
CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the Company")

**PROPOSED ACQUISITIONS OF SNOWBALL WEALTH AND MIDBROOK LANE, AND RENEWAL
OF CAUTIONARY ANNOUNCEMENT**

1. INTRODUCTION

Further to the cautionary announcement dated 4 August 2016, the board of directors of Conduit Capital ("**the Board**") is pleased to advise shareholders that Conduit Capital has submitted a non-binding expression of interest to each of the boards of directors of:

- 1.1** Snowball Wealth Proprietary Limited ("**Snowball Wealth**") in terms of which, subject to the fulfilment or waiver of the conditions precedent as set out in paragraph 2.4 below ("**Conditions Precedent**"), Conduit Capital will acquire the entire issued share capital in, and claims against Snowball Wealth (if any), from the shareholders of Snowball Wealth ("**Snowball Wealth Shareholders**"), for a total purchase consideration of approximately R464.61 million as detailed in paragraph 2.3.1 below ("**Snowball Wealth Purchase Consideration**"), which consideration is to be settled by way of issue of Conduit Capital shares ("**Consideration Shares**") ("**Snowball Wealth Acquisition**"); and
- 1.2** Midbrook Lane Proprietary Limited ("**Midbrook Lane**") in terms of which, subject to the fulfilment or waiver of the Conditions Precedent, Conduit Capital will acquire the entire issued share capital in, and claims against Midbrook Lane (if any), from the shareholders of Midbrook Lane ("**Midbrook Lane Shareholders**"), for a total purchase consideration of approximately R167.65 million as detailed in paragraph 2.3.2 below ("**Midbrook Lane Purchase Consideration**"), which consideration is to be settled by way of issue of Consideration Shares ("**Midbrook Lane Acquisition**").

The Snowball Wealth Acquisition and the Midbrook Lane Acquisition are collectively referred to hereinafter as "**the Acquisitions**".

For clarity, the expressions of interest submitted to each of the boards of directors of Snowball Wealth and Midbrook Lane constitute non-binding expressions of interest, and neither such expressions of interest nor this announcement represent or should be construed as a firm intention either to make an offer or to propose an affected transaction for the purposes of Chapter 5 of the Companies Act, 2008 (Act 71 of 2008), as amended ("**Companies Act**") or the regulations published in terms of section 120 of the Companies Act ("**Takeover Regulations**") or otherwise.

2. THE ACQUISITIONS

2.1 Nature of Snowball Wealth and Midbrook Lane

Snowball Wealth and Midbrook Lane are South African investment companies, investing for the long-term in a portfolio of mostly listed companies. The underlying investments of Snowball Wealth and Midbrook Lane are in many respects similar to the underlying investments of the Conduit Capital group's investment portfolio.

2.2 The rationale for the Acquisitions

Conduit Capital, which is listed on the Main Board of the securities exchange operated by JSE Limited (“**the JSE**”), is an investment holding company, investing primarily in the insurance industry, supported by a value-oriented long-term investment strategy. The Acquisitions are in line with the objectives of the Company, namely the pursuit of insurance and non-insurance opportunities that are expected to deliver acceptable returns over the long-term.

It is the intention of Conduit Capital to become the sole shareholder of each of Snowball Wealth and Midbrook Lane, and for the Snowball Wealth Shareholders and the Midbrook Lane Shareholders to become shareholders in Conduit Capital.

The Acquisitions will therefore represent an opportunity for Conduit Capital to increase its investment in companies in which it is already invested, and for the Snowball Wealth Shareholders and the Midbrook Lane Shareholders to retain an investment exposure to those investments.

The Acquisitions would also result in a larger investment portfolio, enhanced earnings and balance sheet for Conduit Capital, which would allow the Snowball Wealth Shareholders and the Midbrook Lane Shareholders to benefit from:

- greater liquidity in terms of their investments;
- earnings at an enhanced multiple;
- the additional value created by being directly exposed to, and having the benefit of, Conduit Capital’s non-listed assets; and
- being in a position to utilise Conduit Capital as a more attractive investment vehicle through which they would be able to enhance their investment objectives over the long-term.

In addition, the Midbrook Lane Acquisition will effectively align the interests of those directors of and shareholders in Conduit Capital who are, as set out in paragraph 2.6 below, also directors of and shareholders in Midbrook Lane.

2.3 Purchase Consideration

2.3.1 Snowball Wealth Purchase Consideration

2.3.1.1 The Snowball Wealth Purchase Consideration will be based on the net asset value (“**NAV**”) of Snowball Wealth as at 19 July 2016 (“**the Determination Date**”), determined by reference to the closing prices of the underlying investments on the JSE on the Determination Date.

2.3.1.2 Based on the closing prices of the underlying investments of Snowball Wealth on the Determination Date, the unaudited balance sheets, financial information furnished by Snowball Wealth and certain assumptions, Snowball Wealth’s NAV at the Determination Date is estimated to be R464 606 000.

