

This Preliminary Offering Circular does not constitute an offer to sell or an invitation to the public to purchase Preference Shares. The information contained in this Offering Circular is subject to completion and amendment in the Final Offering Circular.

Preliminary Offering Circular dated [●] 2015



**Stellar Capital Partners Limited
("Issuer")**

*Incorporated in the Republic of South Africa
Registration number 1998/015580/06
Share code: SCP
ISIN: ZAE000198586*

Convertible Preference Share Offering

ZAR600,000,000 Cumulative Redeemable Convertible Preference Shares
due [31 May 2019]
convertible into Ordinary Shares

Joint Lead Manager and Bookrunner

Joint Lead Manager



Traditional values. Innovative ideas.



Attorneys to the Joint Lead Managers,
Bookrunner and Issuer



Offering Circular dated [●] 2015

STELLAR CAPITAL PARTNERS LIMITED

Incorporated in the Republic of South Africa

Registration number 1998/015580/06

Share code: SCP

ISIN: ZAE000198586

Convertible Preference Share Offering

ZAR600,000,000 Cumulative Redeemable Convertible Preference Shares

Due [31 May 2019]

Convertible into Ordinary Shares

A total amount of ZAR600,000,000 Cumulative Redeemable Convertible Preference Shares with a minimum issue price on the Issue Date of ZAR1,000,000 each ("**Preference Shares**") will be issued by the Issuer on [30 November 2015] ("**Issue Date**"), subject to the terms and conditions ("**Terms and Conditions**") incorporated into this Offering Circular in the section headed "**Terms and Conditions of the Preference Shares**". Capitalised terms used below are defined in the section of this Offering Circular headed "**Terms and Conditions of the Preference Shares**". Preference Shares will not be offered for subscription to any single addressee for an amount of less than ZAR10,000,000.

Each Preference Share which has not previously been redeemed will, at the option of its holder and subject as provided herein, be convertible from [12 January 2016] up to the close of business on the 10th Business Day prior to the Final Scheduled Redemption Date into Ordinary Shares ("**Ordinary Shares**"). The number of Ordinary Shares into which the Preference Shares will convert shall be determined by dividing the Issue Price of each Preference Share by the Conversion Price in effect on the relevant Conversion Date (each as defined herein). The initial Conversion Price is ZAR2.78 (two rand and seventy eight cents) per Ordinary Share, subject to adjustment in certain circumstances as described in Condition 24.2.

Unless previously redeemed or converted, the Preference Shares will be redeemable on [31 May 2019].

For as long as the Preference Shares are in issue, the Scheduled Preference Dividend on the Preference Shares is payable semi-annually in arrears on 30 November and 31 May of each calendar year, subject to adjustment in terms of the business day convention as provided in the Terms and Conditions (each such day a "**Dividend Date**"), commencing with the Dividend Date falling on 31 May 2016. The Preference Dividend on the Preference Shares will be calculated on the basis of a floating rate equal to [95%] of the Prime Rate, subject to adjustment as determined in accordance with Condition 10.

The Preference Shares will not be listed on any exchange and will not be rated.

Particular attention is drawn to the section headed "Risk Factors".

Capitalised terms used in this Offering Circular are defined in the section of this Offering Circular headed "Terms and Conditions of the Preference Shares" unless separately defined in this Offering Circular. Expressions defined in this Offering Circular will bear the same meanings in supplements to this Offering Circular which do not themselves contain their own definitions.

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Offering Circular which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular, except as otherwise stated therein.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Offering Circular shall be read and construed on the basis that such documents are incorporated into and form part of this Offering Circular. Any reference in this section to the Offering Circular shall be read and construed as including such documents incorporated by reference.

*No person is authorised to give any information or to make any representation concerning the issue of the Preference Shares other than the information and representations contained in this Offering Circular. Nevertheless, if any such information is given or representation made, it must not be relied upon as having been authorised by the Issuer, the Joint Lead Managers (as specified in the Corporate Information section of this Offering Circular) ("**Joint Lead Managers**"), the Bookrunner (as specified in the Corporate Information section of this Offering Circular) ("**Bookrunner**") or any of their respective subsidiary or holding companies or a subsidiary of their holding company ("**Affiliates**") or any of their advisers. Neither the delivery of this Offering Circular nor any offer, sale, allotment or solicitation made in connection with the offering of the Preference Shares shall, in any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer since the date hereof or that the information contained in this Offering Circular is correct at any time subsequent to the Issue Date. The Joint Lead Managers, the Bookrunner, and other advisers of the Issuer have not separately verified the information contained in this Offering Circular. Accordingly, none of the Joint Lead Managers, the Bookrunner, nor any of their respective Affiliates or advisers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular or any other information supplied in connection with the Offering Circular. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Bookrunner, or any other person affiliated with the Joint Lead Managers, the Bookrunner, or any of the advisers of the Issuer, in connection with its investigation of the accuracy of such information or its investment decision.*

Neither this Offering Circular nor any other information supplied in connection with the Preference Shares is intended to provide the basis of any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Joint Lead Managers, the Bookrunner, or any of their advisers, that any recipient of this Offering Circular or any other information supplied in connection with the Offering Circular should subscribe for or purchase any Preference Shares. Each person contemplating making an investment in the Preference Shares must make its own investigation and analysis of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the terms of the offering and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. The Joint Lead Managers and Bookrunner do not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Preference Shares of any information coming to the attention of the Joint Lead Managers or Bookrunner.

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Bookrunner or any other party to a Transaction Document to the public to subscribe for or purchase any of the Preference Shares. The distribution of this Offering Circular and the

offering of the Preference Shares in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Joint Lead Managers, the Bookrunner or any of their advisers, or any other party to a Transaction Document that this Offering Circular may be lawfully distributed, or that the Preference Shares may be lawfully offered, in compliance with any applicable legislation or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers, the Bookrunner or any other party to a Transaction Document or any of their advisers, which would permit a public offering of the Preference Shares or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Preference Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Joint Lead Managers, the Bookrunner and the other parties to the Transaction Documents and any of their advisers to inform themselves about and to observe any such restrictions.

*The Preference Shares and the Ordinary Shares to be issued upon conversion of the Preference Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Preference Shares will be offered and sold only in offshore transactions outside the United States in accordance with Regulation S and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. In addition, there are restrictions on the distribution of this Offering Circular in South Africa and the United Kingdom.*

The terms of this Offering Circular, if sent to persons resident in jurisdictions outside South Africa, may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal requirements in any such jurisdiction. It is the responsibility of any such person wishing to subscribe for or purchase the Preference Shares to satisfy itself as to the full observance of the laws of the relevant jurisdiction therewith. If and to the extent that this Offering Circular is illegal in any jurisdiction, it is not made in such jurisdiction and this document is sent to persons in such jurisdiction for information purposes only.

References in this Offering Circular to "Rands", "ZAR" or "R" are to the lawful currency for the time being of South Africa.

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DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below are deemed to be incorporated into, and to form part of, this Offering Circular and are available for inspection by Holders, or other prospective investors, without charge, during normal office hours after the Issue Date, at the Specified Office of the Issuer and the offices of the Joint Lead Managers (as specified in the Corporate Information section of this Offering Circular):

- (a) the audited annual financial statements of the Issuer (previously ConvergeNet Holdings Limited), together with such statements, reports and notes attached to or intended to be read with such financial statements, for the financial periods ended 30 November 2014, and 31 August 2013 and 2012, and for each financial year of the Issuer thereafter;
- (b) the unaudited interim results of the Issuer, together with such statements, reports and notes attached to or intended to be read with such interim results for the six months ended 31 May 2015;
- (c) the Agency Agreement as amended from time to time;
- (d) the Offering Circular and any supplement or amendment to this Offering Circular circulated by the Issuer from time to time;
- (e) the Memorandum of Incorporation of the Issuer, as amended from time to time; and
- (f) all information pertaining to the Issuer which is relevant to the Preference Shares which is electronically disseminated on the Stock Exchange News Service of the JSE ("**SENS**") to SENS subscribers.

Any statement contained in this Offering Circular or in any document which is incorporated by reference into this Offering Circular will be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained in any subsequent document which is deemed to be incorporated by reference into this Offering Circular modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Offering Circular and any amendments or supplements thereto will be made available on the website of the Issuer (www.stellarcapitalpartners.co.za). The financial statements of the Issuer, referred to above will be available on the website of the Issuer (www.stellarcapitalpartners.co.za).

SUMMARY

The information set out below is a summary of the principal features of the Preference Shares. This summary should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Offering Circular.

Transaction parties

Such parties may be replaced or additional parties may be appointed in accordance with the provisions of the Transaction Documents.

Issuer: Stellar Capital Partners Limited, registration number 1998/015580/06, a limited liability public company duly incorporated in South Africa.

Calculation Agent: RMB or such other person with whom the Issuer enters into a Calculation Agent Agreement.

Calculation Agent Agreement: The agreement concluded between the Issuer and the Calculation Agent (which may be incorporated into the Agency Agreement), in terms of which the Calculation Agent agrees to provide calculation services to the Issuer.

Conversion Agent: RMB or such other person with whom the Issuer enters into a Conversion Agent Agreement.

Conversion Agent Agreement: The agreement concluded between the Issuer and the Conversion Agent (which may be incorporated into the Agency Agreement), in terms of which the Conversion Agent agrees to provide conversion calculation services to the Issuer.

Transfer Agent: RMB or such other person with whom the Issuer enters into a Transfer Agent Agreement.

Transfer Agent Agreement: The agreement concluded between the Issuer and the Transfer Agent (which may be incorporated into the Agency Agreement), in terms of which the Transfer Agent agrees to provide registry services to the Issuer.

Auditor: Grant Thornton Cape Incorporated or such other firm of auditors as may be appointed by the Issuer from time to time, subject to the prior approval of the Holders.

Description of the Preference Shares

Preference Shares: Cumulative Redeemable Convertible Preference Shares due [31 May 2019].

Size of issuance:	Preference Shares with an aggregate Issue Price of ZAR600,000,000.
Terms and Conditions:	The terms and conditions of the Preference Shares are set out below in this Offering Circular under the section " <i>Terms and Conditions of the Preference Shares</i> ".
Currency:	Rand, the lawful currency of South Africa.
Issue price of Preference Shares:	Preference Shares will be issued at ZAR1,000,000 per Preference Share. Preference Shares will not be offered to a single addressee acting as principal for an amount of less than ZAR10,000,000.
Dividend Rate and Dividend Dates:	From and including the Issue Date, the Preference Dividend will be payable semi-annually in arrears on the 31 May and 30 November of each year (each such day a Dividend Date), at a rate of [95% (ninety five percent)] of the Prime Rate, commencing with the Dividend Date falling on 31 May 2016.
Redemption:	<p>Unless previously redeemed or converted, the Issuer shall redeem the Preference Shares at their Issue Price (together with accrued dividends) on [31 May 2019].</p> <p>Save for redemption prior to the Final Scheduled Redemption Date of the Preference Shares (as described below) and early redemption following a Redemption Event, early redemption of the Preference Shares will only be permitted for tax reasons as described in Condition 8.2 (<i>Tax Redemption</i>), read with Condition 10 (<i>Adjustments to amounts payable</i>).</p> <p>If a Change of Control occurs, then Holders will have the right to convert the Preference Shares into Ordinary Shares at a lower Conversion Price calculated in accordance with a pre-determined formula, as described in Condition 24.2.1.11. If Holders do not exercise their right of conversion by the end of the Change of Control Period, the Preference Shares will be redeemed by the Issuer in cash.</p>
Conversion Right:	The Holder of each Preference Share shall have the right to convert such Preference Share into Ordinary Shares in the Issuer.

A Holder may exercise its Conversion Right by delivering a Conversion Notice to the Conversion Agent together with payment of all applicable Taxes, as provided in the Conditions. Only one Conversion Notice may be delivered by a Holder during each calendar month during the Conversion Period. The Conversion Date will be the Business Day after the date of such delivery of the Conversion Notice and payment of applicable Taxes.

Conversion Period:

The Conversion Right in respect of any Preference Share shall be exercisable at any time from the 43rd day after the Issue Date (being [12 January 2016]) and, up to close of business on the 10th Business Day prior to the Final Scheduled Redemption Date or, if the Preference Shares have been called for redemption prior to the Final Scheduled Redemption Date, up to close of business on the 10th Business Day preceding the relevant redemption date. The Conversion Right in respect of any Preference Share may not be exercised where the resulting Conversion Date would fall during the period commencing on a day which is 10 Business Days prior to a Dividend Date, and ending on the Dividend Date, both days inclusive.

Base Conversion Price:

The Base Conversion Price is ZAR2.78 (two rand and seventy eight cents) per Ordinary Share.

Conversion Price:

The number of Ordinary Shares into which the Preference Shares will convert upon exercise of a Conversion Right shall be determined by dividing the Issue Price of the Preference Share by the Conversion Price in effect on the Conversion Date. The initial Conversion Price is the Base Conversion Price.

The Base Conversion Price and any subsequent current Conversion Price shall be adjusted upon the occurrence of certain events including, but not limited to, any alteration to the number of Ordinary Shares in issue as a result of consolidation or subdivision, any rights or bonus issues and any Non-Cash Distribution or Cash Distribution, as described in Condition 24.2.

Ordinary Shares into which the Preference Shares convert on conversion will be fully paid and will in all respects rank *pari passu* with all other Ordinary Shares, save that they will not rank for any dividend or other

distribution declared or paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Ordinary Shares prior to the relevant Conversion Date.

Cross Default:	Preference Shares will have the benefit of a cross-default to other debt of the Issuer, above the threshold specified in Condition 14.1.3.
Issue Price:	100% of the Issue Price of the Preference Shares.
Listing:	The Preference Shares will not be listed on any exchange.
Credit Rating:	The Preference Shares will not be rated.
Payment:	All payments in respect of the Preference Shares shall be made to the person reflected as the registered Holder thereof in the Register on the Record Date in respect of the payment, in immediately available and freely transferable funds, in Rand by electronic funds transfer, to the bank account of the Holder as set forth in the Register at 17h00 (South African time) on the Record Date preceding the date of payment or, in the case of joint Holders, the account of that one of them who is first named in the Register in respect of that Preference Share.
Purchase of Preference Shares:	The Issuer may purchase Preference Shares in the open market or otherwise.
Method of Transfer:	The method of transfer is by registration of transfer of a Preference Share in the Register. The Transfer Agent will record the transfer of Preference Shares in the Register. The Preference Shares will be fully paid up on the Issue Date and will be freely transferable.
Register:	The register of Holders will be maintained by the Transfer Agent.
Record Date:	In order to participate in any payment, Holders must be recorded in the Register on the Friday immediately prior to the date upon which such payment is to be made, or if such Friday is not a Business Day, the last Business Day of the week preceding the date of the payment. To be recorded in the Register on the Record Date, the trade must take place on the Last Day to Trade.

Last Day to Trade:	5 (five) Dealing Days before the Record Date.
Tax Status:	A summary of applicable current South African Tax legislation appears under the section " <i>South African Taxation</i> ". The section does not constitute tax advice and investors should consult their professional advisers on their own tax position.
Securities Transfer Tax:	In terms of current South African legislation as at the Issue Date, no securities transfer tax is payable by the Issuer on the original issue of the Preference Shares. Securities transfer tax is payable on the registration of transfer of the Preference Shares and payable by the Holders.
Taxation:	Upon the occurrence of an Adjustment Event for tax reasons, as described in Condition 1.3, the Issuer is required to pay a Gross-up Preference Dividend and/or increase the Dividend Rate, as described in Condition 10.1. In such circumstances, the Issuer shall be entitled to voluntarily redeem some or all of the Preference Shares, as described in Condition 8.2.
Blocked Rand:	Blocked Rand may be used for the subscription for or purchase of Preference Shares, subject to South African Exchange Control Regulations, 1961, promulgated under the Currency and Exchanges Act, 1933.
Selling Restrictions:	The distribution of this Offering Circular and the placing of the Preference Shares may be restricted by law in certain jurisdictions and are restricted by law in the United States of America, the United Kingdom, each member of the European Economic Area and South Africa. Persons who come into possession of this Offering Circular must inform themselves about and observe any such restrictions.
Governing Law:	The Terms and Conditions of the Preference Shares will be governed by and construed in accordance with the laws of South Africa.

RISK FACTORS

*The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Preference Shares. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Preference Shares are also described below. The value of the Preference Shares could decline due to any of these risks, and investors may lose some or all of their investment. **Risks affecting the business of the Issuer are discussed in the section of this Offering Circular headed "Description of the Issuer".***

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Preference Shares, but the inability of the Issuer to pay the Preference Dividend, principal or other amounts on or in connection with any Preference Shares may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Preference Shares are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular as well as all documents incorporated by reference, including in particular the annual financial statements and integrated report of the Issuer, to reach their own views prior to making any investment decision.

References below to a numbered "Condition" shall be to the relevant Condition under the Terms and Conditions.

Risks Relating to the Preference Shares

The Preference Shares may not be a suitable investment for all investors

Each potential investor in any Preference Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Preference Shares, the merits and risks of investing in the Preference Shares and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preference Shares and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preference Shares;
- understand thoroughly the terms of the Preference Shares and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, dividend rate and other factors that may affect its investment and its ability to bear the applicable risks.

There may not be an active trading market for the Preference Shares

Preference Shares issued under the Offering Circular will be new securities which may not be widely distributed and for which there is currently no active trading market, and will not be listed on any exchange. If the Preference Shares are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing dividend rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

The Preference Shares may be redeemed prior to the Final Scheduled Redemption Date

In the event that the Issuer is obliged to increase the amounts payable in respect of any Preference Shares due to any Adjustment Event, the Issuer may redeem all outstanding affected Preference Shares in accordance with the Terms and Conditions.

In addition, where the Terms and Conditions provide that the Preference Shares are redeemable in certain other circumstances, this may mean that redemption occurs at times when prevailing dividend rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective dividend rate as high as that of the relevant Preference Shares.

Risks related to Preference Shares generally***Modification and waivers***

The Terms and Conditions contain provisions for calling meetings of Holders to consider matters affecting the Preference Shares generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or other Applicable Law or administrative practice after the Issue Date.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers in regard to its investment in the Preference Shares.

FORM OF THE PREFERENCE SHARES

Preference Shares issued in certificated form

The Preference Shares will be evidenced by Certificates and will be registered in the name of the individual Holders in the Register of Holders.

Payments in respect of Preference Shares will be made in accordance with Condition 9, to the person reflected as the registered Holder thereof in the Register on the Record Date in respect of the payment, in immediately available and freely transferable funds, in Rand by electronic funds transfer, to the bank account of the Holder as set forth in the Register at 17h00 (South African time) on the Record Date preceding the date of payment or, in the case of joint Holders, the account of that one of them who is first named in the Register in respect of that Preference Share.

TERMS AND CONDITIONS OF THE PREFERENCE SHARES

STELLAR CAPITAL PARTNERS LIMITED
Incorporated in the Republic of South Africa
Registration number 1998/015580/06
 ("Issuer")

1. Definitions

In these Terms and Conditions, unless the context indicates a contrary intention, the following words and expressions bear the meanings assigned to them and cognate expressions bear corresponding meanings:

- 1.1 **"Additional Ordinary Shares"** has the meaning ascribed thereto in Condition 24.3;
- 1.2 **"Additional Preference Dividend"** has the meaning ascribed thereto in Condition 7.6.2.2;
- 1.3 **"Adjustment Event"** means if:
- 1.3.1 there is a Change in Law which results in any Tax being imposed on, or in respect of, the declaration or payment of dividends or the imposition of any Tax in respect of any amount received in respect of the Preference Shares (whether such Tax is imposed on dividends, return of capital, as a withholding Tax, or otherwise) on a basis different than that set out in Part VIII (sections 64D to 64N) of Chapter II of the Income Tax Act as at the Issue Date; or
- 1.3.2 any Tax (other than Dividends Tax as set out in Part VIII (sections 64D to 64N) of Chapter II of the Income Tax Act as at the Issue Date) is suffered, incurred or payable, or becomes payable, by a Holder or for which the Holder is or becomes liable on, or in respect of the Preference Shares (including as a result of the subscription for or the holding of the Preference Shares), any Preference Dividend or any amount payable on the redemption of any Preference Share;
- 1.4 **"Adjustment Margin"** has the meaning ascribed thereto in Condition 10.1.1.2;
- 1.5 **"Agency Agreement"** means the agreement concluded between the Issuer, the Calculation Agent, the Transfer Agent and/or the Conversion Agent, unless the Issuer acts in any such capacity itself, or any separate agreement between the Issuer and any such agent, in terms of which the agents agree to provide calculation, registry and/or conversion agent services to the Issuer;
- 1.6 **"Applicable Law"** means in relation to a person, all and any statutes and subordinate legislation, regulations and ordinances, by-laws, judgements and decisions of any competent authority, present or future common law, and other similar provisions, from time to time;
- 1.7 **"Arrear Preference Dividends"** means, in respect of any Preference Share, all Preference Dividends which have accrued in terms of Condition 7, but which have not been paid on the applicable Dividend Date, in respect of such Preference Share;
- 1.8 **"Arrear Dividend Rate"** means a rate equal to the aggregate of:

- 1.8.1 the Dividend Rate; plus
- 1.8.2 the Adjustment Margin (if any); plus
- 1.8.3 200 basis points;
- 1.9 "**Attributable Net Debt**" means, in relation to any Operating Entity in which the Issuer is invested, the effective percentage shareholding held by the Issuer in the relevant Operating Entity, multiplied by the Net Debt in that Operating Entity;
- 1.10 "**Asset Cover Ratio**" means, as at any Measurement Date, the ratio calculated in accordance with the following formula –
- $$A = B \div C$$
- Where –
- A = the Asset Cover Ratio as calculated;
- B = the Fair Market Value of the Issuer's tangible assets (including Cash, but excluding goodwill and other intangible assets); and
- C = the aggregate Indebtedness of the Issuer,
- in each case, as at the relevant Measurement Date;
- 1.11 "**Base Conversion Price**" means ZAR2.78 (two rand and seventy eight cents), being 20% (twenty percent) above the closing price on the JSE of an Ordinary Share on 24 November 2015;
- 1.12 "**Business Day**" means a day (other than a Saturday, Sunday or official South African public holiday within the meaning of the Public Holidays Act, No 36 of 1994) on which commercial banks settle ZAR payments in Johannesburg;
- 1.13 "**Calculation Agent**" means RMB or such other person with whom the Issuer has entered into a Calculation Agent Agreement, provided the Issuer has notified the Holders that it has appointed another Calculation Agent;
- 1.14 "**Calculation Agent Agreement**" means the agreement concluded between the Issuer and the Calculation Agent (which may be incorporated into the Agency Agreement), in terms of which the Calculation Agent agrees to provide calculation services to the Issuer;
- 1.15 "**Calendar Month**" means each month of the Gregorian calendar;
- 1.16 "**Cash**" means cash denominated in ZAR in hand or at bank and, in the latter case, credited to an account in the name of the Issuer and to which the Issuer is alone beneficially entitled, provided that:
- 1.16.1 such cash is repayable within 30 (thirty) days of demand;

- 1.16.2 repayment of such cash is not contingent on the prior discharge of any other Indebtedness of the Issuer or of any other person whatsoever or on the satisfaction of any other condition other than notice or demand therefor (but not exceeding the period of demand referred to in Condition 1.16.1); and
- 1.16.3 there is no Encumbrance over such cash;
- 1.17 "**Cash Distribution**" means, in respect of an Ordinary Share:
- 1.17.1 any Distribution which is to be paid or made in cash (in whatever currency), other than a Distribution falling within Condition 1.115.2 of the definition of "Unbundling"; and
- 1.17.2 any Distribution determined to be a Cash Distribution in terms of Condition 1.35.1 and Condition 1.35.2 of the definition of "Distribution", and for the avoidance of doubt, a Distribution falling within Conditions 1.35.4 or 1.35.5 of the definition of "Distribution" shall be treated as being a Non-Cash Distribution;
- 1.18 "**Certificate**" means a single individual certificate for Preference Shares, registered in the name of the relevant Holder;
- 1.19 "**Change in Law**" means any implementation, introduction, abolition, withdrawal or variation of any Applicable Laws, regulations, announcement (including but not limited to any budget speech), guideline by any government entity, central bank or other fiscal, monetary, regulatory entity (whether or not having the force of law) or any change in any interpretation, or the introduction or making of any new or further interpretation, or any new or different interpretation by any court, governmental, revenue or other competent authority or compliance with any new or different request or direction (in either case whether or not having the force of law) from any government entity, central bank or other fiscal, monetary, regulatory entity;
- 1.20 "**Change of Control**" means any of the following events:
- 1.20.1 the Issuer in a single transaction or through a combination of transactions disposes of assets which exceed 20% (twenty percent) of the total value of the assets held by the Issuer prior to such disposal, unless the proceeds from the disposal are invested by the Issuer in a similar or better quality asset within 270 (two hundred and seventy) days of receipt of such proceeds;
- 1.20.2 any person and/or parties acting in concert (as defined in the Companies Act) (other than a Current Major Shareholder) shall own, acquire or control (or have the right to own, acquire or control) more than 50% (fifty percent) of the issued Ordinary Shares or the right to cast more than 50% (fifty percent) of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer;
- 1.20.3 a Current Major Shareholder and/or parties acting in concert (as defined in the Companies Act) with the Current Major Shareholder shall own, acquire or control (or have the right to own, acquire or control) more than 70% (seventy percent) of the issued Ordinary Shares or

- the right to cast more than 70% (seventy percent) of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer; or
- 1.20.4 an event that occurs which has a like or similar effect to Conditions 1.20.1, 1.20.2 or 1.20.3;
- 1.21 "**Change of Control Notice**" has the meaning ascribed thereto in Condition 24.7;
- 1.22 "**Change of Control Period**" means the period commencing on the occurrence of a Change of Control and ending 60 (sixty) days following the Change of Control or, if later, 60 (sixty) days following the date on which a Change of Control Notice is given to Holders as required by Condition 24.7;
- 1.23 "**Companies Act**" means the Companies Act, No 71 of 2008;
- 1.24 "**Condition**" means a numbered term or condition forming part of these Terms and Conditions (and reference to a particular numbered Condition shall be construed as a reference to the corresponding condition in these Terms and Conditions);
- 1.25 "**Conversion Agent**" means RMB or such other person with whom the Issuer has entered into a Conversion Agent Agreement, provided the Issuer has notified the Holders that it has appointed another Conversion Agent;
- 1.26 "**Conversion Agent Agreement**" means the agreement concluded between the Issuer and the Conversion Agent (which may be incorporated into the Agency Agreement), in terms of which the Conversion Agent agrees to provide conversion calculation services to the Issuer;
- 1.27 "**Conversion Date**" has the meaning ascribed thereto in Condition 24.8.5;
- 1.28 "**Conversion Notice**" has the meaning ascribed thereto in Condition 24.8.1;
- 1.29 "**Conversion Period**" has the meaning ascribed thereto in Condition 24.1.7, as read with Condition 24.1.5;
- 1.30 "**Conversion Price**" has the meaning ascribed thereto in Condition 24.1.2;
- 1.31 "**Conversion Right**" has the meaning ascribed thereto in Condition 24.1.1;
- 1.32 "**Current Major Shareholder**" means any person and/or persons acting in concert (as defined in the Companies Act) who at the Issue Date, directly or indirectly, own or control more than 20% (twenty percent) of the issued Ordinary Shares or have the right to cast more than 20% (twenty percent) of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer;
- 1.33 "**Current Market Price**" means in respect of an Ordinary Share on a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the 5 (five) consecutive Dealing Days ending on the Dealing Day immediately preceding such date, provided that:

- 1.33.1 if at any time during the said 5 (five) Dealing Day period the Volume Weighted Average Price shall have been based on a price ex-Distribution and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Distribution, then:
- 1.33.1.1 if the Ordinary Shares into which a Preference Share is to be converted do not rank for the Distribution in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Distribution shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Distribution per Ordinary Share as at the Effective Date relating to such Distribution; or
- 1.33.1.2 if the Ordinary Shares into which a Preference Share is to be converted do rank for the Distribution in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Distribution shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Distribution per Ordinary Share as at the Effective Date relating to such Distribution;
- 1.33.2 if on each of the said 5 (five) Dealing Days the Volume Weighted Average Price shall have been based on a price cum-Distribution in respect of a Distribution which has been declared or announced, but the Ordinary Shares into which a Preference Share is to be converted do not rank for that Distribution, the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Distribution per Ordinary Share as at the Effective Date relating to such Distribution; and
- 1.33.3 if the Volume Weighted Average Price of an Ordinary Share is not available on 1 (one) or more of the said 5 (five) Dealing Days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that 5 (five) Dealing Day period shall be used (subject to a minimum of 2 (two) such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined by an Independent Financial Adviser;
- 1.34 "**Dealing Day**" means a day on which the Relevant Stock Exchange or relevant market is open for business and on which Ordinary Shares, Securities or Unbundled Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time);
- 1.35 "**Distribution**" means, in respect of an Ordinary Share, any dividend or distribution to Shareholders (including an Unbundling) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets

includes an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

- 1.35.1 where a Distribution in cash is announced, which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced, which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Distribution in question shall be treated as a Cash Distribution of the greater of (i) such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets as at the first date on which the Ordinary Shares are traded ex- the relevant Distribution or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued is determined;
- 1.35.2 if there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves where such issue is or is expressed to be in lieu of a Distribution (whether or not a Cash Distribution equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), then the capitalisation in question shall be treated as a Cash Distribution of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant capitalisation on the Relevant Stock Exchange or, if later, the date on which the number of Ordinary Shares to be issued is determined;
- 1.35.3 any issue of Ordinary Shares falling within Condition 24.2.1.2 shall not constitute a Distribution;
- 1.35.4 a purchase or redemption or buy back of shares of the Issuer by or on behalf of the Issuer or any of its Subsidiaries shall not constitute a Distribution unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any 1 (one) day ("**Specified Share Day**") in respect of such purchases or redemptions or buy backs exceeds by more than 5% (five percent) the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the 5 (five) Dealing Days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the 5 (five) Dealing Days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or a formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Distribution to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any of

its Subsidiaries exceeds the product of (i) 105% (one hundred and five percent) of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;

- 1.35.5 if the Issuer or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of 1.35.4 shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined by an Independent Financial Adviser; and
- 1.35.6 a dividend or distribution that is an Unbundling shall be deemed to be a Non-Cash Distribution paid or made by the Issuer,

and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of Tax;

- 1.36 **"Dividend Date"** means, in respect of any Preference Share, as applicable:
- 1.36.1 in respect of each Scheduled Preference Dividend, each of the Scheduled Dividend Dates;
- 1.36.2 in respect of an Additional Preference Dividend, the date contemplated in Condition 7.6;
- 1.36.3 in respect of each Gross-up Preference Dividend, the date contemplated in Condition 10.1.1.1;
- 1.36.4 in respect of all Preference Dividends, Arrear Preference Dividends and Unpaid Preference Dividends, the Redemption Date or Conversion Date, as the case may be, of such Preference Share; and
- 1.36.5 the date specified in a Tax Redemption Notice;
- 1.37 **"Dividend Period"** means, in respect of each Preference Share, each consecutive period commencing on (and including) the previous Dividend Date and ending on (but excluding) the subsequent Dividend Date, provided that:
- 1.37.1 the 1st (first) Dividend Period in respect of each Preference Share shall commence on (and include) the Issue Date in respect of such Preference Share and end on (but exclude) the 1st (first) Scheduled Dividend Date occurring thereafter; and
- 1.37.2 the last Dividend Period shall commence on (and include) the Scheduled Dividend Date immediately preceding the Redemption Date or Conversion Date, as the case may be, and end on (but exclude) the Redemption Date or Conversion Date, as the case may be;
- 1.38 **"Dividend Rate"** means, for the period commencing on (and including) the Issue Date and ending on (but excluding) the Redemption Date, a rate of [95% (ninety five percent)] of the Prime Rate, subject to any adjustment pursuant to the occurrence of an Adjustment Event by the addition of the Adjustment Margin in terms of Condition 10.1.1.2;

- 1.39 **"Dividends Tax"** means the dividends tax in Part VIII (sections 64D to 64N) of Chapter II of the Income Tax Act;
- 1.40 **"Effective Date"** means:
- 1.40.1 the 1st (first) date on which the Ordinary Shares are traded on the Relevant Stock Exchange;
- 1.40.2 ex- the relevant Distribution;
- 1.40.3 ex- the relevant Unbundling;
- 1.40.4 ex- rights, ex- options or ex- warrants;
- 1.40.5 ex- the relevant Securities or ex- rights, ex- options or ex- warrants, in relation to such Securities; or
- 1.40.6 in the case of a purchase, redemption or buy-back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy-back is made,
- as the case may be;
- 1.41 **"Encumbrance"** means:
- 1.41.1 any mortgage, pledge, lien or cession conferring security, hypothecation, security interests, preferential right or trust arrangement or other arrangement securing any obligation of any person;
- 1.41.2 any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- 1.41.3 any other type of preferential agreement or arrangement (including any title transfer and retention arrangement), the effect of which is the creation of security,
- and **"Encumber"** has a corresponding meaning and an **"Encumbrance"** shall be deemed to take place on the conclusion of the applicable agreement even if that agreement is subject to conditionality;
- 1.42 **"Equity Share Capital"** means in relation to any entity, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specific amount in a distribution;
- 1.43 **"Extraordinary Resolution"** means a resolution passed at a properly constituted meeting of Holders by a majority consisting of not less than 75% (seventy five percent) of the votes cast on a poll by Holders, present in person or by proxy, or passed by such majority in terms of section 60 of the Companies Act;

- 1.44 **"Fair Market Value"** means, with respect to any asset on any date, the fair market value of that asset as per the most recent audited consolidated annual financial statements or unaudited consolidated interim financial statements of the Issuer (provided that if so requested by Holders of not less than 25% (twenty five percent) of the Preference Shares, the fair market value of any relevant assets will be determined by an Independent Financial Adviser) provided that:
- 1.44.1 the Fair Market Value of a Cash Dividend shall be the amount of such Cash Dividend, less any withholding or deduction required to be made on account of Tax;
- 1.44.2 the Fair Market Value of any other cash amount shall be the amount of such cash, less any withholding or deduction required to be made on account of Tax;
- 1.44.3 where Securities, Unbundled Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value (i) of such Securities or Unbundled Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Unbundled Securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (i) and (ii), during the period of 5 (five) Dealing Days on the relevant market commencing on such date (or, if later, the 1st (first) Dealing Day on which such Securities, Unbundled Securities, options, warrants or other rights are publicly traded) or such shorter period as such Unbundled Securities, options, warrants or other rights are publicly traded; and
- 1.44.4 where Securities, Unbundled Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Securities, Unbundled Securities, options, warrants or other rights shall be determined by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the Market Price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such Market Price, prevailing Dividend Rates and the terms of such Securities, Unbundled Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof;
- 1.45 **"Final Scheduled Redemption Date"** means, in relation to all Preference Shares, the date which is 3 and a half years after the Issue Date, being [31 May 2019];
- 1.46 **"Financial Covenants"** means those ratios and levels specified in Condition 15.1;
- 1.47 **"Financial Markets Act"** means the Financial Markets Act, No 19 of 2012;
- 1.48 **"Financial Year"** means each of the financial years of the Issuer, which ends on 30 November in each year, but may be changed by the Issuer in accordance with the provisions of the Companies Act, subject to the approval of the Holders by way of an Extraordinary Resolution;
- 1.49 **"Financial Half Year"** means each financial half year of the Issuer, which ends on 31 May of each year;

- 1.50 **"FirstRand"** means FirstRand Bank Limited, registration number 1929/001225/06, a limited liability public company duly incorporated in South Africa;
- 1.51 **"FNB"** means First National Bank (a division of FirstRand);
- 1.52 **"Group Entity"** means the Issuer and any direct or indirect Subsidiary of the Issuer;
- 1.53 **"Holder"** means, in respect of a Preference Share, the holder of such Preference Share from time to time, and **"Holders"** shall mean any number of them, as the case may be;
- 1.54 **"Holding Company"** has the meaning ascribed to "holding company" in the Companies Act;
- 1.55 **"IFRS"** means the International Financial Reporting Standards, as adopted from time to time by the Board of the International Accounting Standards Committee, or its successor body, and approved for use in South Africa from time to time by the Financial Reporting Standards Council established in terms of section 203 of the Companies Act;
- 1.56 **"Illegality Event"** means, in relation to a Holder, that it becomes unlawful or illegal under any Applicable Law as it applies in South Africa for such Holder to hold the Preference Shares or to claim and recover all or part of a Preference Dividend or a Redemption Amount despite such Holder using its reasonable efforts (which will not require the Holder to incur any Loss other than immaterial and incidental expenses) to overcome or avoid the circumstances leading to such unlawfulness or illegality;
- 1.57 **"Income Tax Act"** means the Income Tax Act, No 58 of 1962;
- 1.58 **"Indebtedness"** means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent, including (without double counting) in respect of:
- 1.58.1 moneys borrowed;
- 1.58.2 any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- 1.58.3 any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- 1.58.4 the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease or which would be capitalised under IFRS;
- 1.58.5 any obligation in respect of any retirement provident fund;
- 1.58.6 receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

- 1.58.7 the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred where the deferral of such price is either:
- 1.58.7.1 used primarily as a method of raising credit; or
- 1.58.7.2 not made in the ordinary course of business;
- 1.58.8 any agreement or option to re-acquire an asset if one of the primary reasons for entering into such agreement or option is to raise finance;
- 1.58.9 any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- 1.58.10 any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account which, for the avoidance of doubt, may be an addition to or subtraction from the amount of Indebtedness);
- 1.58.11 any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- 1.58.12 all outstanding obligations in respect of any shares which have been issued, including redeemable shares, redeemable preference shares and perpetual preference shares;
- 1.58.13 (without double counting) the amount of any liability in respect of any guarantee, suretyship or indemnity for any of its items referred to in Conditions 1.58.1 to 1.58.12,
- and "**Indebted**" shall be construed accordingly;
- 1.59 "**Independent Financial Adviser**" means an independent investment bank, corporate financier or auditor of repute appointed at its own expense by the Issuer;
- 1.60 "**Insolvency Event**" means, in relation to any person, any of the following events or circumstances (excluding, in each instance, the occurrence of an event or circumstance in respect of which the Holder has expressly waived reliance or in respect of which the Holder has given its prior written consent):
- 1.60.1 an application or an order is made to or by a court for its winding up, liquidation, dissolution or administration, other than a frivolous or vexatious application or an application which has no reasonable prospect of success, which is being contested in good faith or which is withdrawn or set aside within 15 Business Days;
- 1.60.2 a person commences court proceedings against it to enforce any Encumbrance granted over any of its assets in respect of a claim of more than ZAR25,000,000 (twenty five million rand);

- 1.60.3 court proceedings are commenced for an order contemplated by sections 46(5) or 48(5) of the Companies Act in respect of the making of any Distribution or the redemption or repurchase of any shares issued by it or its holding company;
- 1.60.4 a binding order or binding declaration is made, or a resolution is passed for the administration, custodianship, curatorship, bankruptcy, liquidation, sequestration, winding-up, commencement of business rescue proceedings or dissolution, (and whether provisional or final) of it or its estate;
- 1.60.5 it is unable (or admits inability) to pay its debts generally as they fall due or is deemed to be unable in terms of section 345 of the Companies Act, No 61 of 1973, to pay its debts generally or is "financially distressed" (as such term is defined in the Companies Act);
- 1.60.6 it stops, suspends or threatens to stop or suspend payment of all or a material part of its debts or makes a general assignment or any arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared or takes effect in respect of or affecting all or a material part of its Indebtedness or, by reason of actual or anticipated financial difficulties, commences negotiations with 1 (one) or more of its creditors with a view to rescheduling any of its Indebtedness;
- 1.60.7 it takes any proceeding or other step with a view to the general readjustment, rescheduling or deferral of its Indebtedness (or any part thereof which it would otherwise be unable to pay when due) or any resolution is taken or proposed to take any such step;
- 1.60.8 any receiver, administrative receiver, administrator, compulsory manager, judicial custodian, curator, trustee in bankruptcy, liquidator, business rescue practitioner or the like is appointed in respect of it or any part of its assets or it requests any such appointment;
- 1.60.9 it commits any act which, if such act was committed by an individual, would be an act of insolvency within the meaning of section 8 of the Insolvency Act, No 24 of 1936, or any analogous legislation in any jurisdiction to which such person is subject;
- 1.60.10 it has any Judgment made against it in respect of a claim of more than ZAR25,000,000 (twenty five million rand) and it fails to:
- 1.60.10.1 appeal against such Judgment (if such Judgment is appealable) or to apply for the rescission thereof (if such Judgment is a default judgment) within the prescribed time limits or thereafter fails to prosecute such appeal or application (and any subsequent right of appeal or review) or ultimately fails in such appeal or application; or
- 1.60.10.2 satisfy such Judgment, or, if it lodges an appeal or application (as contemplated in Condition 1.60.10.1) and such appeal or application ultimately fails, it fails to satisfy such Judgment within 10 (ten) Business Days of such appeal or application failing;
- 1.61 "**Issue Date**" means the date on which the Issuer will issue the Preference Shares, being [30 November 2015];

- 1.62 **"Issue Price"** means ZAR1,000,000 (one million rand), being the subscription price payable as consideration for the issue of each Preference Share;
- 1.63 **"Issuer"** means Stellar Capital Partners Limited, registration number 1998/015580/06, a limited liability public company duly incorporated in South Africa;
- 1.64 **"JSE"** means the JSE Limited, registration number 2005/022939/06, licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;
- 1.65 **"Judgment"** means any judgment or award;
- 1.66 **"Last Day to Trade"** means 17h00 South African time on the day that is 5 (five) Dealing Days before the Record Date;
- 1.67 **"Look-Through Asset Cover Ratio"** means, as at any Measurement Date, the ratio calculated in accordance with the following formula:
- $$A = (B + D) / (C + D)$$
- Where –
- A = the Look-Through Asset Cover Ratio as calculated;
- B = the Fair Market Value of the Issuer's tangible assets (including Cash, but excluding goodwill and other intangible assets);
- C = the aggregate Indebtedness of the Issuer; and
- D = the aggregate Attributable Net Debt in the Operating Entities in which the Issuer is invested,
- in each case, as at the relevant Measurement Date;
- 1.68 **"Market Price"** means the Volume Weighted Average Price of an Ordinary Share on the relevant Reference Date, provided that if any Distribution in respect of the Ordinary Shares is announced on or prior to the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such dividend or other entitlement shall be on or after the Conversion Date and if, on the relevant Reference Date, the Volume Weighted Average Price of an Ordinary Share is based on a price ex-Distribution, then such price shall be increased by an amount equal to the Fair Market Value of such dividend or other entitlement per Ordinary Share as at the date of 1st (first) public announcement of such Distribution (or if that is not a Dealing Day, the immediately preceding Dealing Day);
- 1.69 **"Measurement Date"** means each day as at which the Financial Covenants are required to be determined in terms of these Terms and Conditions, being the last day of each Financial Year and of each Financial Half Year, or such other date as a Holder, or Holders collectively, holding not less than 25% (twenty five percent) of the Preference Shares may require;

- 1.70 **"Memorandum of Incorporation"** has the meaning ascribed thereto in the Companies Act;
- 1.71 **"Month"** is a reference to a period from (and including) one day in a Calendar Month to (but excluding) the numerically corresponding day in the next Calendar Month except that if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that Calendar Month and reference to **"Months"** shall be construed accordingly;
- 1.72 **"Net Asset Value"** means, as at any Measurement Date, the difference between:
- 1.72.1 the Fair Market Value of the Issuer's tangible assets (excluding goodwill and other intangible assets, but including Cash); and
- 1.72.2 the aggregate Indebtedness of the Issuer,
- in each case, as at the relevant Measurement Date;
- 1.73 **"Net Debt"** means, in relation to any Operating Entity, the aggregate Indebtedness of that Operating Entity (excluding any Indebtedness owing by the Operating Entity to the Issuer which ranks at least *pari passu* with the other Indebtedness of the relevant Operating Entity), less all Cash held by that Operating Entity;
- 1.74 **"Non-Cash Distribution"** means any Distribution which is not a Cash Distribution, and shall include an Unbundling;
- 1.75 **"Offering Circular"** means the offering circular executed by the Issuer in respect of the offering of the Preference Shares, as amended or supplemented from time to time;
- 1.76 **"Operating Entity"** means any entity that carries on business continuously, and in the course or furtherance of that business provides goods or services for consideration;
- 1.77 **"Ordinary Shares"** means authorised and/or issued ordinary shares in the Issuer;
- 1.78 **"Pass Through Election"** has the meaning ascribed thereto in Condition 7.6.1;
- 1.79 **"Permitted Issues"** means the issue by the Issuer of:
- 1.79.1 up to 3,000,000 (three million) Ordinary Shares; and
- 1.79.2 Ordinary Shares for purposes of settling Performance Fees, as defined in, and in accordance with the provisions of, the Stellar Advisers Management Agreement;
- 1.80 **"Potential Redemption Event"** means each of the events or circumstances specified as such in Condition 14.1;
- 1.81 **"Preference Dividend"** means any Scheduled Preference Dividend, Gross-up Preference Dividend and/or Additional Preference Dividend;

- 1.82 **"Preference Shares"** means the cumulative redeemable convertible preference shares with an aggregate Issue Price of ZAR600,000,000 (six hundred million rand), issued by the Issuer under these Terms and Conditions;
- 1.83 **"Prime Rate"** means the publicly quoted basic rate of interest (percent, per annum, compounded monthly in arrears and calculated on a 365 (three hundred and sixty five) day year irrespective of whether or not the year is a leap year) from time to time published by FNB as being its prime overdraft rate, as certified by any authorised official of that bank, whose appointment and designation it will not be necessary to prove;
- 1.84 **"Rand", "ZAR" or "R"** means the lawful currency of South Africa, being South African Rand, or any successor currency;
- 1.85 **"Record Date"** means the date on which the Register must be in final form, being the Friday immediately prior to each Dividend Date or Redemption Date, as the case may be, or if such Friday is not a Business Day, the last Business Day of the week preceding the Dividend Date or Redemption Date, as the case may be;
- 1.86 **"Redemption Amount"** means, in relation to each Preference Share, the aggregate of the following amounts as at the Redemption Date:
- 1.86.1 the Issue Price; plus
- 1.86.2 all Arrear Preference Dividends;
- 1.86.3 all Unpaid Preference Dividends; plus
- 1.86.4 any other amount payable in accordance with these Terms and Conditions by the Issuer to the Holder holding such Preference Share;
- 1.86.5 "Redemption Date" means, depending on the context, in respect of any Preference Share:
- 1.86.6 the Final Scheduled Redemption Date; or
- 1.86.7 the date on which such Preference Share is actually redeemed and the Redemption Amount thereof paid in full to the Holder;
- 1.87 **"Redemption Event"** means a Potential Redemption Event which has not been remedied within the time periods specified in Condition 14.3 or which is not capable of remedy;
- 1.88 **"Reference Date"** means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a Dealing Day, the next following Dealing Day;
- 1.89 **"Register"** means the register of Holders maintained by the Transfer Agent;
- 1.90 **"Registration Date"** means the date on which the Ordinary Shares (or any Additional Ordinary Shares):

- 1.90.1 into which a Preference Share is to be converted pursuant to Condition 24.8 (or Condition 24.3) are entered in the securities register of the Issuer and credited to the converting Holder as provided in Condition 24.8 (or Condition 24.3);
- 1.90.2 issued pursuant to Condition 24.9.1 are entered into the securities register of the Issuer and issued to the converting Holder as provided in Condition 24.9.1.4;
- 1.91 "**Relevant Stock Exchange**" means the JSE or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the JSE, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in;
- 1.92 "**Retroactive Adjustment**" has the meaning ascribed thereto in Condition 24.3;
- 1.93 "**RMB**" means Rand Merchant Bank (a division of FirstRand);
- 1.94 "**Scheduled Dividend Dates**" mean 31 May and 30 November of each year until the Redemption Date, or Conversion Date, as the case may be, with the 1st (first) Scheduled Dividend Date being 31 May 2016, and "**Scheduled Dividend Date**" means any one of them as the context may require;
- 1.95 "**Scheduled Preference Dividend**" means, in respect of each Preference Share, a Preference Dividend payable on a Scheduled Dividend Date, calculated in accordance with the provisions of Condition 7.1;
- 1.96 "**Securities**" has the meaning ascribed to "securities" in the Companies Act and includes Ordinary Shares, or options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares;
- 1.97 "**Shareholders**" means the holders of Ordinary Shares;
- 1.98 "**Soft Redemption Notice**" has the meaning ascribed thereto in Condition 8.5.1;
- 1.99 "**Soft Redemption Option**" has the meaning ascribed thereto in Condition 8.5.1;
- 1.100 "**South Africa**" means the Republic of South Africa, as constituted from time to time;
- 1.101 "**Specified Date**" has the meaning ascribed thereto in Conditions 24.2.1.8 and 24.2.1.9;
- 1.102 "**Specified Office**" in relation to each of the Issuer, the Calculation Agent, the Transfer Agent and the Conversion Agent, the registered office of such entity or, if listed, the address of the office specified in respect of such entity from time to time, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Holders;
- 1.103 "**Stellar Advisers**" means Stellar Advisers Proprietary Limited (formerly Thunder Securitisations Proprietary Limited), registration number 2010/021751/07, a limited liability private company duly incorporated in South Africa;

- 1.104 **"Stellar Advisers Management Agreement"** means the management agreement entered into between the Issuer and Stellar Advisers on or about 8 December 2014, as amended by an addendum dated on or about 21 October 2015, in terms of which Stellar Advisers has been appointed to render certain services to the Issuer;
- 1.105 **"Subsidiary"** has the meaning ascribed to "subsidiary" in the Companies Act;
- 1.106 **"Taxes"** means all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings imposed or levied by any governmental, financial or other competent authority in South Africa or any other jurisdiction from which any payment is made (and including any penalty payable in connection with any failure to pay, or delay in paying, any of the same) and **"Tax"** and **"Taxation"** shall be construed accordingly;
- 1.107 **"Tax Redemption"** has the meaning ascribed thereto in Condition 8.2;
- 1.108 **"Tax Redemption Date"** means the date on which the Issuer voluntarily redeems the Preference Shares in accordance with Condition 8.2;
- 1.109 **"Tax Redemption Notice"** has the meaning ascribed thereto in Condition 8.2.1;
- 1.110 **"Terms and Conditions"** or **"Conditions"** means the terms and conditions of the Preference Shares;
- 1.111 **"Transaction Documents"** means collectively and individually any of:
- 1.111.1 these Terms and Conditions;
 - 1.111.2 the Agency Agreement;
 - 1.111.3 the Calculation Agent Agreement (to the extent not incorporated in the Agency Agreement);
 - 1.111.4 the Conversion Agent Agreement (to the extent not incorporated in the Agency Agreement); and
 - 1.111.5 the Transfer Agent Agreement (to the extent not incorporated in the Agency Agreement);
- 1.112 **"Transfer Agent"** means RMB or such other person with whom the Issuer has entered into a Transfer Agent Agreement, provided the Issuer has notified the Holders that it has appointed another Transfer Agent;
- 1.113 **"Transfer Agent Agreement"** means the agreement concluded between the Issuer and the Transfer Agent (which may be incorporated into the Agency Agreement), in terms of which the Transfer Agent agrees to provide registry services to the Issuer;
- 1.114 **"Transfer Form"** in relation to the transfer of a Preference Share as contemplated in these Terms and Conditions, means a form of transfer in the usual form or in such other form approved by the Transfer Agent;

- 1.115 **"Unbundling"** means:
- 1.115.1 distribution of Unbundled Securities by the Issuer to Shareholders as a class; or
- 1.115.2 any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class, pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries;
- 1.116 **"Unbundled Securities"** means Equity Share Capital of an entity, other than the Issuer, or options, warrants or other rights to subscribe for or purchase Equity Share Capital of an entity, other than the Issuer;
- 1.117 **"Unpaid Preference Dividend"** means in respect of any Preference Share, all Preference Dividends which have accrued but which are not yet due and payable in respect of such Preference Share; and
- 1.118 **"Volume Weighted Average Price"** means, in respect of an Ordinary Share, Security or, as the case may be, an Unbundled Security on any Dealing Day, the volume-weighted average price of an Ordinary Share (based on Automated Trades (a transaction matched automatically in the JSE trading system during continuous trading) and Auction Trades (a transaction matched automatically in the JSE trading system during price determination in an auction), Security or, as the case may be, an Unbundled Security, published by or derived (in the case of an Ordinary Share) from Bloomberg page SCP SJ EQUITY VAP or (in the case of a Security (other than Ordinary Shares) or Unbundled Security) from the Relevant Stock Exchange or securities market on which such Securities or Unbundled Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or an Unbundled Security, as the case may be, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined.

2. Interpretation

In these Terms and Conditions:

- 2.1 whenever the term ex-Distribution, ex-the relevant Distribution, ex-the relevant Unbundling, ex-rights, ex-options, ex-warrants, ex-the relevant Securities or ex-rights, ex-options or ex-warrants in relation to such Securities is used, it means that the relevant Ordinary Share is traded and transferred to the transferee of such Ordinary Share without such transferee acquiring the right or entitlement to receive the relevant Distribution, the relevant Unbundling, the rights, options, warrants or the relevant Securities or the rights, options or warrants in relation to such Securities (as the case may be) and the rights and entitlement to any such Distribution, or Unbundling, the rights, options, warrants or the relevant Securities or the rights, options or

warrants in relation to such Securities (as the case may be) remains vested in the transferor of such Ordinary Share;

- 2.2 one gender includes a reference to the others;
- 2.3 the singular includes the plural and *vice versa*;
- 2.4 natural persons include juristic persons and *vice versa*;
- 2.5 "**person**" means any individual, company, partnership, joint venture, association, trust, unincorporated organisation or government or any agency or political subdivision thereof;
- 2.6 any "**agreement**" or "**instrument**" is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and amended or amendment will be construed accordingly;
- 2.7 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
- 2.8 a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- 2.9 "**assets**" or "**property**" includes present and future assets or properties, revenues and rights of every description relating to such assets or properties;
- 2.10 "**disposal**" means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
- 2.11 "**authorisation**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- 2.12 "**days**" is a reference to calendar days, unless expressly stated otherwise;
- 2.13 a party or any other person includes that person's permitted successor, transferee, assignee, cessionary and/or delegate;
- 2.14 a time of day is a reference to South African time;
- 2.15 if any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the agreement, notwithstanding that it is contained in the definition section of these Terms and Conditions;
- 2.16 headings are inserted for the sake of convenience only and do not in any way affect the interpretation of these Terms and Conditions;

- 2.17 the use of the word "**including**" followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples;
- 2.18 an accounting term not otherwise defined has the meaning assigned to it in accordance with IFRS;
- 2.19 references to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant; and
- 2.20 in making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

3. **Issue and Form**

- 3.1 Preference Shares with an aggregate Issue Price of ZAR600,000,000 (six hundred million rand) will be issued by the Issuer.
- 3.2 The Preference Shares are cumulative redeemable convertible Preference Shares with a minimum issue price on the Issue Date of ZAR1,000,000 (one hundred million rand) each. Preference Shares will not be offered to a single addressee for a minimum aggregate subscription amount of less than ZAR10,000,000 (ten million rand).
- 3.3 The Preference Shares will be issued to the Holders on the Issue Date and will be evidenced by Certificates registered in the name, and for the account of, the relevant Holder.

4. **Use of Proceeds**

- 4.1 The Issue Price will only be utilised by the Issuer for a "*qualifying purpose*" as contemplated in section 8E and 8EA of the Income Tax Act.
- 4.2 The Holders shall not be under any obligation to verify that the Issuer has used any portion of the Issue Price for the purpose contemplated in Condition 4.1.
- 4.3 The Issuer shall be obliged to maintain the necessary records so as to ensure that it will be in a position to confirm adherence to the "*qualifying purpose*" as described in Condition 4.1.

5. **Title**

Title to the Preference Shares will pass upon registration of transfer in the Register in accordance with Condition 20. The Issuer and the Transfer Agent shall recognise a Holder as the sole and absolute

owner of the Preference Shares registered in that Holder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

6. Ranking

The Preference Shares shall rank in all respects at least *pari passu* with any other class of preference shares in the capital of the Issuer.

7. Dividends

7.1 Scheduled Preference Dividend

7.1.1 Each Preference Share shall accrue a Scheduled Preference Dividend on each day during each Dividend Period, which Scheduled Preference Dividend shall be determined as follows:

$$A = (B \times C) \div 365$$

where –

A = the Scheduled Preference Dividend accrued per Preference Share on each day;

B = the Dividend Rate (including any Adjustment Margin, if any) or the Arrear Dividend Rate, if applicable, as set out in Condition 7.4; and

C = the Issue Price of such Preference Share plus any Arrear Preference Dividends.

7.1.2 On each relevant Dividend Date the Issuer shall be obliged to pay, in respect of each Preference Share, the aggregate Scheduled Preference Dividend for the Dividend Period preceding the relevant Dividend Date.

7.1.3 On each relevant Dividend Date the Issuer shall pay all Unpaid Preference Dividends which have accrued or otherwise become payable in accordance with these Terms and Conditions prior to such Dividend Date.

7.1.4 Any Distribution made by the Issuer to the Holder shall be apportioned to:

7.1.4.1 firstly, any Arrear Preference Dividends;

7.1.4.2 secondly, any Unpaid Preference Dividends (to the extent possible); and

7.1.4.3 lastly, any other Preference Dividends.

7.1.5 Each Preference Dividend shall in respect of each Preference Share:

7.1.5.1 be subject to the Companies Act and to the extent that the board of directors of the Issuer have passed a resolution acknowledging compliance with the requirements of the Companies Act, no further board or shareholder resolution declaring any dividend shall be required in order for a Preference Dividend to become payable. A

reference in these Terms and Conditions to a declaration of a dividend shall be a reference to a dividend becoming payable in cash in accordance with this Condition 7.1 and if the Issuer has cash available to pay such dividend, such dividend shall be payable on the applicable Dividend Date; and

7.1.5.2 be payable in cash.

7.2 **Accumulations**

If any Preference Dividend is not paid on any Dividend Date then, without derogating from anything else in these Terms and Conditions, the amount of such unpaid dividend shall be accumulated until paid or the Redemption Date or Conversion Date, as the case may be, whichever is the earlier.

7.3 **Preference Dividends on Redemption or Conversion**

The Issuer shall be obliged to pay all Arrear Preference Dividends and/or Unpaid Preference Dividends in respect of each Preference Share immediately prior to redemption or conversion, as the case may be, of such Preference Share.

7.4 **Preference Dividend Rate Adjustments**

7.4.1 Notwithstanding anything to the contrary in these Terms and Conditions, subject to Condition 7.1.5, and in addition to any other remedy specified in these Terms and Conditions, if:

7.4.1.1 any Preference Dividend is not paid in full on the applicable Dividend Date;

7.4.1.2 any Preference Share is not redeemed and the Redemption Amount thereof is not paid in full on the Final Scheduled Redemption Date or on the date on which such Preference Share is to be redeemed following a Tax Redemption Notice given pursuant to Condition 8.2 and which has not been revoked; or

7.4.1.3 a Redemption Event occurs and the Holder delivers a written notice to the Issuer, then, the Dividend Rate shall be increased to the Arrear Dividend Rate with effect from (and including) the applicable Dividend Date, the date on which such Preference Share was required or scheduled to be redeemed, the date on which the Holder delivers the notice contemplated in Condition 7.4.1.3 to the Issuer (as the case may be) until (but excluding) the date of actual payment of such Preference Dividend, the Redemption Date (and payment of the Redemption Amount in respect thereof in full) of all such Preference Shares or the date on which the Redemption Event contemplated in Condition 7.4.1.3 is remedied, and on such date the Dividend Rate shall again be the Dividend Rate.

7.5 **Accrual of Dividends upon exercise of Conversion Rights**

Each Preference Share will cease to bear the Preference Dividend where the Conversion Right has been exercised by a Holder, from the relevant Conversion Date.

7.6 Additional Preference Dividends: Pass Through Election

7.6.1 If and whenever the Issuer shall pay any Cash Distributions to the Shareholders where the Effective Date falls on or after the Issue Date and prior to the Final Scheduled Redemption Date, then, as an alternative to making an adjustment to the Conversion Price as contemplated in Condition 24.2.1.4.1, the Issuer shall be entitled, at its option and subject to having obtained all relevant consents and approvals, to pay additional Preference Dividends to a Holder calculated in accordance with Condition 7.6.2.2 ("**Additional Preference Dividend**"), by making an election, described as a pass through election ("**Pass Through Election**") in respect of any Cash Distribution by giving notice to the Holders by not later than 10 (ten) days prior to the Effective Date (contemplated in Condition 1.40.2).

7.6.2 If the Issuer makes a Pass Through Election in respect of any Cash Distribution, then:

7.6.2.1 no adjustment shall be made to the Conversion Price in terms of Condition 24.2.1.4.1; and

7.6.2.2 the Additional Preference Dividend in respect of each Preference Share shall be calculated in accordance with the following formula:

$$APD = A \times B$$

where:

APD = the Additional Preference Dividend payable in respect of each Preference Share;

A = PA divided by CP, rounded down, if necessary, to 4 (four) decimal places (with 0.00005 being rounded down);

PA = ZAR1,000,000 (one million rand);

CP = the Conversion Price in effect on the Effective Date; and

B = the portion of the Fair Market Value of the aggregate Cash Distribution attributable to 1 (one) Ordinary Share (with such portion being determined by dividing the Fair Market Value of the aggregate Cash Distribution by the number of Ordinary Shares entitled to receive the Cash Distribution).

7.6.3 For the purposes of any such calculation, the provisions of Conditions 24.2.1.4.2 and 24.2.1.4.3 and shall apply *mutatis mutandis*.

7.6.4 An Additional Preference Dividend shall be paid in respect of each Preference Share where the Effective Date in respect of the Cash Distribution falls on or prior to the Final Scheduled Redemption Date or any earlier due date for redemption of such Preference Share and, in respect of a Preference Share in respect of which Conversion Rights are or shall have been exercised, where the Effective Date in respect of the Cash Distribution

falls on or prior to the relevant Conversion Date, unless in such case the record date or other due date for establishment in respect of the Cash Distribution falls on or after such Conversion Date with the result that the relevant Holder shall be entitled to receive such Cash Distribution in respect of the Ordinary Shares to be issued on conversion by virtue of Condition 24.10.

7.6.5 Additional Preference Dividends shall be paid to Holders by not later than the date on which the Cash Distribution is to be paid to Shareholders.

7.6.6 For the avoidance of doubt, any payment of an Additional Preference Dividend shall be calculated by reference to the gross amount of the Cash Distribution.

7.7 **Publication of Preference Dividend by the Issuer or the Calculation Agent**

The Issuer or the Calculation Agent will, in relation to the Preference Shares, at least 2 (two) Business Days before each Dividend Date, cause the aggregate Preference Dividend payable for the relevant Dividend Period in respect of the Preference Shares to be notified to the Holders.

7.8 **Calculations final and limitation of liability**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent pursuant to the exercise or non-exercise by it of its powers, duties and discretions under these Terms and Conditions, will, in the absence of wilful deceit, negligence, bad faith, or manifest error, be binding on the Issuer and the Holders, and the Calculation Agent will not have any liability to the Issuer or the Holders in connection therewith.

7.9 **Rights on Winding up**

7.9.1 In the event of a winding up of the Issuer, the Holders shall be paid out of the assets of the Issuer and in priority to the holders of all Ordinary Shares, and at least *pari passu* with any other class of preference shares in the Issuer, the full Redemption Amount calculated as if the Preference Shares were all being redeemed on the day immediately preceding the date of winding-up.

7.9.2 Save as set out in these Terms and Conditions, the Holders shall not, by virtue of holding the Preference Shares, be entitled to any participation in the profits or assets of the Issuer.

8. **Redemption**

8.1 **General**

8.1.1 Whenever a Preference Share is redeemed in terms of these Terms and Conditions, the Issuer shall redeem the Preference Share by:

8.1.1.1 paying all Arrear Preference Dividends and Unpaid Preference Dividends as at the Redemption Date; and

- 8.1.1.2 thereafter paying the balance of the Redemption Amount to the Holder in the manner provided in Condition 9.
- 8.1.2 If any Redemption Amount (excluding any Preference Dividend payable on such Redemption Date) is not paid in full on the applicable Redemption Date, the unpaid Redemption Amount shall continue to accrue Scheduled Preference Dividends at the Arrear Dividend Rate from (and including) such Redemption Date up to (but excluding) the date of actual payment of that Redemption Amount in full.
- 8.1.3 Where the Issuer is entitled or obliged to redeem the Preference Shares in terms of this Condition 8, the Issuer shall be entitled to redeem the Preference Shares in any manner permissible in law.
- 8.1.4 The Issuer shall be liable for any securities transfer tax and/or any other Tax (without double counting), which may be or become payable on the redemption of any Preference Share for any reason. To the extent that any Holder pays or becomes liable to pay such securities transfer tax or any such other Tax, the Issuer shall pay to the relevant Holder an amount equal to the amount so paid by that Holder.

8.2 **Tax Redemption**

If the Issuer is obliged to pay a Gross-up Preference Dividend as contemplated in Condition 10.1.1.1 or to increase the Dividend Rate as contemplated in Condition 10.1.1.2, then the Issuer shall be entitled to voluntarily redeem all the Preference Shares held by a Holder early ("**Tax Redemption**") provided that:

- 8.2.1 the Issuer gives at least 20 (twenty) Business Days written notice ("**Tax Redemption Notice**") to the Holder electing to redeem all of the Preference Shares held by that Holder and as set out in the Tax Redemption Notice;
- 8.2.2 prior to or on the Tax Redemption Date, the Issuer pays all unpaid Preference Dividends payable in respect of the Preference Shares to be redeemed on the Tax Redemption Date, including any or all accrued and/or accumulated Preference Dividends on any or all of the Preference Shares;
- 8.2.3 the Issuer redeems all of the Preference Shares held by each Holder to whom the Issuer has given a Tax Redemption Notice;
- 8.2.4 the Preference Shares to be redeemed pursuant to a Tax Redemption Notice shall only be redeemed on the applicable Tax Redemption Date;
- 8.2.5 the Tax Redemption Date shall be a Scheduled Dividend Date and shall be no later than the second Scheduled Dividend Date after the Issuer has been required to pay a Gross-up Preference Dividend in terms of Condition 10.1.1.1 or to increase the Dividend Rate in terms of Condition 10.1.1.2; and

8.2.6 nothing in this Condition 8.2 shall limit the obligations of the Issuer under Condition 8.3 or the rights of the Holders (including the right to require the mandatory redemption of the Preference Shares) if a Potential Redemption Event, Redemption Event or Illegality Event occurs between the date on which the Tax Redemption Notice is delivered by the Issuer and the Tax Redemption Date.

8.3 **No Voluntary Redemption**

The Issuer shall not be entitled to voluntarily redeem the Preference Shares prior to the Final Scheduled Redemption Date, other than in accordance with Conditions 8.2.

8.4 **Mandatory Redemption**

8.4.1 The Issuer shall on the Final Scheduled Redemption Date be obliged to redeem all of the Preference Shares still in issue on such date.

8.4.2 If a Redemption Event occurs the Preference Shares shall immediately become redeemable by the Issuer.

8.4.3 If an Illegality Event occurs the Preference Shares held by each Holder affected by such Illegality Event shall immediately become redeemable by the Issuer following notice to such effect by the relevant Holder.

8.5 **Soft Redemption**

8.5.1 The Issuer may at its option grant a soft redemption option ("**Soft Redemption Option**") to Holders by giving notice ("**Soft Redemption Notice**") to the Holders not more than 60 (sixty) nor less than 30 (thirty) days prior to the Final Scheduled Redemption Date. If the Issuer grants a Soft Redemption Option to Holders, then if the Current Market Price of an Ordinary Share on the last day of the Conversion Period ("**Valuation Date**") is less than the prevailing Conversion Price on such date, a Holder may elect to exercise the Conversion Right and require the Issuer to:

8.5.1.1 procure the conversion of the Preference Shares of the Holder into such number of Ordinary Shares that it would be entitled to using the prevailing Conversion Price on the Valuation Date; and

8.5.1.2 make a cash payment calculated as the amount by which the Redemption Amount of each Preference Share exceeds the product of (i) the number of Ordinary Shares into which the Preference Share is convertible and (ii) the average of the daily Volume Weighted Average Price of an Ordinary Share on the Relevant Stock Exchange on each of the 15 (fifteen) consecutive Dealing Days commencing on the Valuation Date (or if that is not a Dealing Day, the next following Dealing Day). To exercise such right, the Holder of the relevant Preference Share must make such election in the Conversion Notice during the Soft Redemption Period.

8.5.2 **"Soft Redemption Period"** means the period commencing on the date on which a Soft Redemption Notice is given to Holders and ending 10 (ten) Business Days prior to the Final Redemption Date.

9. Payment

9.1 Method of payment

9.1.1 Payments of the Preference Dividends and Redemption Amounts shall be made to the person reflected as the registered holder thereof in the Register on the Record Date.

9.1.2 The Issuer shall pay the Preference Dividends and Redemption Amounts payable in respect of each Preference Share, in immediately available and freely transferable funds, in Rand by electronic funds transfer, to the bank account of the Holder as set forth in the Register at 17h00 (South African time) on the Record Date preceding the relevant Dividend Date or Redemption Date, as the case may be, or, in the case of joint Holders, the account of that one of them who is first named in the Register in respect of that Preference Share. If several persons are entered into the Register as joint Holders, then without affecting the previous provisions of this condition, payment to any one of them of any moneys payable on or in respect of the Preference Share shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other person to or in any Preference Share.

9.1.3 Only Holders, or, in the case of joint Holders, the one of them who is first named in the Register in respect of that Preference Share, reflected in the Register at 17h00 (South African time) on the relevant Record Date will be entitled to payments of the Preference Dividend and/or principal in respect of Preference Shares.

9.1.4 Payments will be subject in all cases to any Taxation or other laws, directives and regulations applicable to such payment in the place of payment.

9.1.5 Payment of all amounts other than the Preference Dividends and Redemption Amounts in respect of the Preference Shares, will be made as provided in these Terms and Conditions.

9.2 Surrender of Certificates

9.2.1 On or before the Last Day to Trade prior to any Redemption Date, the holder of a Certificate, in respect of a Preference Share to be redeemed (in part or in whole, as the case may be) shall deliver to the Transfer Agent the Certificates to be redeemed. This will enable the Transfer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Certificates.

9.2.2 Should the Holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before a Redemption Date, the amount payable to him in respect of such redemption, including any accrued Preference Dividends, shall be retained by the

Issuer for such Holder, at the latter's risk, until the Holder surrenders the necessary Certificate, and the Preference Dividend shall cease to accrue to such Holder from the Redemption Date in respect of the amount redeemed.

- 9.2.3 Documents required to be presented and/or surrendered to the Transfer Agent in accordance with these Terms and Conditions will be so presented and/or surrendered at the Specified Office of the Transfer Agent.

9.3 **Payment Date**

Notwithstanding anything to the contrary contained in these Terms and Conditions, if the date for payment of any amount payable in respect of any Preference Share is not a Business Day, then such date for payment shall be the following Business Day. The Holder shall not be entitled to further Preference Dividends or other payment in respect of such delayed payment.

9.4 **Calculation and notice of principal payments**

The Issuer or the Calculation Agent will calculate the aggregate Redemption Amount payable by the Issuer for each Preference Share on each date that payment is due and payable. The Issuer or the Calculation Agent will, at least 2 (two) Business Days before each such date, cause such aggregate amount of principal to be notified to the Holders.

10. **Adjustments to amounts payable**

10.1 **Consequences of the occurrence of an Adjustment Event**

- 10.1.1 If, in relation to a Holder, or Holders collectively, holding 35% (thirty five percent) or more of the Preference Shares, at any time after the Issue Date, an Adjustment Event occurs that results in the net after-Tax return to be received by such Holder/s in respect of the Preference Shares being less than the net after-Tax return which the Holder/s would have received but for the occurrence of that Adjustment Event, then the Issuer shall:

10.1.1.1 on the next Dividend Date pay a gross-up preference dividend ("**Gross-up Preference Dividend**"); and/or

10.1.1.2 increase the Dividend Rate by such margin ("**Adjustment Margin**"),
as determined in accordance with Condition 10.1.2.

- 10.1.2 If any Adjustment Event occurs, the Gross-up Preference Dividend or the Adjustment Margin payable by the Issuer as a consequence of the occurrence of an Adjustment Event shall be determined as an amount which is equal to the Tax contemplated by Condition 1.3.1 or Condition 1.3.2, as applicable, which will be suffered, incurred or payable by, or withheld in respect of, the Holder/s, such that the Holder/s, after taking account of its/their liability for any such Tax, will receive a net after-Tax amount equal to the amount which would otherwise have been receivable by the Holder/s in the absence of the occurrence of any such Adjustment Event.

- 10.1.3 The new Dividend Rate determined in accordance with Condition 10.1.2 shall be applied retrospectively in re-calculating, *mutatis mutandis* in accordance with Condition 7.1, all Unpaid Preference Dividends that have accrued in respect of the Preference Shares held by all Holders during the current and all preceding Dividend Periods and which have not been declared and paid.
- 10.1.4 If a Holder is not a South African resident company for purposes of the Income Tax Act, then such Holder shall be treated the same as a Holder that is a South African resident company for such purposes and shall not be entitled to claim any amounts or any additional amounts or increase to the Dividend Rate over and above what a South African resident company for such purposes would be entitled to.
- 10.1.5 The Preference Dividend or other amount shall not be increased and/or the Dividend Rate shall not be adjusted if any Preference Dividends becomes subject to Tax in the hands of a Holder that is a South African resident as a result of any act by that Holder which renders the relevant Preference Shares a "*third-party backed share*" for purposes of section 8EA of the Income Tax Act.

10.2 **Post-Redemption Payment**

If the effect of an Adjustment Event only becomes apparent or a Holder only becomes aware of the effects of such Adjustment Event after all of the Preference Shares have been redeemed, the Issuer shall and hereby does indemnify and hold that Holder harmless against the effect of such Adjustment Event and, accordingly, shall pay to that Holder, on demand, such amount as may be required to place that Holder or any Holding Company of that Holder in the same after-Tax position as it would have been in had the Adjustment Event not occurred. The provisions of this Condition 10.2 shall survive the redemption of the Preference Shares and shall remain enforceable against the Issuer by each Holder for a period of 3 (three) years following the year of assessment in which the Holder in question is finally assessed for Tax in respect of all receipts and accruals pertaining to all or any Preference Share at any time held by that Holder.

11. **Negative pledge**

- 11.1 Subject to the remaining provisions of this Condition 11, after the Issue Date and for as long as any Preference Shares remain outstanding, the Issuer undertakes not to create, or permit the creation of, any Encumbrance over any of its present or future businesses, undertakings, assets or revenues to secure any present or future Indebtedness of the Issuer.
- 11.2 The provisions set out in Condition 11.1 shall not apply to any of the following (each, a "**Permitted Encumbrance**"):
 - 11.2.1 any Encumbrance of the Issuer in existence at the Issue Date, which secures Indebtedness outstanding at the Issue Date;
 - 11.2.2 any Encumbrance created over any asset owned, acquired, purchased, developed or constructed by the Issuer after the Issue Date (including any Encumbrance over the shares or other ownership interests in, or securities of, any company or other person, acquired or

subscribed for by the Issuer, after the Issue Date, or the assets of such other company or person) if such Encumbrance was created for the sole purpose of financing or refinancing that asset by the Issuer; provided that the Indebtedness so secured shall not exceed the *bona fide* arm's length market value (on or about the date of creation of such Encumbrance) of that asset or the cost of the acquisition, purchase, development or construction of that asset by the Issuer (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value and such cost both apply, the higher of the two;

- 11.2.3 any Encumbrance created over or with respect to any receivables of the Issuer after the Issue Date, if such Encumbrance was created pursuant to any securitisation or like arrangement in accordance with normal market practice and the Indebtedness secured by such Encumbrance is limited to the value (on or about the date of creation of such Encumbrance) of such receivables;
- 11.2.4 any Encumbrance created over or with respect to any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purposes of netting debit and credit balances;
- 11.2.5 any statutory Encumbrance or Encumbrance created by operation of law in the ordinary course of the business of the Issuer;
- 11.2.6 any Encumbrance over or affecting any asset acquired by the Issuer after the Issue Date if:
 - 11.2.6.1 the asset was subject to that Encumbrance prior to the date of acquisition of that asset and the Encumbrance was not created in contemplation of the acquisition of that asset by the Issuer; and
 - 11.2.6.2 the principal amount secured has not increased in contemplation of or since the acquisition of that asset by the Issuer;
- 11.2.7 any Encumbrance created with the agreement in advance of the Holders by Extraordinary Resolution; and
- 11.2.8 any extension or renewal of any Encumbrance contemplated in Conditions 11.2.1 to 11.2.7.

12. Loans to Group Entities and Operational Expenses

After the Issue Date and for as long as any Preference Shares remain outstanding, the Issuer shall:

- 12.1 be entitled to advance loans to Group Entities, provided that all such loans are at arm's-length and on market related terms;
- 12.2 procure that its operational expenses shall not in any Financial Year exceed 2.5% (two point five percent) of the net asset value of the Issuer as per the audited consolidated annual financial statements of the Issuer in respect of the immediately preceding Financial Year (determined in

accordance with IFRS). For purposes hereof "**operational expenses**" shall mean expenses (as defined by IFRS) incurred in carrying out the Issuer's day-to-day activities not directly associated with the production of investment income, but shall exclude advisory, legal and regulatory costs payable to independent third parties (not being Group Entities), in respect of the acquisition or disposal by the Issuer of assets; and

- 12.3 be entitled to pay the Management Fees (as defined in the Stellar Advisers Management Agreement) in cash, in accordance with the terms and conditions of the Stellar Advisers Management Agreement, subject to (i) all Scheduled Preference Dividends having been paid up to the immediately preceding Dividend Date, and (ii) the board of directors of the Issuer having issued a certificate confirming that the Issuer will have sufficient cash flow to pay the Scheduled Preference Dividends that will become payable on the next 2 (two) Scheduled Dividend Dates, after payment of the Management Fees. All Performance Fees (as defined in the Stellar Advisers Management Agreement) shall be settled by way of the issue of Ordinary Shares in accordance with the terms and conditions of the Stellar Advisers Management Agreement, unless cash settlement has been approved by the Holders by way of an Extraordinary Resolution.

13. **Auditors**

The auditors of the Issuer are currently Grant Thornton. Unless agreed to in advance by the Holders by Extraordinary Resolution, the auditors of the Issuer will not be changed to anyone other than KPMG, Deloitte, E&Y or PricewaterhouseCoopers.

14. **Redemption Events**

- 14.1 Each of the events or circumstances set out in this Condition 14.1 is a Potential Redemption Event (each of which shall be severable and distinct from the others and whether or not caused by any reason whatsoever outside the control of the Issuer):

14.1.1 **Non-payment**

The failure of the Issuer to:

- 14.1.1.1 declare and pay all or any part of any Preference Dividend on the applicable Dividend Date or on the date on which such Preference Dividend is otherwise payable; or
- 14.1.1.2 redeem all the Preference Shares not previously redeemed on the Final Scheduled Redemption Date,

unless its failure to pay is caused by administrative or technical error and payment is made within 3 (three) Business Days of its due date, but otherwise regardless of whether such amount was declared or not or that it did not reasonably appear that the Issuer would satisfy the solvency and liquidity test (as contemplated in section 46(1)(b) of the Companies Act) immediately after completing any such distribution or for any other reason whatsoever or whether such payment was lawful or possible under Applicable Law.

14.1.2 **Other obligations**

The Issuer fails to comply with any material provision of the Transaction Documents (other than those referred to in Condition 14.1.1), including, without limitation, any failure to (i) convert any Preference Shares in question, or to deliver the relevant Ordinary Shares, on any Conversion Date, or (ii) comply with the undertakings and/or restrictions contained in clauses 12 and/or 13.

14.1.3 **Cross acceleration and cross default**

14.1.3.1 Any Indebtedness of the Issuer or sum payable by the Issuer, in an amount of ZAR25,000,000 (twenty five million rand) or more, is not paid or legally set-off when due or within any originally applicable grace period.

14.1.3.2 Any Indebtedness of the Issuer or sum payable by the Issuer, in an amount of ZAR25,000,000 (twenty five million rand) or more, is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

14.1.3.3 Any commitment for any Indebtedness of the Issuer in an amount of ZAR25,000,000 (twenty five million rand) or more is cancelled or suspended by a creditor as a result of an event of default (however described).

14.1.3.4 Any creditor of the Issuer becomes entitled to declare any Indebtedness of the Issuer in an amount of ZAR25,000,000 (twenty five million rand) or more due and payable prior to its specified maturity as a result of an event of default (however described).

14.1.4 **Encumbrances**

Any Encumbrance, other than a Permitted Encumbrance, is incurred over any of the present or future businesses, undertakings, assets or revenues of the Issuer to secure any present or future Indebtedness of the Issuer.

14.1.5 **Insolvency**

An Insolvency Event occurs in respect of the Issuer (but for the avoidance of doubt not an Insolvency Event in relation to any other Group Entity).

14.1.6 **Creditors' process**

Any asset or assets of the Issuer with an aggregate value in excess of ZAR25,000,000 (twenty five million rand) (or its equivalent in any other currency of currencies) is attached under a writ of execution.

14.1.7 **Amendment to Memorandum of Incorporation**

The Issuer amends its Memorandum of Incorporation in a manner which directly affects any of these Terms and Conditions or the rights attached to the Preference Shares or the interests of the Holders, without the consent or sanction of the Holders as contemplated in Condition 22.2.

14.1.8 **Increase in Indebtedness**

Unless agreed to in advance by the Holders by Extraordinary Resolution, the Issuer incurs any Indebtedness (other than in respect of the Preference Shares) where the aggregate outstanding balance at any time of all such Indebtedness exceeds R50,000,000 (fifty million rand).

14.1.9 **Change of Control**

If a Change of Control occurs and the Conversion Right is not exercised during the Change of Control Period.

14.1.10 **Financial Covenants**

The Issuer fails to comply with any of the Financial Covenants as at any applicable Measurement Date.

14.2 The Issuer shall give notice to the Holders of the occurrence of a Potential Redemption Event, within 1 (one) Business Day of becoming aware of the occurrence of such Potential Redemption Event. Upon the occurrence of a Potential Redemption Event any Holder may deliver a notice to the Issuer notifying the Issuer of the Potential Redemption Event and, if applicable, requiring the Issuer to remedy, or procure the remedy of, the Potential Redemption Event.

14.3 A Potential Redemption Event shall become a Redemption Event if the Issuer fails to remedy, or procure the remedy, of the Potential Redemption Event within:

14.3.1 3 (three) Business Days should an event contemplated in Condition 14.1.1 or 14.1.4 occur;
or

14.3.2 5 (five) Business Days should an event contemplated in Condition 14.1.3 or 14.1.6 occur;
or

14.3.3 90 (ninety) days should an event contemplated in Condition 14.1.10 occur; or

14.3.4 10 (ten) Business Days in respect of the other events and circumstances set out in Condition 14.1,

of any Holder giving the notice contemplated in Condition 14.2 to the Issuer. The Potential Redemption Event contemplated in Condition 14.1.10 may be remedied by the Issuer issuing additional Ordinary Shares, provided that the proceeds from such issue may not be applied to

redeem any Preference Shares (i) at any time prior to the Final Scheduled Redemption Date; or (ii) in accordance with clause 14.5; and provided further that the Issuer shall only have the right to remedy the Potential Event of Default contemplated in Condition 14.1.10 in accordance with the aforesaid once between the Issue Date and the Final Scheduled Redemption Date.

- 14.4 If any Holder expressly waives reliance on the occurrence of the Potential Redemption Event such event(s) shall be incapable of becoming a Redemption Event at the instance of that Holder.
- 14.5 If a Potential Redemption Event is not remedied within the specified remedy period or if a Potential Redemption Event is not capable of remedy, the Issuer shall forthwith redeem all of the Preference Shares held by the relevant Holder by paying the Redemption Amount to the relevant Holder.

15. Financial Covenants

- 15.1 The Issuer shall be required to maintain:
- 15.1.1 an Asset Cover Ratio of more than 3.25 (three point two five) times as at any Measurement Date;
- 15.1.2 a Look-Through Asset Cover Ratio of more than 2.25 (two point two five) times as at any Measurement Date; and
- 15.1.3 a Net Asset Value of more than ZAR1,500,000,000.00 (one billion five hundred million rand) as at any Measurement Date.
- 15.2 The Financial Covenants shall be tested as at each Measurement Date with reference to –
- 15.2.1 the audited consolidated annual financial statements of the Issuer as at and in respect of the period ended on the last day of each Financial Year;
- 15.2.2 the unaudited consolidated interim financial statements of the Issuer as at and in respect of the period ended on the last day of each Financial Half Year.
- 15.3 The Issuer shall deliver to the Holders, contemporaneously with the publication of its audited consolidated annual financial statements and unaudited consolidated interim financial statements, a certificate detailing (i) the calculation of the Financial Covenants and (ii) the aggregate of all Indebtedness of the Issuer and of the Group Entities (as referred to in clause 14.1.8).
- 15.4 If any Holder disputes any calculation of the Financial Covenants by the Issuer in terms of Condition 15.3, that Holder shall be entitled to require that the Issuer appoint an Independent Financial Advisor to determine the Asset Cover Ratio and/or the Net Asset Value as at the relevant Measurement Date, which the Issuer shall be obliged to do within 10 (ten) Business Days of the request. The Independent Financial Advisor so appointed shall:

- 15.4.1 act as an expert and not as arbitrator and its determination shall be final and binding on the Issuer and the Holders;
- 15.4.2 be requested to make its determination as speedily as possible, and in any event within 10 (ten) Business Days of its appointment;
- 15.4.3 in writing advise the Issuer and the Holders of its determination, shall give written reasons for its decision, and shall in such notice provide reasonable detail of its calculations; and
- 15.4.4 determine the liability for its costs which shall be paid accordingly.
- 15.5 Should any Holder request in writing that the Financial Covenants be tested as at any other Measurement Date ("**Measurement Request**"), the Issuer shall deliver to the Holders a certificate issued by an Independent Financial Adviser detailing the calculation of the Financial Covenants as at such other Measurement Date, within 20 (twenty) Business Days of receipt of the relevant Measurement Request, and the provisions of Conditions 15.4.1 to 15.4.4 shall apply *mutatis mutandis* in such event.

16. **Distributions**

Unless agreed to in advance by the Holders by Extraordinary Resolution, the Issuer shall not make or commit to make or declare any Distribution of any nature whatsoever in respect of the Ordinary Shares.

17. **Lock-up**

For a period of 90 (ninety days) after the Issue Date:

- 17.1 the Issuer shall not issue or commit to issue any Ordinary Shares, other than Permitted Issues; and
- 17.2 no Current Major Shareholder as at the Issue Date shall Dispose of or transfer, or commit to Dispose of or transfer, any Ordinary Shares held by it as at the Issue Date, and the Issuer will not register any transfer of Ordinary Shares in breach of the provisions of this Condition 17.2.

18. **Replacement of Certificates**

If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Agent on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

19. **Transfer of Preference Shares**

- 19.1 In order for any transfer of Preference Shares to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 19.1.1 the transfer of such Preference Shares must be embodied in a Transfer Form;

- 19.1.2 the Transfer Form must be signed by the registered Holder and the transferee, or any authorised representative of that registered Holder and/or transferee; and
- 19.1.3 the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the relevant Certificate, if any, for cancellation.
- 19.2 Transfers of Preference Shares recorded in the Register will only be in a price equal to or greater than the minimum issue price of the Preference Shares. The transfer of Preference Shares recorded in the Register may be transferred in whole or in part.
- 19.3 Subject to the preceding provisions of this Condition 19, the Transfer Agent will, within 5 (five) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), record the transfer of Preference Shares in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Certificate, if applicable, in respect of such Preference Shares reflecting the same Issue Price as the Preference Shares transferred. Where a Holder has transferred part only of his holding of Preference Shares represented by a Certificate, the Transfer Agent will authenticate and deliver to such Holder at the Transfer Agent's Specified Office or, at the risk of such Holder, send by mail to such address as such Holder may request, a new Certificate in respect of the balance of the Preference Shares held by such Holder.
- 19.4 The transferor of any Preference Shares will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 19.5 Before any transfer of any Preference Shares is registered, all relevant transfer Taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Transfer Agent reasonably requires as to the identity and title of the transferor and the transferee.
- 19.6 No transfer of any Preference Shares will be registered (i) while the Register is closed as contemplated in Condition 20.2, or (ii) where a Conversion Notice has been delivered by a Holder pursuant to these Conditions.
- 19.7 If a transfer of any Preference Shares is registered, the Transfer Form and cancelled Certificate, if any, will be retained by the Transfer Agent.

20. Register

- 20.1 The Register will be kept at the Specified Office of the Transfer Agent. The Register will contain the name, address and bank account details of the registered Holders. The Register will set out the Issue Price of the Preference Shares issued to any Holder and will show the date of such issue and the date upon which the Holder became registered as such. The Register will show the serial numbers of the Certificates issued. The Register will be open for inspection during the normal business hours of the Transfer Agent to any Holder or any person of proven identity authorised in writing by any Holder. The Issuer and the Transfer Agent will not be bound to enter any trust into the Register or to take any notice of or to accede to the

execution of any trust (express, implied or constructive) to which any Preference Share may be subject.

- 20.2 To be recorded in the Register on the Record Date, the trade must take place on the Last Day to Trade. The Register will be closed during the 5 (five) Business Days preceding each Record Date, from 17h00 (South African time) on the Last Day to Trade in order to update the Register and have it in final form on the Record Date.
- 20.3 The Transfer Agent will alter the Register in respect of any change of name, address or bank account number of any of the Holders of which it is notified.

21. Notices

- 21.1 All notices (including all demands or requests under these Terms and Conditions) to the Holders will be valid if mailed by registered post or delivered by hand to their addresses appearing in the Register. Each such notice will be deemed to have been given on the day of first publication or delivery by hand or on the 5th (fifth) Business Day after the day on which it is mailed, as the case may be.
- 21.2 Where any provision of these Terms and Conditions requires notice to be given to the Holders of any matter other than a meeting of Holders, such notice will be given *mutatis mutandis* as set out in Condition 21.1, subject to compliance with any other time periods prescribed in the provision concerned.
- 21.3 All notices (including all communications, demands and/or requests under these Terms and Conditions) to be given by any Holder to the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be, will be in writing and given by delivering the notice, by hand or by registered post, together with a certified copy of the relevant Certificate, if any, to the Specified Office of the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be. Any notice to the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be, will be deemed to have been received by the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be, on the 5th (fifth) Business Day after being delivered by hand to the Specified Office of the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be, or on the 10th (tenth) Business Day after the day on which it is mailed by registered post to the Specified Office of the Issuer, the Calculation Agent, the Conversion Agent or the Transfer Agent, as the case may be.

22. Meetings of Holders and Voting

22.1 Voting

- 22.1.1 The Holder shall be entitled to receive notice of and attend any meeting of the shareholders of the Issuer but shall not (in its capacity as Holder) be entitled to vote, either in person by representation or by proxy, at any such meeting by virtue of or in respect of the Preference Shares, except:

- 22.1.1.1 if any Preference Dividend or part thereof (whether declared or not) remains in arrear and unpaid for a period of 5 (five) Business Days after the scheduled or due date for payment; or
- 22.1.1.2 in respect of a resolution which directly affects any of the rights attached to the Preference Shares or the interests of the Holder or purports to amend the preferences, rights, limitations and other terms associated with the Preference Shares; or
- 22.1.1.3 if any Redemption Amount is in arrears and unpaid.
- 22.1.2 If the Holder is entitled to vote in terms of Condition 22.1.1, then each Preference Share shall confer on the holder thereof 1 (one) vote per Preference Share on a poll, provided that the total number of votes conferred on all Holders shall not in aggregate exceed 24.99% (twenty four point nine nine percent) of all the votes in respect of all the issued Ordinary Shares.

22.2 **Modification of Rights**

The Issuer shall not be entitled to:

- 22.2.1 vary, amend, delete, add to, alter or cancel any of the rights or privileges of the Holder or any of the terms or conditions applicable to the Preference Shares; or
 - 22.2.2 issue any shares which in any way rank in priority to the Preference Shares, whether in relation to dividends, Distributions, rights on winding up, voting rights or otherwise,
- unless approved by the Holders by way of an Extraordinary Resolution.

23. **Conversion Agent, Calculation Agent and Transfer Agent**

- 23.1 The Issuer is entitled to vary or terminate the appointment of the Conversion Agent, Calculation Agent and/or the Transfer Agent and/or to appoint additional or other agents.
- 23.2 There will at all times be a Conversion Agent, Transfer Agent and Calculation Agent with a Specified Office. The Conversion Agent, Transfer Agent and the Calculation Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Holders.

24. **Conversion of Preference Shares**

24.1 **Conversion Period and Conversion Price**

- 24.1.1 Subject to any right that may be afforded the Issuer to elect to satisfy the exercise of Conversion Rights by making a cash payment, or procuring that such payment is made on its behalf, or as otherwise provided in these Terms and Conditions, each Preference Share shall entitle the Holder to convert such Preference Share into new Ordinary Shares credited as fully paid ("**Conversion Right**").

- 24.1.2 Subject to the provisions of Condition 24.1.4, the number of Ordinary Shares into which the Preference Shares will convert upon the exercise of a Conversion Right shall be determined by dividing the Issue Price of the Preference Shares to be converted by the conversion price ("**Conversion Price**") in effect on the relevant Conversion Date.
- 24.1.3 The Conversion Price as at the Issue Date is the Base Conversion Price. The Conversion Price is subject to adjustment in the circumstances described in Condition 24.2.
- 24.1.4 A Holder may exercise the Conversion Right in respect of a Preference Share that has not already been redeemed by delivering the Certificate, if any, in respect of such Preference Share to the Specified Office of the Conversion Agent in accordance with Condition 24.8 whereupon the Issuer shall (subject as provided in these Terms and Conditions) procure the conversion of such Preference Share into the relevant number of Ordinary Shares as provided in this Condition 24.
- 24.1.5 Subject to and as provided in these Terms and Conditions, the Conversion Right in respect of a Preference Share may be exercised, at the option of the Holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from the 43rd (forty third) day after the Issue Date (being [12 January 2016]) to the close of business (at the place where the relevant Preference Share is delivered for conversion) on the date falling 10 (ten) Business Days prior to the Final Scheduled Redemption Date (both days inclusive) or, if such Preference Share is to be redeemed as a consequence of the happening of an Adjustment Event prior to the Final Scheduled Redemption Date, then up to the close of business (at the place aforesaid) on the 10th (tenth) Business Day before the date fixed for redemption thereof as a consequence of the happening of such Adjustment Event, unless there shall be a default in making payment in respect of such Preference Share on such date fixed for redemption, in which event the Conversion Right shall extend up to the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given or, if earlier, the Final Scheduled Redemption Date, provided that, in each case, if the final such date for the exercise of Conversion Rights is not a Business Day, then the period for exercise of Conversion Rights by Holders shall end on the immediately preceding Business Day.
- 24.1.6 Conversion Rights may not be exercised:
- 24.1.6.1 following the giving of notice by a Holder pursuant to Condition 14; or
- 24.1.6.2 in circumstances where the relevant Conversion Date would fall during the period commencing on the Last Day to Trade in respect of any payment of the Preference Dividend on the Preference Shares and ending on the relevant Dividend Date (both days inclusive).
- 24.1.7 The period during which Conversion Rights may (subject as provided below) be exercised by a Holder as set out in Conditions 24.1.5 and 24.1.6 is the "**Conversion Period**".
- 24.1.8 Conversion Rights may only be exercised in respect of the whole of a Preference Share.

24.1.9 A Holder will not be entitled to a fraction of an Ordinary Share and no cash payment or other adjustment will be made in lieu thereof. Any fractions of Ordinary Shares will be rounded down to the nearest whole number of Ordinary Shares. However, if the Conversion Rights in respect of more than one Preference Share are exercised at any one time, the number of Ordinary Shares into which the Preference Shares convert shall be calculated on the basis of the aggregate Issue Price of such Preference Shares being so converted and rounded down to the nearest whole number of Ordinary Shares.

24.1.10 Any Additional Ordinary Shares to be issued pursuant to Condition 24.3 will be deemed to be issued or delivered as of the relevant Reference Date.

24.2 **Adjustment of Conversion Price**

24.2.1 Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

24.2.1.1 **Consolidation or Subdivision**

If and whenever there shall be a consolidation or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation or subdivision, as the case may be, takes effect.

24.2.1.2 **Capitalisation of Profits**

If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves other than (i) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Distribution in cash which the Shareholders would or could otherwise have elected to receive or (ii) where the Shareholders may elect to receive a Distribution in cash in lieu of such Ordinary Shares, or (iii) where any such Ordinary Shares are or are expressed to be issued in lieu of a Distribution (whether or not a cash Distribution equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by

multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

24.2.1.3

Non-Cash Distribution

If and whenever the Issuer shall pay or make any Non-Cash Distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date (contemplated in Conditions 1.40.3 and 1.40.6) by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of 1 (one) Ordinary Share on the Dealing Day immediately preceding the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Non-Cash Distribution attributable to 1 (one) Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Non-Cash Distribution by the number of Ordinary Shares entitled to receive the relevant Non-Cash Distribution (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Non-Cash Distribution is capable of being determined as provided herein.

24.2.1.4

Cash Distributions

24.2.1.4.1

If and whenever the Issuer shall pay any Cash Distributions to the Shareholders where the Effective Date falls on or after the Issue Date and

prior to the Final Scheduled Redemption Date, the Conversion Price shall, unless the Issuer makes a Pass Through Election as described in Condition 7.6 and pays the Additional Preference Dividend, be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date (contemplated in Condition 1.40.2) by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of 1 (one) Ordinary Share on the Effective Date; and
- B is the aggregate Cash Distribution attributable to 1 (one) Ordinary Share, with such portion being determined by dividing the aggregate Cash Distribution by the number of Ordinary Shares entitled to receive the Cash Distribution.

Such adjustment shall become effective on the Effective Date.

24.2.1.4.2 For the purposes of this Condition 24.2.1.4, Fair Market Value shall (subject as provided in 1.35.1 of the definition of "**Distribution**" and in the definition of "**Fair Market Value**") be determined as at the Effective Date (contemplated in Condition 1.40.1).

24.2.1.4.3 In making any calculations for the purposes of this Condition 24.2.1.4, such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the financial year of the Issuer in question, (ii) any change in the financial year of the Issuer, or (iii) any adjustment to the Conversion Price made in financial year of the Issuer in question.

24.2.1.5 **Rights, options or other rights: Ordinary Shares**

If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95% (ninety five percent) of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force on the Dealing Day immediately prior to the Effective Date (contemplated in Condition 1.40.4) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Dealing Day immediately preceding the Effective Date;
- B is the number of Ordinary Shares, which is the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares to be issued which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date (contemplated in Condition 1.40.4).

24.2.1.6

Other Securities

24.2.1.6.1

If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other right to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date (contemplated in Condition 1.40.5) by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of 1 (one) Ordinary Share immediately preceding the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to 1 (one) Ordinary Share.

Such adjustment shall become effective on the Effective Date (contemplated in Condition 1.40.5).

24.2.1.7

Ordinary Shares: discount to Market Price

If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 24.2.1.4) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of any rights of conversion into, or exchange or subscription for or purchase of Ordinary Shares) or issue or grant (otherwise than as mentioned in Condition 24.2.1.4 above) wholly for cash or for no consideration any options, warrants or other right to subscribe for or purchase any Ordinary Shares (other than the Preference Shares) in each case at a price per Ordinary Share which is less than 95% (ninety five percent) of the Current Market Price per Ordinary Share on (or, if that is not a Dealing Day, the immediately preceding Dealing Day) the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights; and
- B is the number of Ordinary Shares, which is the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

24.2.1.8

Securities with rights of conversion

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in Conditions 24.2.1.5, 24.1.6 or 24.2.1.7) shall issue wholly for cash or for no consideration any Securities (other than the Preference Shares), which by their terms of issue carry (directly or indirectly) rights of conversion into or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be re-designated as Ordinary Shares, and the consideration per Ordinary Share receivable upon

conversion, exchange, subscription or re-designation is less than 95% (ninety five percent) of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant) (or, if that day is not a Dealing Day, the immediately preceding Dealing Day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grants) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired); and
- B is the number of Ordinary Shares, which is the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon the exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such re-designation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such re-designation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this Condition 24.2.1.8 the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are re-designated or at such other time as may be provided) then, for the purposes of this Condition 24.2.1.8, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, re-designation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

24.2.1.9

Modification

If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Preference Shares) as are mentioned in Condition 24.2.1.8 (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95% (ninety five percent) of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification (or, if that is not a Dealing Day, the immediately preceding Dealing Day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (b)(vii) above,

provided that if at the time of such modification (as used in this Condition 24.2.1.9 the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the

occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this Condition 24.2.1.9, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

24.2.1.10

Securities: discount to market price

If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which Shareholders, as a class, are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 24.2.1.2, 24.2.1.3, 24.2.1.5, 24.2.1.7, 24.2.1.8 or 24.2.1.11 (or would fall to be so adjusted if the relevant issue or grant was at less than 95% (ninety five percent) of the Current Market Price per Ordinary Share on the relevant Dealing Day) or under Condition 24.2.1.4.1) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of 1 (one) Ordinary Share on the Dealing Day immediately preceding the date on which the terms of such offer are first publicly announced (or, if such date is not a Dealing Day, the immediately preceding Dealing Day); and
- B is the Fair Market Value on the date of such announcement (or, if that is not a Dealing Day, the immediately preceding Dealing Day) of the portion of the relevant offer attributable to 1 (one) Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

24.2.1.11

Change of Control

If a Change of Control occurs, then upon any exercise of Conversion Rights during the Change of Control Period, the Conversion Price ("**Change of Control Conversion Price**") shall be determined as set out below:

$$\text{COCCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

where:

- COCCP is the Change of Control Conversion Price;
- OCP is the Conversion Price in effect on the relevant Conversion Date;
- CP is $[\bullet]\%$ ($[\bullet]$ percent) (expressed as fraction);
- c is the number of days from and including the date the Change of Control occurs to but excluding the Final Scheduled Redemption Date; and
- t is the number of days from and including the Issue Date to but excluding the Final Scheduled Redemption Date.

24.2.1.12

Other adjustment

If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 24.2) (even if the relevant circumstance is specifically excluded from the operation of Conditions 24.2.1.1 to 24.2.1.7), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 24.2.1.8 if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

24.2.2

Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Condition 24.2 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

24.2.3

For the purpose of any calculation of the consideration receivable or price pursuant to Conditions 24.2.1.5, 24.2.1.7, 24.2.1.8 and 24.2.1.9, the following provisions shall apply:

24.2.4

the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

24.2.4.1

(x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities

shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate; and

24.2.4.2 in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith.

24.3 **Retroactive Adjustments**

If the Registration Date in relation to the conversion of any Preference Share shall be after the record date in respect of any consolidation or sub-division as is mentioned in Condition 24.2.1.1, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Conditions 24.2.1.2, 24.2.1.3, 24.2.1.4, 24.2.1.6 or 24.2.1.11, or after any such issue or grant as is mentioned in Conditions 24.2.1.7 and 24.2.1.8, in circumstances where the relevant Conversion Date falls before the relevant adjustment (if any) to the Conversion Price becomes effective under Condition 24.2 (such adjustment, a "**Retroactive Adjustment**"), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Holder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) ("**Additional Ordinary Shares**") as, together with the Ordinary Shares issued on conversion of the relevant Preference Share (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued on conversion of such Preference Share if the relevant adjustment to the

Conversion Price had been made and become effective immediately prior to the relevant Conversion Date; provided that in the case of a Retroactive Adjustment arising in respect of any such consolidation, the number of Ordinary Shares to be issued to the relevant Holder shall be reduced to that number of Ordinary Shares into which the Preference Shares would have converted if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.

24.4 **Decision of an Independent Financial Adviser**

If any doubt shall arise as to whether an adjustment fails to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.

24.5 **Share or Option Schemes**

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors of the Issuer holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

24.6 **Rounding Down and Notice of Adjustment of Conversion Price**

- 24.6.1 On any adjustment, the resultant Conversion Price, if not an integral multiple of ZAR0.01 (one cent), shall be rounded down to the nearest whole multiple of ZAR0.01 (one cent). No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1% (one percent) of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.
- 24.6.2 Notice of any adjustments to the Conversion Price shall be given by the Issuer to Holders promptly after the determination thereof.
- 24.6.3 The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below any minimum level permitted by Applicable Laws.

24.7 **Change of Control**

24.7.1 Within 14 (fourteen) days after the Issuer has become aware of a Change of Control, the Issuer shall give notice thereof to the Holders ("**Change of Control Notice**"). Such notice shall contain a statement informing Holders of their entitlement to exercise their Conversion Rights as provided in these Terms and Conditions, and that failing such conversion within the Change of Control Period, that the Issuer will redeem the Preference Shares.

24.7.2 The Change of Control Notice shall also specify:

24.7.2.1 all information material to Holders concerning the Change of Control;

24.7.2.2 the Conversion Price immediately prior to the occurrence of the Change of Control and the Conversion Price applicable pursuant to Condition 24.2 during the Change of Control Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Change of Control;

24.7.2.3 the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;

24.7.2.4 the last day of the Change of Control Period; and

24.7.2.5 such other information relating to the Change of Control as the Holders may reasonably require.

24.8 **Procedure for exercise of Conversion Rights**

24.8.1 Conversion Rights may be exercised by a Holder during the Conversion Period by delivering the Certificate, if any, in respect of relevant Preference Share to the Specified Office of the Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion ("**Conversion Notice**") in the form (for the time being current) obtainable from the Conversion Agent. Only one Conversion Notice may be delivered by a Holder during each Calendar Month during the Conversion Period. Conversion Rights shall be exercised subject in each case to any applicable Tax, fiscal or other laws or regulations applicable in South Africa.

24.8.2 If such delivery is made after the end of normal business hours or on a day which is not a Business Day, such delivery shall be deemed for all purposes of these Terms and Conditions to have been made on the next following Business Day.

24.8.3 Conversion Rights may only be exercised in respect of a whole Preference Share. Where Conversion Rights are exercised in respect of some only of the Preference Shares represented by a single Certificate, the old Certificate shall be cancelled and a new Certificate for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any Taxes, duties and other governmental charges payable in

connection therewith in the place of the Specified Office of the Transfer Agent, and the Transfer Agent will within 5 (five) Business Days following the relevant Conversion Date, deliver such new Certificate to the Holder at the Specified Office of the Transfer Agent or (at the risk and, if mailed (at the request of the Holder) otherwise than by ordinary mail, at the expense of the Holder) mail a new Certificate by uninsured mail to such address as the Holder may request.

- 24.8.4 A Conversion Notice, once delivered, shall be irrevocable.
- 24.8.5 The conversion date in respect of a Preference Share ("**Conversion Date**") shall be the Business Day immediately following the date of the delivery of the Certificate in respect of the Preference Shares and the Conversion Notice, and (if applicable) the making of any payment to be made as provided in Condition 24.8.6.
- 24.8.6 A Holder exercising a Conversion Right must pay directly to the relevant authorities any Taxes that may be payable arising on conversion and redemption of a Preference Share and capital, stamp, issue and registration and transfer Taxes and duties arising on conversion of a Preference Share, provided that the Issuer shall be liable for any securities transfer tax, issue and registration and transfer Taxes and duties payable in South Africa in respect of the issue or transfer and delivery of any Ordinary Shares on such conversion (including any Additional Ordinary Shares). Such Holder must also pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Preference Share or the Preference Dividend thereon in connection with such conversion.
- 24.8.7 Ordinary Shares into which Preference Shares are converted will be delivered to the Holder in uncertificated form through the securities trading system operated by Strate Proprietary Limited ("**Strate**"), or any successor licensed clearance and settlement facility of Strate (applicable to the Ordinary Shares).
- 24.8.8 The Issuer will procure the delivery of the Ordinary Shares to the Strate account specified by the relevant Holder in the relevant Conversion Notice as soon as possible and in any event within 15 (fifteen) Business Days after the relevant Conversion Date (or, in the case of any Additional Ordinary Shares, not later than 15 (fifteen) Business Days following the Reference Date).
- 24.8.9 In addition, a Holder exercising Conversion Rights for delivery into Strate will be required to certify, represent and agree in the relevant Conversion Notice either:
- 24.8.9.1 that such Holder is not a resident of South Africa within the meaning of the Exchange Control Regulations 1961 (as may be amended from time to time) of South Africa promulgated under the Currency and Exchanges Act, 1933 (as amended) of South Africa and that all exchange control approvals required under Applicable Laws of South Africa in connection with the exercise of Conversion Rights by such Holder have been obtained and are in full force and effect; or

24.8.9.2 that no exchange control approvals are required under Applicable Laws of South Africa in connection with the exercise of such Conversion Rights by such Holder upon such exercise,

and shall be required to provide evidence reasonably satisfactory to the Issuer as to the applicability of 24.8.9.1 or 24.8.9.2, as the case may be. The Issuer will (if applicable) procure that the relevant Ordinary Shares are endorsed "*Non Resident*" for the purposes of South African exchange control laws and regulations.

24.9 **Conversion Mechanics**

24.9.1 If a Holder exercises a Conversion Right pursuant to these Terms and Conditions, the Preference Shares will automatically convert into the required number of Ordinary Shares on the Business Day that is 5 (five) Business Days after the Conversion Date. Should for any reason it not be competent or lawful for the Preference Shares to automatically convert into the required number of Ordinary Shares, then:

24.9.1.1 the Issuer has an obligation to redeem the Preference Shares in cash in an amount equal to the Issue Price of the Preference shares to be converted ("**Cash Redemption Amount**"), in addition to various other amounts comprising the Redemption Amount;

24.9.1.2 the Holder becomes obliged to pay a subscription price in cash to the Issuer in consideration for the Ordinary Shares to be allotted to it by the Issuer, in an amount equal to the Cash Redemption Amount;

24.9.1.3 on the Conversion Date the Issuer shall retain the Cash Redemption Amount, which shall discharge (i) the Issuer's obligation in terms of Condition 24.9.1.1, and (ii) the Holder's obligation in terms of Condition 24.9.1.2; and

24.9.1.4 the Issuer shall allot and issue the Ordinary Shares (including any Additional Ordinary Shares) and register the relevant Holder (or its nominee) in the register of shareholders of the Issuer on the Business Day that is 5 (five) Business Days after the Conversion Date.

24.9.2 The Issuer shall remain liable for payment to the Holder of the other amounts comprising the Redemption Amount, other than the Issue Price.

24.10 **Ranking**

24.10.1 Ordinary Shares (or any Additional Ordinary Shares) upon conversion of the Preference Shares will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Registration Date, except in any such case for any right excluded by mandatory provisions of Applicable Law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, distributions or

payments, the record date or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

- 24.10.2 If the record date or other due date for establishment or entitlement for the payment of any dividend or other distribution in respect of the Ordinary Shares (or any Additional Ordinary Shares) upon conversion of the Preference Shares is on or after the Conversion Date in respect of any Preference Share but before the Registration Date (other than and to the extent that it results in any adjustment (retroactive or otherwise) to the number of Ordinary Shares to which a converting Holder is entitled under Condition 24.2.1), the Issuer will pay to the Holder who has exercised his Conversion Right, in lieu of such dividend or distribution, an amount in ZAR ("**Equivalent Amount**") equal to any such dividend or other distribution to which such Holder would have been entitled had the Holder, on that record date or other due date for establishment of entitlement, been such a shareholder of record of such Ordinary Shares on that date and will make the relevant payment to the relevant Holder at the same time that it makes payment of the dividend or other distribution.

24.11 **Purchase or Redemption of Ordinary Shares**

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Holders.

24.12 **Consolidation, Amalgamation or Merger**

In the case of any consolidation, amalgamation or merger of the Issuer with any other company (other than a consolidation, amalgamation or merger in which the Issuer is the continuing company), or in the case of any sale or transfer of all, or substantially all, of the assets of the Issuer, the Issuer will forthwith give notice thereof to Holders and take such steps as shall be required to ensure that each Preference Share then outstanding will (during the period in which Conversion Rights may be exercised) be convertible into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary Shares into which the Preference Shares would have converted upon exercise of Conversion Rights immediately prior to such consolidation, amalgamation, merger, sale or transfer. The above provisions of this Condition 24.12 will apply, *mutatis mutandis* to any subsequent consolidations, amalgamations, mergers, sales of transfers.

25. **Governing law**

The Terms and Conditions are governed by, and will be construed in accordance with, the laws of South Africa.

USE OF PROCEEDS

The Issuer will use the net proceeds of the Preference Shares as operating capital for the purposes of acquiring whether directly or indirectly investments of whatsoever nature within its investment framework.

This is in line with the Issuer's strategy to find opportunities both domestically and through expansion into Africa by purchasing controlling and non-controlling equity stakes. As such the funds raised will be used to fund value enhancing opportunities within South Africa, Africa and the Issuer's core existing portfolio.

INFORMATION RELATING TO THE ISSUER

1. History, Strategy and Prospects

1.1 History and Prospects

1.1.1 Stellar Capital Partners Limited ("**Issuer**") is an investment holding company listed on the JSE Main Board focused on investing in listed and unlisted assets.

1.1.2 The Issuer's investment team works with management teams in portfolio companies to create and unlock value, with a view to building market-leading businesses and ultimately delivering superior returns to shareholders.

1.1.3 The Issuer's incorporation involved the conclusion of several shareholder approved transactions to convert ConvergeNet Holdings Limited ("**CVN**") to the listed investment vehicle through which the Issuer's strategy could be implemented.

1.1.4 Cautionaries were withdrawn in September 2014 when the detailed plans were announced regarding the establishment of the Issuer which included the disposal of remaining CVN operating assets, the acquisition of an initial investment portfolio, certain board changes, JSE sector change and the intention to raise R150m through a private placement of new ordinary shares.

1.1.5 The combination of strong management and the backing of the Wiese family, led to an oversubscribed private placement in January 2015, facilitating the entry of strong, strategic and institutional shareholders, including the Wiese family, Investec Asset Management, Nedbank Wealth and Momentum Asset Management, amongst others.

1.1.6 Since then, the Issuer's investment team has focused both on its initial portfolio, agreeing terms for the realization of value of 3 of its initial 4 investments and concluding the acquisition of initial stakes in a further 4 investments, establishing three core investment platforms; Industrials, Information and Communications Technology ("**ICT**") and Financial Services.

1.1.7 Through this process, the Issuer's net asset value grew from R200 000 000 to R534 000 000 as at its interim reporting period ending 31 May 2015. Further to this, it is anticipated that net asset value will increase to approximately R1 470 000 000 following the completion of currently announced corporate transactions; the acquisition of remaining shares of Cadiz Holdings Limited and establishment of a c.46% shareholding (anticipated closing early November 2015), the disposal of shares in Digicore Holdings Limited to Novatel Wireless Incorporated (closed September 2015) and the acquisition of a 34.62% holding in Torre Industries Limited (anticipated closing October 2015).

1.1.8 Following the successful establishment of the Issuer, the initial capital raise of R150m, and realization of value creation in the initial portfolio, the Issuer now intends to raise R1bn in new capital for investment purposes ("**Capital Raise**").

1.1.9 The proceeds from the capital raise will primarily be applied towards the Issuer's immediate

pipeline investments which include:

- 1.1.9.1 investment in certain proprietary high-yielding credit funds;
- 1.1.9.2 follow-on investment in existing platform investments; and
- 1.1.9.3 further large strategic investments targeted for 2016 that will enhance the scale and quality of the Issuer's portfolio.
- 1.1.10 Additionally, further investment opportunities exist in each of the existing portfolio companies and the Issuer is currently investigating a number of new opportunities, outside of the portfolio, that will add additional scale and diversity to the investment portfolio.
- 1.1.11 Through their deep networks in Southern Africa, access to funding and proprietary deal flow, and strong management team with a demonstrable track record in generating exceptional shareholder returns, the Issuer management believe they are well positioned to generate superior returns for shareholders in the long term.

1.2 **Strategy**

- 1.2.1 The investment strategy of the the Issuer, as detailed in the Issuer's investment charter (formally approved by the board of directors of the Issuer ("**Board**") on 3 December 2014), encompasses the following objectives:
 - 1.2.1.1 grow a portfolio of equity, debt and hybrid securities, unconstrained by any particular market or sector, in listed and unlisted businesses, that will generate above average returns on capital for the Issuer's shareholders;
 - 1.2.1.2 apply a hands-on investment approach, in order to assist management teams and to provide strategic input, without assuming direct operational responsibility;
 - 1.2.1.3 apply a flexible investment approach relating to the timing and duration of investments;
 - 1.2.1.4 actively engage with investee companies in relation to their corporate activity and other strategic initiatives; and
 - 1.2.1.5 leverage the existing network of the the Issuer investment team to create a unique, well-diversified investment vehicle which will be an attractive proposition for institutional investors.
- 1.2.2 In furtherance of this strategy, the Issuer intends to undertake acquisitions as and when opportunities that meet the Issuer's investment criteria are identified.

2. **Legal Status**

- 2.1 The financial year-end of the Issuer is 30 November.
- 2.2 The annual audited financial statements of the Issuer are prepared in accordance with IFRS, the Listings Requirements of the JSE and the requirements of the Companies Act.

2.3 Registered office

3rd Floor, The Terraces
25 Protea Road
Claremont
Cape Town, 7708
(Suite 54, Dixon Street, Cape Town, 8001)
Tel: (+27) 21 657 8760

2.4 Share code: SCP

2.5 ISIN code: ZAE000198586

3. **Management and Control**

3.1 The members of the board of directors of the Issuer at 22 October 2015 are:

3.1.1 DD Tabata (Chairman, Non-executive, Independent)

3.1.2 CE Pettit (Chief Executive Officer)

3.1.3 CB de Villiers (Chief Financial Officer)

3.1.4 PJ van Zyl (Non-executive)

3.1.5 L Mangope (Non-executive, Independent)

3.1.6 CJ Roodt (Non-executive, Independent)

3.1.7 J de Bruyn (Non-executive, Independent)

3.1.8 CC Wiese (Non-executive, Independent)

3.1.9 CH Wiese (Alternate to CC Wiese)

3.2 Company Secretary

3.2.1 The Secretarial Company

c/o Caroline du Preez

3.3 Board committees

3.3.1 Audit and Risk Committee

3.3.2 Remuneration Committee

3.3.3 Nominations Committee

3.3.4 Investment Committee

3.3.5 Social and Ethics Committee

3.4 Ad hoc committees are formed from time-to-time as circumstances dictate

4. **Corporate Governance**

4.1 The Issuer endorses the principles contained in the King III Report on Corporate Governance ("**King III**") and confirms its commitment to the principles of fairness, accountability, responsibility and transparency as advocated therein.

4.2 The Board strives to ensure that the Issuer is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices and conduct.

5 **Board of directors**

5.1 The Board is based on a unitary structure and exercises full and effective control over the Issuer. It comprises eight members, being five independent non-executive directors, one non-executive director and two executive directors.

5.2 The Board is:

5.2.1 guided by the letter and spirit of the values expressed in King III and the JSE Listings Requirements;

5.2.2 responsible for actively reviewing and enhancing the Issuer's system of internal control and governance on a continuous basis to ensure that the Issuer is managed ethically and within prudently determined risk parameters;

5.2.3 committed to the maintenance of independence when deciding on matters relating to strategy, performance, resources and standards of conduct;

5.2.4 committed to sustainable value creation for all identified stakeholders; and

5.2.5 responsible for the integrity of the integrated reporting and for overseeing all sustainability issues.

5.3 The directors as at the Last Practicable Date are those listed above. The Board comprises a majority of non-executive directors who bring specific investment skills and experience to the Board. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with the requirements of the Companies Act, JSE Listings Requirements and King III.

5.4 In terms of the Memorandum of Incorporation one-third of the directors rotate at the annual general meeting.

5.5 The Board is responsible for monitoring and reporting on the effectiveness of the Issuer's systems of internal control. It is assisted by the audit and risk committee in the discharge of this responsibility.

5.6 The non-executive directors derive no benefit other than their fees and emoluments as proposed by

the Board through the remuneration and nomination committees and approved by shareholders at the Issuer's annual general meeting. Any additional benefits are disclosed in the Issuer's integrated annual report.

6 The Chairman

6.1 The Chairman's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focussed and operates as a cohesive unit. Mr. Dumisani Tabata is the independent non-executive Chairman of the Issuer and his role is separate from that of the Chief Executive Officer ("CEO").

6.2 Mr. Tabata provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions. He is also the Chairman of the Social & Ethics Committee, and the Nomination Committee. As Chairman of the Board, he is also responsible for the annual appraisal of the CEO's performance and oversees the Board's formal succession plan. Although the Board evaluates the performance and independence of the Chairman annually, the role of the Chairman is not re-elected annually, but rather as and when required.

7 The Chief Executive Officer

7.1 The CEO reports to the Board and is responsible for the day-to-day management of the Issuer and implementation of policies and strategies approved by the Board. Board authority conferred on management is delegated through the CEO, against approved authority levels.

7.2 Charles Pettit's role changed from non-executive director to CEO with effect from 5 October 2015.

7.3 Peter van Zyl was appointed on 21 November 2013 as CEO. His role changed to non-executive director on 5 October 2015.

8 Non-executive directors

8.1 All members of the Board have a fiduciary responsibility to represent the best interest of the Issuer and all of its stakeholders. The Issuer's independent non-executive directors are experienced individuals of high calibre and credibility who make a significant contribution to the Board's deliberations and decisions.

8.2 They have the necessary skill and experience to exercise judgment on matters concerning the Issuer's strategy.

9 Company Secretary

9.1 Caroline du Preez was appointed Company Secretary with effect from 11 May 2015 following the resignation of Warwick van Breda on the same date. The Company Secretary plays a vital role in the corporate governance of the Issuer and is responsible for ensuring Board compliance with procedures and regulations of a statutory nature, and as such, maintains an arm's length relationship with the Board. Ms Du Preez ensures compliance with the JSE Listings Requirements and is responsible for the submission of the annual compliance certificate to the JSE.

