

Blackstar Group Plc

Disposal of Investment

Blackstar Group Plc ("Blackstar") is pleased to that it has entered into a conditional agreement with Robor (Pty) Limited ("Robor") to dispose of the Baldwins division, a 100% subsidiary of KMG Steel Service Centres (Pty) Ltd ("KMG") in exchange for an issue of 5% of the issued share capital of Robor. The agreement is subject to Competition Commission approval as well fulfillment of certain conditions in transaction of this nature.

Background

KMG, a 87% owned subsidiary of Blackstar, consists of two divisions namely Baldwins which focuses on carbon steel, Stalcor that trades in stainless steel and aluminum and a 100% held subsidiary called Global Roofing Solutions (Pty) Ltd ("GRS") a steel roofing specialist. Over the last two years KMG has struggled due to the depressed state of the South African construction industry. In light of this Blackstar reassessed its exposure with regards to this investment. The Baldwins division has been the problem area within KMG where all the trading losses occurred. Baldwins requires capital and a stable market for a turn around in its fortunes. In light of this Blackstar decided to sell the division. KMG's other subsidiaries, Stalcor and GRS are both profitable.

Terms of the transaction

The basic terms of the transaction will involve the sale of the Baldwin's (carbon) division (comprising fixed and intangible assets) to Robor in exchange for an issue of 5% of the shares in Robor with a value of approximately R50 million, based on the audited net asset value of Robor as at 30 September 2010. In addition, Robor will purchase Baldwin's carbon stock at the prevailing market rate in cash and assist KMG in collecting the outstanding debtors of the business at completion. The proceeds from collecting Baldwin's outstanding debtors will be used to settle trade creditors and repay a significant portion of KMG's working capital facilities.

The 5% equity shareholding in Robor will be transferred to Blackstar from KMG and a Blackstar representative will join the board of Robor. Blackstar's equity stake in Robor will allow Blackstar to retain exposure to the turnaround in the Baldwin division. Robor is a diversified business with a strong balance sheet and pays regular dividends to its shareholders.

The transaction will also permit the continued restructuring of KMG, and should enhance the profit potential of its remaining assets of Stalcor and GRS, and will allow Blackstar to separate its steel interests into two distinct areas, being Robor and KMG via its subsidiaries Stalcor and GRS. The Directors believe that a decentralised structure will result in annualised cost savings of approximately R100 million and will also allow each of these businesses to grow independently.

Background on Robor

Robor is the largest tube and pipe manufacturing business in Southern Africa, with a leading position in most of its markets. The majority of Robor's earnings are generated from the manufacture of small, bore-welded carbon and stainless steel tubing and piping using hot rolled steel supplied by Arcelor and Evraz. Additional earnings are generated from divisions focused on related products and services. Robor's products are used by a wide range of industries including construction, mining, automotive, agricultural, petrochemical, engineering, broad industrial, and general infrastructural projects such as power stations, railways and stadiums. Robor exports to over 50 countries worldwide.

Robor was acquired from Barloworld Limited in 2006 by management and Rand Merchant Bank and has to date produced consistent returns for its shareholders under Rand Merchant Bank and management ownership. Further information on Robor can be found on its website www.robor.co.za.

The Transaction is expected to complete shortly and a further announcement will be made in due course.

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