2.3.1.3 The NAV will be finally agreed following the completion of a due diligence investigation of Snowball Wealth, its investments and its liabilities.

2.3.2 Midbrook Lane Purchase Consideration

2.3.2.1 The Midbrook Lane Purchase Consideration will be based on the NAV of Midbrook Lane as at the Determination Date, determined by reference to the closing prices of the underlying investments on the JSE on the Determination Date.

2.3.2.2 Based on the closing prices of the underlying investments of Midbrook Lane on the Determination Date, the unaudited balance sheets, financial information furnished by Midbrook Lane and certain assumptions, Midbrook Lane's NAV at the Determination Date is estimated to be R167 651 000.

2.3.2.3 The NAV will be finally agreed following the completion of a due diligence investigation of Midbrook Lane, its investments and its liabilities.

2.3.3 Purchase Consideration

The Consideration Shares will be issued at the closing price of Conduit Capital's shares on the JSE on the Determination Date, being 245 cents per share.

2.4 Conditions Precedent and Effective Date of the Acquisitions

The Acquisitions will be subject to the fulfilment or waiver, as the case may be, of *inter alia*, the following conditions precedent:

- 2.4.1 the parties to the proposed Acquisitions entering into legally binding agreements ("**Binding Agreements**") (at which point, the Effective Date of the Acquisitions will be communicated to shareholders);
- 2.4.2 compliance with all the applicable requirements pertaining to the Listings Requirements (including the completion of a fairness opinion in respect of the Acquisitions prepared by an independent expert acceptable to the JSE in accordance with Schedule 5 to the Listings Requirements ("**Fairness Opinion**")), the Companies Act and the Takeover Regulations (to the extent applicable), as the case may be;
- 2.4.3 approval by the relevant regulatory authorities, including the JSE, the South African competition authorities and the Financial Services Board, as the case may be;
- 2.4.4 shareholders of Conduit Capital passing in general meeting all such resolutions as are required to approve the implementation of the Acquisitions, including the increase in authorised share capital of the Company, the amendments to Conduit Capital's Memorandum of Incorporation and the issue of the Consideration Shares in terms of sections 41(1) and 41(3) of the Companies Act, as the case may be; and
- 2.4.5 approval by the Board, Snowball Wealth Shareholders and Midbrook Lane Shareholders, as the case may be.

2.5 Pro forma financial effects

The following unaudited *pro forma* financial effects have been prepared to illustrate the impact of the Acquisitions on the reported financial information of Conduit Capital for:

- 2.5.1 the six months ended 31 December 2015, had the Acquisitions occurred on 1 July 2015 for statement of comprehensive income purposes and as at 31 December 2015 for statement of financial position purposes; and
- 2.5.2 the year ended 31 December 2015, had the Acquisitions occurred on 1 January 2015 for statement of comprehensive income purposes and as at 31 December 2015 for statement of financial position purposes.

The unaudited *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the annual financial statements of Conduit Capital for the year ended 30 June 2015.

The unaudited *pro forma* financial effects, which are the responsibility of the directors, are provided for illustrative purposes only and, because of their *pro forma* nature, may not fairly present Conduit Capital's actual financial position, changes in equity, results of operations or cash flow.

Six months ended 31 December 2015

	Before the Acquisitions	After the Acquisitions	Percentage change (%)
Basic earnings per share (cents)	3.8	0.5	(86.8)
Headline earnings per share (cents)	3.8	0.5	(86.8)
Net asset value per share (cents)	184.9	220.4	19.2
Tangible net asset value per share (cents)	148.3	197.4	33.1
Weighted average number of shares in issue (000's)	289,076	472,570	63.5
Total number of shares in issue (000's)	331,377	524,842	58.4

Notes:

- 1 The amounts in the "Before the Acquisitions" column relate to the published financial statements of Conduit Capital for the six-month period ended 31 December 2015.
- 2 The amounts in the "After the Acquisitions" column reflect the financial effects of the Acquisitions on Conduit Capital as if they had occurred on 1 July 2015 for statement of comprehensive income purposes and on 31 December 2015 for statement of financial position purposes, and are based on the following assumptions:
 - 2.1 The "**Total Purchase Consideration**", being the Snowball Wealth Purchase Consideration and the Midbrook Lane Purchase Consideration, is based on the respective NAVs of Snowball Wealth and Midbrook Lane as at 31 December 2015 (the "**Pro Forma Determination Date**");
 - 2.2 The Consideration Shares will be issued at the closing price of Conduit Capital's shares on the JSE on the *Pro Forma* Determination Date, being 285 cents per share;
 - 2.3 50,378,334 Conduit Capital shares included in the NAV of Snowball Wealth and Midbrook Lane as at the *Pro Forma* Determination Date have been accounted for as treasury stock;
 - 2.4 Earnings for Snowball Wealth and Midbrook Lane, adjusted for the impact of the treasury stock above, have been included with effect from 1 July 2015;
 - 2.5 Transaction costs estimated at 1% of the Total Purchase Consideration have been offset against share premium and attract no tax credits; and
 - 2.6 an effective tax rate of 63.9% has been taken into account.

All financial effects are ongoing, with the exception of transaction costs, which are once-off.
- 3 The effects on basic earnings per share and headline earnings per share are calculated based on the assumption that the Acquisitions were effected on 1 July 2015.
- 4 The effects on net asset value per share and tangible net asset value per share are calculated based on the assumption that the Acquisitions were effected as at 31 December 2015.

Year ended 31 December 2015

	Before the Acquisitions	After the Acquisitions	Percentage change (%)
Basic earnings per share (cents)	11.1	41.5	273.9
Headline earnings per share (cents)	11.1	41.5	273.9
Net asset value per share (cents)	184.9	220.4	19.2
Tangible net asset value per share (cents)	148.3	197.4	33.1
Weighted average number of shares in issue (000's)	286,802	469,760	63.8
Total number of shares in issue (000's)	331,377	524,842	58.4

Notes:

- 1 The amounts in the "Before the Acquisitions" column relate to the unpublished financial statements of Conduit Capital for the year ended 31 December 2015.
- 2 The amounts in the "After the Acquisitions" column reflect the financial effects of the Acquisitions on Conduit Capital as if they had occurred on 1 January 2015 for statement of comprehensive income purposes and on 31 December 2015 for statement of financial position purposes, and are based on the following assumptions:
 - 2.1 The Total Purchase Consideration is based on the respective NAVs of Snowball Wealth and Midbrook Lane as at the *Pro Forma* Determination Date;
 - 2.2 The Consideration Shares will be issued at the closing price of Conduit Capital's shares on the JSE on the *Pro Forma* Determination Date, being 285 cents per share;
 - 2.3 50,378,334 Conduit Capital shares included in the NAV of Snowball Wealth and Midbrook Lane as at the *Pro Forma* Determination Date have been accounted for as treasury stock;
 - 2.4 Earnings for Snowball Wealth and Midbrook Lane, adjusted for the impact of the treasury stock above, have been included with effect from 1 January 2015;
 - 2.5 Transaction costs estimated at 1% of the Total Purchase Consideration have been offset against share premium and attract no tax credits; and
 - 2.6 an effective tax rate of 20.9% has been taken into account.All financial effects are ongoing, with the exception of transaction costs which are once-off.
- 3 The effects on basic earnings per share and headline earnings per share are calculated based on the assumption that the Acquisitions were effected on 1 January 2015.
- 4 The effects on net asset value per share and tangible net asset value per share are calculated based on the assumption that the Acquisitions were effected as at 31 December 2015.

2.6 Related party implications, classification of the Acquisitions and circular to shareholders

As Snowball Wealth is a material shareholder of the Company, it is considered to be a 'related party' in terms of paragraph 10.1(b)(i) of the Listings Requirements.

Furthermore, as Messrs Sean Riskowitz and Tyrone Moodley, the Chief Executive Officer and a non-executive director of Conduit Capital, respectively, are both shareholders in and the Chairman and Chief Executive Officer of Midbrook Lane, respectively, they are considered to be 'related parties' in terms of paragraphs 10.1(b)(i) and 10.1(b)(vii) of the Listings Requirements.

Accordingly, the proposed Acquisitions - which constitute 'related party transactions' in terms of the Listings Requirements – will be subject to approval by shareholders present or represented in general meeting and voting (excluding the related party/ies and their associates), and in terms of paragraph 10.4(f) of the Listings Requirements, Conduit Capital will be required to obtain a Fairness Opinion on each of the Acquisitions and the Board is required to include a statement in the circular to be issued to shareholders (“**Circular**”) confirming whether each of the Acquisitions is fair to shareholders.

As related party/ies, Snowball Wealth and its associates will be precluded from voting on the Snowball Wealth Acquisition, and Messrs Sean Riskowitz and Tyrone Moodley and their associates will be precluded from voting on the Midbrook Lane Acquisition. However, as shareholders in Conduit Capital, they may be taken into account in determining a quorum for the purposes of the general meeting.

A Circular incorporating, *inter alia*, full details of the proposed Acquisitions, Revised Listings Particulars, *pro forma* financial effects of the Acquisitions, the Fairness Opinion and a notice to convene a general meeting of shareholders in order to consider and if deemed fit, to pass with or without modification, *inter alia*, the resolutions necessary to approve and implement the Acquisitions, will be sent to shareholders following signature of Binding Agreements.

3. RENEWAL OF CAUTIONARY

As Binding Agreements have not yet been entered into, shareholders are advised to continue exercising caution when dealing in Conduit Capital securities until a further announcement is made.

Johannesburg
11 August 2016

Corporate Advisor and Sponsor
Merchantec Capital

Legal Advisor
Cliffe Dekker Hofmeyr