-OUTSTANDING UNCERTIFIED REVENUE, IMPAIRMENT OF ASSETS, TRADING STATEMENT AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENTS

INTRODUCTION.

Further to the SENS announcements of 17 May 2017, 31 July 2017 and 18 August 2017, in which Aveng announced, *inter alia*:

- The award of AUD50,5 million (R508 million) and associated non-cash write-down of AUD235 million (R2,4 billion) in relation to the Queensland Curtis Liquefied Natural Gas (“QCLNG”) project in Australia;
- The re-evaluation of certain long outstanding uncertified revenue;
- The engagement with its major funding banks in relation to the extension of its existing facilities, some of which were due to reach maturity; and
- The postponement of the publication of the Group’s annual results until 28 September 2017.

Aveng now wishes to announce:

- An update on the liquidity position of the Group
- A non-cash write-down of other uncertified revenue that reduces risk and uncertainty resulting in a charge of R2,7 billion;
- An impairment of Plant and Equipment, and Intangible Assets at Aveng Steel resulting in a charge of R272 million;
- A write-down of deferred tax assets in the Group of R531 million, in line with expected future utilisation; and
- The write-downs remove risk and uncertainty from the Group and McConnell Dowell’s balance sheets.

LIQUIDITY UPDATE

The Group is pleased to announce that it has reached agreement with its major funding banks for the renewal and extension of its existing facilities, some of which were due to reach maturity, and providing certainty following the QCLNG award and review of long outstanding uncertified revenue. The Group now has sufficient liquidity to execute on its plans to return the business to a position of sustainable profitability.

GENREC AWARD

Following the long outstanding dispute between Genrec Engineering (Pty) Limited (”Genrec“) and the Aveng Steel Fabrication division, and which relates to Aveng’s entitlement to compensation as determined by an arbitration award in August 2014, the Dispute Adjudication Board (”DAB“) ordered Genrec to pay to Aveng the sum of R123 million; and in addition, to pay interest on such sum at the simple interest rate of 15.5% from 1 September 2011 to date of payment.

The DAB is currently curing calculation errors in its award, which amended award has not yet been delivered to the parties. The parties have agreed that the final value of the Award is R124 million (excluding interest).

In terms of the initial award, the total cash award payable to Aveng is R238 million. Genrec is obliged to promptly give effect to the terms of the award and make payment. The award will remain binding unless and until overturned by way of an arbitration process which may follow.

OUTCOME OF REVIEW OF LONG-OUTSTANDING UNCERTIFIED REVENUE

As stated in the trading statement and cautionary announcement of 17 May 2017 and subsequent updates and renewals on 31 July 2017 and 18 August 2017, respectively, Aveng continuously assesses its recognised uncertified revenue. Project execution and the progress on the various outstanding claims is assessed in the context of the current performance of the business, the existing business environment, and expected future market conditions.

The following factors have guided the assessment:

- Certain unfavourable claim settlement awards most notably the recent QCLNG award, which realised substantially less than the carrying value, as well as the previously reported Kenmare Resources and Mokolo Crocodile Water Augmentation awards in South Africa;
- The current economic climate, which has resulted in an ever increasing and protracted litigious environment, and costly process in bringing long-outstanding claims to commercial conclusion;
- The increasing complexity of the claims and the associated commercial challenges; and
- The increasing limitations such a process has placed on management's ability and flexibility to balance the value of commercial settlements with the associated costs, business disruptions, client relationships and the impact on the Group's reputation.

The Board has therefore decided to impair long-outstanding uncertified revenue and claims in an amount of R2,7 billion for the year ended 30 June 2017. This charge will reduce both earnings per share and headline earnings per share by 667 cents, respectively. Importantly, the write-down charge has no cash consequence on the reported results.

AVENG STEEL IMPAIRMENTS

Following the latest review, and in the context of the continuing subdued trading conditions in the steel market, an impairment charge of R272 million has been recognised against certain Aveng Steel assets. This includes R220 million against Plant and Equipment and R52 million of Intangible Assets. This charge will reduce Group earnings per share by 69 cents, with no impact on headline earnings per share. This impairment charge has no cash consequence on the reported results.

DEFERRED TAX ASSET WRITE-DOWN

Following the QCLNG award and the impairments and write-downs disclosed above, an assessment was performed to evaluate the expected future utilisation of the deferred tax assets in various jurisdictions.

Although assessed losses in South Africa and Australia do not expire, management's estimate reflects the expected utilisation of the deferred tax asset within the foreseeable future. This has resulted in a write-down of R531 million of the deferred tax assets in the Group. This charge will reduce both earnings per share and headline earnings per share by 134 cents, respectively. This impairment charge has no cash consequence on the reported results.

TRADING STATEMENT

Weak market conditions in South Africa has negatively impacted the overall business performance. This, combined with operational under-performance at Aveng Grinaker-LTA, and the negative impact of the continuing work on loss making historic projects at McConnell Dowell has resulted in a decline in underlying operational performance.

Management is addressing certain residual matters, most notably:

- Completion of work and commercial matters in relation to legacy and historic projects;
- Project performance at Aveng Grinaker-LTA; and
- The fundamental quality of the Group's balance sheet.

McConnell Dowell and Aveng Grinaker-LTA, as previously reported, were expected to return to profitability in the current financial year. The turnaround and restructuring of both these units has taken longer than anticipated. This is mainly due to the continued weakness in the local market, as well as the scale and complexity of intervention efforts required in both businesses. As a result, these businesses will report negative underlying performance in the financial year ended 30 June 2017.

In accordance with paragraph 3.4 (b) of the JSE Limited Listings Requirements, shareholders are advised that:

- The headline loss per share for the 12 months ended 30 June 2017 will be between (1 587) cents and (1 663) cents, compared to (75.2) cents in 2016. The headline loss for the year will be between (R6 300) million and (R6 600) million, compared to (R299) million in 2016; and
- The basic loss per share will be between (1 638) cents and (1 713) cents, compared to (25.4) cents in 2016. The basic loss in earnings will be between (R6 500) million and (R6 800) million for the year, compared to (R101) million in 2016.

Furthermore, the net asset value as at 30 June 2017 is expected to be between R5 900 million (1456 cents per share) and R6 200 million (1488 cents per share).

The financial information contained in this trading statement has not been reviewed nor reported on by Aveng's independent external auditors.

The Group's annual results will be released on 26 September 2017.

WITHDRAWAL OF CAUTIONARY – UNCERTIFIED REVENUE

The cautionary announcement dated 31 July 2017 is hereby withdrawn and shareholders are no longer required to exercise caution in respect of this matter when dealing in Aveng securities.

WITHDRAWAL OF CAUTIONARY – EXTENSION OF FACILITIES

The cautionary announcement dated 18 August 2017 is hereby withdrawn and shareholders are no longer required to exercise caution in respect of this matter when dealing in Aveng securities.

JSE Sponsor

UBS South Africa Proprietary Limited

20 September 2017

Jet Park

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FORWARD-LOOKING STATEMENTS

This announcement includes forward-looking statements that reflect the current views and expectations of the Board with respect to future events and financial and operational performance. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning the Group's strategy; the economic outlook for the industry; and the Group's liquidity and capital resources and expenditure.

These forward-looking statements speak only as of the date of this announcement and are not based on historical facts, but rather reflect the Group's current expectations concerning future results and events. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement.