
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")

**ACQUISITIONS OF SNOWBALL WEALTH AND MIDBROOK LANE, AND WITHDRAWAL OF
CAUTIONARY ANNOUNCEMENT**

1. INTRODUCTION

Shareholders are referred to the "Proposed Acquisitions of Snowball Wealth and Midbrook Lane, and Renewal of Cautionary" announcement released on SENS on 11 August 2016 (and using the terms defined therein unless otherwise stated) wherein shareholders were advised that Conduit Capital had submitted a non-binding expression of interest to each of the boards of directors of Snowball Wealth and Midbrook Lane to acquire the entire issued share capital in, and claims against both Snowball Wealth and Midbrook Lane.

The Board is pleased to announce that Conduit Capital has concluded sale of shares agreements with Snowball Wealth and Midbrook Lane, regarding the Snowball Wealth Acquisition and the Midbrook Lane Acquisition, respectively.

The final terms of the Acquisitions are set out hereafter.

2. THE ACQUISITION

2.1 Purchase Consideration

2.1.1 Snowball Wealth Purchase Consideration

2.1.1.1 The Snowball Wealth Purchase Consideration will be based on the NAV of Snowball Wealth as at the Determination Date, primarily determined by reference to the closing prices of the underlying investments on the JSE on the Determination Date.

2.1.1.2 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 estimates, Snowball Wealth's NAV at the Determination Date is estimated to be R464 606 000.

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

The Snowball Wealth Purchase Consideration is to be settled by the issuing of Conduit Capital Shares ("**Snowball Wealth Consideration Shares**") with the issue price being the closing price on the Determination Date, or 245 cents per share.

2.1.2 Midbrook Lane Purchase Consideration

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

2.1.2.2 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 estimates, Midbrook Lane's NAV at the Determination Date is estimated to be R167 651 000.

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

The Midbrook Lane Purchase Consideration is to be settled by the issuing of Conduit Capital Shares ("**Midbrook Lane Consideration Shares**") with the issue price being the closing price on the Determination Date, or 245 cents per share.

2.2 Conditions Precedent and effective date

2.2.1 The Snowball Wealth Acquisition is subject to the fulfilment or waiver, as the case may be, of inter alia the following conditions precedent, by not later than 17:00 on:

2.2.1.1 31 October 2016:

2.2.1.1.1 to the extent that this may be required in terms of Snowball Wealth's Memorandum of Incorporation, Snowball Wealth's board of directors has approved the transfer of all issued shares in Snowball Wealth to Conduit Capital.

2.2.1.2 31 January 2017:

2.2.1.2.1 Conduit Capital has complied with the Listings Requirements of the JSE ("**Listings Requirements**") in relation to the Snowball Wealth Acquisition, including that it has obtained the necessary shareholder approvals for the implementation of the Snowball Wealth Acquisition as a category 1 transaction, and that it has obtained the necessary approvals required by the Listings Requirements in respect of related party transactions;

2.2.1.2.2 Conduit Capital has obtained shareholder approval required in terms of section 41(1) of the Companies Act in respect of any issue of Snowball Wealth Consideration Shares to a person falling within the ambit of that section of the Companies Act;

2.2.1.2.3 Conduit Capital has obtained any necessary shareholder approval that may be required in terms of section 41(3) of the Companies Act in respect of the issue of the Snowball Wealth Consideration Shares;

2.2.1.2.4 Conduit Capital has obtained the necessary shareholder and Board approvals in accordance with sections 16(1) and 36 of the Companies Act in respect of an increase in Conduit Capital's authorised share capital to the extent which this is required to issue the Snowball Wealth Consideration Shares, and a resulting amendment to Conduit Capital's memorandum of incorporation, and has furthermore complied with the requirements of regulation 31 of the Companies Regulations, 2011 ("**Companies Regulations**") in respect of the conversion of Conduit Capital's share capital from par value to no par value;

2.2.1.2.5 the Snowball Wealth Acquisition has (to the extent necessary) been unconditionally approved by the relevant competition authorities in terms of the Competition Act, 1998 (Act 89 of 1998) ("**Competition Act**"), or conditionally approved on terms and conditions which each of Conduit Capital and the Snowball Wealth Shareholders, confirms in writing to the other (by not later than the said date and time) to be acceptable to it;

2.2.1.2.6 Conduit Capital is satisfied that such approvals, if any, from the Financial Services Board as it requires to be necessary or advisable have been obtained under the applicable long and short term insurance

legislation, in respect of the establishment by any Snowball Wealth Shareholder or its related parties of an increased level of indirect ownership of Conduit Capital's underlying registered insurance business, as a consequence of the Snowball Wealth Acquisition; and

2.2.1.3 the third business day following the expiry of fifteen business days commencing on 15 September 2016:

2.2.1.3.1 Conduit Capital has delivered to the Snowball Wealth Shareholders, a notice stating that it is satisfied with the due diligence investigation to be conducted into the affairs of Snowball Wealth and the business carried on by it.

