

Blackstar Group SE
Previously Blackstar Group PLC
(Incorporated in England and Wales)
(Company number SE 000030)
(registered as an external company with limited liability in
the Republic of
South Africa under registration number 2011/008274/10)
Share code: BCK
ISIN: GB00B0W3NL87
("Blackstar")

**BLACKSTAR RATIONALE FOR THE OFFER TO ACQUIRE THE ENTIRE ISSUED
SHARE CAPITAL OF MVELA GROUP BY WAY OF A SCHEME OF ARRANGEMENT
("Scheme")**

Introduction and Highlights

- Blackstar has made an offer to acquire the entire issued ordinary share capital of Mvelaphanda Group Limited ("**Mvela Group**"), excluding treasury shares and the shares already held by Blackstar, by way of a scheme of arrangement in terms of section 114 of the Companies Act 71 of 2008, as published in the joint announcement with Mvela Group on 8 December 2011 ("**Scheme Announcement**").
- Mvela Group shareholders shall be able to elect to sell their shares in exchange for Blackstar shares, a cash alternative, or a combination of both, subject to a ZAR 800 million (£63.5 million) maximum aggregate cash consideration.
- The Scheme consideration shall be calculated on a tangible NAV to tangible NAV basis as detailed in the Scheme Announcement.
- The Blackstar board believes that Mvela Group's assets represent an attractive investment portfolio to which it can add significant value in the medium term and provides an excellent fit as part of Blackstar's growth strategy.
- Blackstar also believes that the Scheme will be positive for shareholders of both companies as:
 - the Scheme provides optionality to Mvela Group shareholders who may wish to receive some cash through an accelerated return of capital or remain invested in the enlarged group post completion of the Scheme; and
 - the enlarged group will benefit from improved economies of scale and will be an appropriate size for listing on the main market of the London Stock Exchange ("LSE"), which, if listed, should increase liquidity, which is something the Blackstar board is currently exploring.

- Blackstar has received an irrevocable undertaking to vote in favour of the Scheme from Mvelaphanda Holdings (Pty) Limited, representing approximately 20 per cent. of the issued share capital of Mvela Group (excluding treasury shares) and has received informal indications of support in favour of the Scheme from certain of its major shareholders.

1. Blackstar rationale for the Scheme

- 1.1 Blackstar is aware that the Mvela Group is currently focussed on executing a value unlocking strategy on behalf of its shareholders, through which its main investments are being gradually unbundled with a key focus on realising value and generating a satisfactory return on capital for shareholders. Blackstar believes it can deliver improved returns for both sets of shareholders by using its technical expertise and exit experience to add value to the Mvela Group's realisation strategy, with the proceeds being used in terms of Blackstar's investment strategy where it believes it can generate an appropriate return. However, Blackstar realises that any change of the current strategy comes with its own risks and the results of any realisation strategy can be difficult to predict, especially in regard to timing and the ultimate valuations achieved. Consequently Blackstar's proposed part cash part share offer provides Mvela Group shareholders with the option to be able to take cash now through an accelerated return of capital or elect to participate in what Blackstar aims to be significant value creation in respect of the enlarged group's portfolio over the medium term, thereby managing to balance the interests of all shareholders.
- 1.2 In addition, Blackstar believes the Scheme will be positive for both companies in that it expects that it will:
 - 1.2.1 allow the enlarged group to benefit from improved economies of scale. Blackstar believes it has the capacity to manage the enlarged group without the need for additional resources;
 - 1.2.2 result in a reduction of administration costs, listing costs, audit costs and other overheads, through the one larger single entity;
 - 1.2.3 result in the creation of a larger black empowered investment holding company with the ability to invest in Africa and with the appropriate scale for a listing on the main market of both the LSE and Johannesburg Stock Exchange ("JSE"), which the directors of Blackstar are currently exploring;

- 1.2.4 the enlarged group will appeal to a wider shareholder base, which should result in increased trading volumes on both the LSE and JSE; and
- 1.2.5 the enlarged group will have a dedicated investment management team with a strong track record and an attractive portfolio of assets with which to work.

2. Overview of Blackstar

- 2.1 Blackstar is an investment holding company listed on the AIM market of the LSE and the AltX market of the JSE. Blackstar is currently incorporated in the United Kingdom and has its tax residence and principal establishment in Luxembourg. Blackstar recently began the process of transferring its registered office and tax establishment to Malta because the directors believe it is a more efficient jurisdiction for tax purposes and provides cost savings, both for the benefit of Blackstar shareholders. The transfer of the registered office and tax establishment to Malta is subject to Blackstar shareholder approval at a general meeting which is expected to take place on or around 10 February 2012.
- 2.2 Blackstar's strategy involves exploring investment opportunities, from its South African base, in listed and unlisted companies in Africa, with the underlying themes of strategic market position, strong cash flows and the ability to exploit the wider African market from its South African base. It pursues listed and unlisted investment opportunities through its network of business associates and its ability to leverage off its strong relationships within the business community. Blackstar has funded several black economic empowerment transactions and has a successful track record of identifying unusual investment opportunities and using its ability and entrepreneurial flair to create and enhance value for the benefit of its stakeholders.
- 2.3 Blackstar has a track record of positive returns and as at 30 June 2011, Blackstar had invested £113.7 million in South Africa. Since inception, Blackstar has exited several of these investments and has generated an IRR of 35% (thirty five per cent) in Pounds Sterling on these investments.
- 2.4 Full details of Blackstar and its management will be contained in the circular that will be sent to Mvela Group shareholders in relation to the Scheme.

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