- 9.2 The Company Secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the Board and its members, the Issuer itself and, where appropriate the owners of securities in the Issuer, are properly administered. Ms du Preez is the secretary of all of the Board committees.
- 9.3 The Board is satisfied with Ms du Preez's professional experience, performance and technical skills in fulfilling her role as Company Secretary.
- 9.4 Business Address: Empire Park, 55 Empire Service Road, Parktown (Po Box 213, Mulbarton, 2059)
- 9.5 Appointed: 11 May 2015
- 9.6 Professional Qualifications: The Board has satisfied itself that Ms du Preez is suitably qualified and experienced to competently fulfil her role as Company Secretary.
- 9.7 Term of office: No fixed term is in place but subject to the provisions of the Memorandum of Incorporation and the Companies Act.

10 Board processes

- 10.1 The directors have access to the advice and services of the Company Secretary. They are entitled, at the Issuer's expense, to seek independent professional advice about the affairs of the Issuer regarding the execution of their duties as directors.
- 10.2 A Board charter is in place and outlines the responsibilities of the Board as follows:
- 10.2.1 act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Issuer along sound corporate governance principles;
- 10.2.2 retain full and effective control of the Issuer;
- 10.2.3 give strategic direction to the Issuer, both long and short term;
- 10.2.4 monitor management in implementing plans and strategies as approved by the Board;
- 10.2.5 create value through social, economic and environmental performance
- 10.2.6 appoint and evaluate the performance of the CEO;
- 10.2.7 ensure that succession is planned;
- 10.2.8 identify and regularly monitor key risk areas and key performance indicators of the business;
- 10.2.9 ensure that the Issuer complies with relevant laws, regulations and codes of business practice;
- 10.2.10 ensure that the Issuer communicates with shareholders and relevant stakeholders openly and promptly;

- 10.2.11 identify and monitor relevant non-financial matters;
- 10.2.12 establish a formal and transparent procedure for appointment to the Board, as well as a formal orientation programme for incoming directors;
- 10.2.13 regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management;
- 10.2.14 assess the performance of the Board, its committees and its individual members on a regular basis;
- 10.2.15 ensure that the Issuer is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Issuer but also the impact that business operations have on the environment and the society within which it operates;
- 10.2.16 ensure that the Issuer's performance includes that of an economic, social and environmental perspective;
- 10.2.17 ensure that the Issuer's ethics are managed effectively;
- 10.2.18 ensure that the Issuer has an effective and independent audit committee;
- 10.2.19 be responsible for information technology (IT) governance;
- 10.2.20 appreciate that stakeholder's perceptions affect the Issuer's reputation;
- 10.2.21 ensure the integrity of the Issuer's integrated report;
- 10.2.22 monitor the Issuer's compliance with the above;
- 10.2.23 act in the best interests of the Issuer by ensuring that individual directors:
 - 10.2.23.1 adhere to legal standards of conduct;
 - 10.2.23.2 exercise the degree of care, skill and diligence that would be exercised by a reasonable individual;
 - 10.2.23.3 act in good faith and in the manner that the director believes is in the best interests of the Issuer;
 - 10.2.23.4 take independent advice in connection with their duties following an agreed procedure;
 - 10.2.23.5 disclose real or perceived conflicts to the Board and deal with them accordingly;
 - 10.2.23.6 deal in securities only in accordance with the policy adopted by the Board; and
 - 10.2.23.7 commence business rescue proceedings as soon as the Issuer is financially distressed.
- 10.3 The Board charter also addresses issues such as the composition and size of the Board, Board and

committee assessments, Board procedures, matters reserved for Board decision and the frequency and proceedings of Board meetings.

11 Interest in contracts

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest. The procedures around conflict of interests are included in the Board charter and a declaration and conflict of interest policy has been adopted.

12 Directors' dealings in shares

12.1 Directors of the Issuer and its major subsidiaries (if any) may not deal in the Issuer's shares without first advising and obtaining clearance from the Chairman and/or CEO. The CEO and Chief Financial Officer ("**CFO**") may not deal in the Issuer's shares without first advising and obtaining clearance from the Chairman.

12.2 No director or executive may trade in shares of the Issuer during closed periods as defined in the JSE Listings Requirements. The directors of the Issuer keep the Company Secretary advised of all their dealings in securities and details of such dealings are published on SENS in accordance with the JSE Listings Requirements.

13 Board committees

13.1 While the Board remains accountable and responsible for the performance and affairs of the Issuer, it delegates to management and Board committees certain functions to assist it in properly discharging its duties. The Chairman of each Board committee reports at each scheduled meeting of the Board and minutes of Board committee meetings are provided to the Board. Each Board committee functions in accordance with the provisions of the committee terms of reference as approved by the Board.

13.2 Both the directors and the members of the Board committees are supplied with full and timely information that enables them to properly discharge their responsibilities. All directors have unrestricted access to all Issuer information.

13.3 The chairman of each Board committee is required to attend annual general meetings to answer questions raised by shareholders.

14 Non-financial matters

The Issuer subscribes to the highest ethical standards and behaviour in the conduct of its business and related activities, and requires total honesty and integrity from its directors and employees. The Issuer expects its shareholders and partners to subscribe to the same high ethical standards.

15 Communications with stakeholders

The Issuer is committed to ongoing and effective communication with stakeholders. It subscribes to a

policy of open and timeous communication.

16 Employment, development and employment equity

Following the disposal of the Issuer's remaining operating subsidiaries and conversion to an investment entity, the Issuer and its subsidiaries no longer employ any permanent employees, save for the CEO and CFO.

17 Sustainability reporting

17.1 The Issuer is committed to high moral, ethical and legal standards and expects all representatives of the Issuer to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities and to comply with all applicable laws, regulations and the Issuer's policies

17.2 The Board believes that the Issuer adheres to the abovementioned ethical standards.

18 Regulatory Compliance

18.1 Key pieces of legislation that govern certain of the Issuer's business and that of its investees include the Companies Act, Income Tax Act, National Credit Act, 2005, the Consumer Protection Act, 2008, the Financial Advisory and Intermediary Services Act, 2002, the Long Term Insurance Act, 1998 and Basic Conditions of Employment Act, 1997,

18.2 Potential investors are referred to the Issuer's interim financial statements for the period ended 31 May 2015, incorporated herein by reference and available at www.stellarcapitalpartners.co.za, and/or Stellar Capital's registered office.

19 Auditors

Grant Thornton Cape Incorporated is the Issuer's independent external auditor. The Audit & Risk Committee plays an ongoing oversight role in respect of the external audit process to ensure its effectiveness.

20 Key Potential Risks Facing the Business

A summary of some of the major risks and mitigation strategies are set out in the table below:

Risk	Risk Mitigation
Sustainable future growth	<ul style="list-style-type: none"> - Ensure adequate financial performance of the Issuer without compromising prudent accounting standards and policies. - Maximise existing income and revenue streams, identify alternative income streams, expand the Issuer's footprint.
Building and optimising people capacity	<ul style="list-style-type: none"> - Put in place appropriate succession planning, especially for key positions, taking cognisance

	<p>of employment equity, where applicable.</p> <ul style="list-style-type: none"> - Consider appropriate development initiatives.
Optimised technology enablement	<ul style="list-style-type: none"> - Ensure that the Issuer has appropriate IT structures in place that facilitate integration across the Issuer.
Disaster recovery and business recovery	<ul style="list-style-type: none"> - Ensure that IT-specific disaster recovery (DR) and business continuity (BC) processes are in place.
Compliance with new legislation	<ul style="list-style-type: none"> - Ensure that the Issuer remains compliant with the applicable laws that govern the environment in which the Issuer operates. - Continuously review the Issuer policies and procedures to ensure compliance is established and monitor adherence to policies.
Funding and liquidity	<ul style="list-style-type: none"> - Funding, liquidity and interest rate risk is monitored on an ongoing basis at board level.
Investment risk	<ul style="list-style-type: none"> - Ensure that all potential investments are thoroughly evaluated, by making use of industry accepted best practise investment evaluation methodologies. - Potential investments to be approved/or declined by an investment committee after thoroughly interrogating all investment assumptions.
Investment valuation	<ul style="list-style-type: none"> - Ensure that appropriate valuation and accounting methodologies are applied in determining the carrying value of investments for financial and reporting purposes.
Market risk	<ul style="list-style-type: none"> - Ensure that the markets that investee companies and the Issuer operates in are thoroughly understood and that the current macro and micro market conditions are continually monitored.

SETTLEMENT AND TRANSFERS

The Preference Shares will be evidenced by a Certificate and will be registered in the name of the individual Holders in the Register of Holders.

Preference Shares may be transferred only in accordance with the Conditions.

Payments in respect of Preference Shares will be made in accordance with Condition 9, to the person reflected as the registered Holder thereof in the Register on the Record Date in respect of the payment, in immediately available and freely transferable funds, in Rand by electronic funds transfer, to the bank account of the Holder as set forth in the Register at 17h00 (South African time) on the Record Date preceding the date of payment or, in the case of joint Holders, the account of that one of them who is first named in the Register in respect of that Preference Share.

SOUTH AFRICAN TAXATION

Residents

A natural person is a resident of South Africa for tax purposes if (i) he is ordinarily resident in South Africa, or (ii) he is not ordinarily resident in South Africa but is physically present in South Africa for certain periods specified in the Income Tax Act. A juristic person is a resident of South Africa for tax purposes if it is incorporated, established or formed in South Africa or if it has its place of effective management in South Africa.

A person is not tax resident in South Africa if the person is exclusively tax resident in another jurisdiction by virtue of a double taxation agreement between South Africa and another jurisdiction.)

South African tax residents are subject to South African Tax on their worldwide income and capital gains. A non-resident is subject to South African Tax only in respect of income derived from a South African source and on capital gains on immovable property in South Africa and assets pertaining to a permanent establishment in South Africa.

Dividends paid by a South African company are deemed to be from a South African source.

The Issuer

The Issuer is a South African tax resident and is accordingly subject to South African Tax.

Dividends Tax

Dividends are subject to a South African Dividends Tax, which is a withholding Tax (which is currently levied at a rate of 15%). Currently the Income Tax Act contains various exemptions from the withholding Tax, notably that a company which is a resident for South African Tax purposes is not subject to that Tax.

A Holder which is not a resident for South African Tax purposes could qualify for a reduced rate of withholding Tax in terms of double tax agreement concluded between the country of that Holder's tax residence and South Africa.

Taxation of capital gains and losses*South African resident shareholders – general*

A disposal of shares by an individual shareholder who is resident in South Africa for Tax purposes may give rise to a gain (or loss) for the purposes of capital gains Tax. The capital gain (or loss) on disposal of the shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost in the shares will generally be the consideration paid for those shares. The base cost in the shares may be increased by one-third of any interest incurred to finance the cost of acquiring the shares, and other direct costs incurred in acquiring the shares (for example broker's fees and securities transfer tax), to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income.

South African resident shareholders – individuals

A gain on a disposal of shares, together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the individual's marginal tax rate (maximum 41% (forty one percent)) to the extent that it exceeds the annual exclusion (ZAR30,000 (thirty thousand rand) for the year of assessment ended 28 February 2016). Only 33.3% (thirty three point three percent) of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 13.65% (thirteen point six five percent).

*South African resident shareholders – corporates**Shareholders who are not South African tax residents*

Shareholders who are not South African tax residents ought not to suffer capital gains tax in South Africa when they dispose of their shares.

A capital gain on a disposal of shares by a corporate shareholder, together with other capital gains, less allowable losses in a year of assessment, is subject to tax at the normal tax rate for companies (currently 28% (twenty eight percent)). Only 66.6% (sixty six point six percent) of the net capital gain is included in taxable income, resulting in a maximum effective tax rate on capital gains of 18.6% (eighteen point six percent).

Securities transfer tax

Securities transfer tax of 0.25% (zero point twenty five percent) of the applicable taxable amount is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security.

EXCHANGE CONTROL

*The comments below are intended as a general guide to the current position under the Exchange Control Regulations, 1961 as promulgated under the Currency and Exchanges Act, 1933 ("**Regulations**") and are not a comprehensive statement of the Regulations. The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective subscriber for, or purchaser of any Preference Shares. Prospective subscribers for, or purchasers of any Preference Shares who are non-South African residents or who are emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the subscription for, or purchase of any Preference Shares.*

Non-South African Resident Holders and Emigrants from the Common Monetary Area

Dealings in the Preference Shares and the performance by the Issuer of its obligations under the Preference Shares, may be subject to the Regulations.

Blocked Rand

Blocked Rand may be used for the subscription for or purchase of Preference Shares. Any amounts payable by the Issuer in respect of the Preference Shares subscribed for or purchased with Blocked Rand may not, in terms of the Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any individual Certificates issued to Holders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed individual Certificates will be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

Any payments of the Preference Dividend and/or principal due to an emigrant Holder will be deposited into such emigrant's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Regulations.

Non-residents of the Common Monetary Area

Certificates issued to Holders who are not resident in the Common Monetary Area will be endorsed "non-resident".

It will be incumbent on any such non-resident to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Preference Shares are to be dealt with. Such funds and dividends may, in terms of the Regulations, be remitted abroad only if the relevant Preference Shares are acquired with foreign currency introduced into South Africa and provided that the relevant Certificate is designated "non-resident".

For the purposes of these paragraphs: the "**Common Monetary Area**" comprises South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland; and "**Blocked Rand**" means funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account.

SUBSCRIPTION AND SALE

The Bookrunner has, pursuant to a subscription agreement concluded with the Issuer ("**Subscription Agreement**"), agreed on behalf of the Issuer to solicit offers for subscription for the Preference Shares. The Bookrunner is entitled to terminate the Subscription Agreement in certain circumstances prior to the issue of the Preference Shares. The Issuer has agreed to indemnify the Bookrunner against certain liabilities in connection with the placing of and subscription for the Preference Shares.

The Preference Shares will be distributed by way of an accelerated bookbuild and Certificates will be delivered to subscribers on the Issue Date ("**Closing Date**") by the Settlement Agent. The Bookrunner may, however, procure subscriptions in respect of the Preference Shares before the Closing Date. Such transactions will be for settlement on the Closing Date and will be subject to the condition that the Subscription Agreement is not terminated before the time on which such transactions are to be settled on the Closing Date. If the Subscription Agreement is terminated before that time for any reason, the transactions in the Preference Shares shall also terminate and, save as set out in the Subscription Agreement, no party thereto shall have any claim against any other party as a result of such termination.

Republic of South Africa

The Bookrunner has represented and agreed that it will not solicit any offers for subscription for or sale of the Preference Shares, and will itself not sell Preference Shares, in South Africa, in contravention of the Companies Act, the Banks Act, No 94 of 1990, the Exchange Control Regulations and/or any other Applicable Laws of South Africa in force from time to time. In particular, without limitation, the Offering Circular does not, nor is it intended to, constitute a prospectus (as that term is defined in the Companies Act) and the Bookrunner has represented and agreed that it will not make "an offer to the public" (as that term is defined in the Companies Act) of any of the Preference Shares (whether for subscription or sale) and any regulations promulgated thereunder. Preference Shares will not be offered for subscription to any single addressee acting as principal for an amount of less than ZAR1,000,000.

United States of America

The Preference Shares have not been and will not be registered under the United States Securities Act, 1933, as amended ("**Securities Act**") and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from and not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bookrunner has represented and agreed that:

- (i) the Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (ii) it has not offered, sold or delivered any Preference Shares and will not offer, or sell or deliver, any Preference Shares within the United States except in accordance with Rule 903 of Regulation S under

the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; and

- (iii) it, its affiliates and any persons acting on its or any of its affiliates' behalf have not engaged and will not engage in any directed selling efforts with respect to the Preference Shares and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

United Kingdom

The Bookrunner has represented and agreed that:

- (i) it has not offered or sold, and prior to the expiry of a period of six months from the Issue Date and it will not offer or sell, any Preference Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations, 1995 of the United Kingdom;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act, 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Preference Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preference Shares in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the prospectus directive (each, a "**Relevant Member State**"), each of the Issuer and the Bookrunner has represented and agreed that, with effect from and including the date on which the prospectus directive is implemented in that Relevant Member State ("**Relevant Implementation Date**"), it has not made, and will not make an offer of Preference Shares to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Preference Shares to the public in that Relevant Member State:

- (i) in the period beginning on the date of publication of a prospectus in relation to those Preference Shares which prospectus has been approved by the competent authority in that Relevant Member State in accordance with the prospectus directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the prospectus directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (iii) any time to fewer than 100 natural or legal persons (other than qualified investors defined in the prospective directive) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the prospectus directive, or pursuant to any applicable national law of any Relevant Member State.

For the purposes of this provision, the expression an "offer of Preference Shares to the public" in relation to any Preference Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Preference Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Preference Shares, as the same may be varied in that Member State by any measure implementing the prospectus directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

The Bookrunner has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells Preference Shares or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Preference Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

Neither the Issuer nor the Bookrunner represents that Preference Shares may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such subscription or sale

GENERAL INFORMATION

Authorisations

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the issue of the Preference Shares and for the Issuer to undertake and perform its obligations under the Preference Shares. No exchange control approval is required for the issue of the Preference Shares.

Listing

The Preference Shares will not be listed on any exchange.

Material Change

As at the date of this Offering Circular and following due and careful enquiry, carried out without the involvement of the auditors, the board of directors of the Issuer is satisfied that there has been no material change in the financial or trading position of the Issuer since the date of its unaudited interim results dated 31 May 2015.

Auditors

Grant Thornton Cape Incorporated are the present auditors of the Issuer.

SIGNED at _____ this _____ day of November 2015

For and on behalf of
STELLAR CAPITAL PARTNERS LIMITED
(Registration Number 1998/015580/06)

Name:
Capacity: Director
Who warrants his authority hereto

Name:
Capacity: Director
Who warrants his authority hereto

CORPORATE INFORMATION

ISSUER

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