The conditions precedent in paragraphs 2.2.1.2.1 to 2.2.1.2.6 are not capable of being waived. The condition precedent in paragraph 2.2.1.3.1 is for the benefit of Conduit Capital and may be waived by Conduit Capital on written notice given by it to Snowball Wealth at any time prior to the time upon which they are required to be fulfilled.

The effective date of the Snowball Wealth Acquisition shall be the fifth business day after the fulfilment or waiver, as applicable, of the last of the Conditions Precedent.

2.2.2 The Midbrook Lane Acquisition is subject to the fulfilment or waiver, as the case may be, of *inter alia* the following conditions precedent, by not later than 17:00 on:

2.2.2.1 31 October 2016:

2.2.2.1.1 to the extent that this may be required in terms of Midbrook Lane's Memorandum of Incorporation, Midbrook Lane's board of directors has approved the transfer of all issued shares in Midbrook Lane ("**the Midbrook Lane Sale Shares**") to Conduit Capital.

2.2.2.1.2 an employment agreement has been entered into between T C Moodley and Conduit Capital, on terms acceptable to them;

2.2.2.2 31 January 2017:

2.2.2.2.1 Midbrook Lane has obtained the necessary shareholder approval to delete all restrictions in its memorandum of incorporation on disposals of the Midbrook Lane Sale Shares other than a requirement for approval from Midbrook Lane's board of directors, and such amendment to the memorandum of incorporation is filed with the Companies and Intellectual Property Commission;

2.2.2.2.2 Conduit Capital has obtained all shareholder approvals that may be required under the Listings Requirements for the implementation of the Midbrook Lane Acquisition;

2.2.2.2.3 Conduit Capital has obtained shareholder approval as required in terms of section 41(1) of the Companies Act in respect of the issue of the Midbrook Lane Consideration Shares to Midbrook Lane Shareholder which falls within the ambit of that section of the Companies Act;

2.2.2.2.4 Conduit Capital has obtained any necessary shareholder approval that may be required in terms of section 41(3) of the Companies Act in respect of the issue of the Midbrook Lane Consideration Shares;

2.2.2.2.5 Conduit Capital has obtained the shareholder approval that is required in terms of section 16(1) of the Companies Act in respect of an increase in Conduit Capital's authorised share capital to the extent this is required to issue the Midbrook Lane Consideration Shares, and for a

resulting amendment to Conduit Capital's memorandum of incorporation, and that such amendment to Conduit Capital's memorandum of incorporation has been filed with the Companies and Intellectual Property Commission;

2.2.2.2.6 the Midbrook Lane Acquisition has (to the extent necessary) been unconditionally approved by the competition authorities in terms of the Competition Act, or conditionally approved on terms and conditions which each of Conduit Capital and the Midbrook Lane Shareholders confirms in writing to the other (by not later than the said date and time) to be acceptable to it, acting reasonably;

2.2.2.2.7 such approvals, if any, are obtained from the Financial Services Board as are necessary under the applicable long and short term insurance legislation, in respect of the establishment by any Midbrook Lane Shareholder or its related parties of an increased level of indirect ownership of Conduit Capital's underlying registered insurance businesses as a consequence of the Midbrook Lane Acquisition; and

2.2.2.3 the third business day following the expiry of fifteen business days commencing on 15 September 2016:

2.2.2.3.1 Conduit Capital has delivered to the Midbrook Lane Shareholders a notice stating that it is satisfied with the due diligence investigation to be conducted into the affairs of Snowball Wealth and the business carried on by it.

The conditions precedent in paragraphs 2.2.2.2.1 to 2.2.2.2.7 are not capable of being waived. The condition precedent in paragraph 2.2.2.3.1 is for the benefit of Conduit Capital and may be waived by Conduit Capital on written notice given by it to Midbrook Lane at any time prior to the time upon which they are required to be fulfilled.

The effective date of the Midbrook Lane Acquisition shall be the fifth business day after the fulfilment or waiver, as applicable, of the last of the Conditions Precedent.

2.3 Pro forma financial effects

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

2.1.1 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

2.1.2 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 IFRS and that are consistent with those applied in the annual financial statements of Conduit Capital for the financial 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	(7.9)	(307.89)
Headline earnings per share (cents)	3.8	0.4	(89.47)
Net asset value per share (cents)	184.9	214.6	16.06
Tangible net asset value per share (cents)	148.3	192.1	29.53
Weighted average number of shares in issue (000's)	289 076	485 939	68.10
Total number of shares in issue (000's)	331 377	538 630	62.54

Notes:

1. The figures set out in the "Before the Acquisitions" column were extracted from Conduit Capital's unaudited interim results for the six months ended 31 December 2015.
2. The figures set out in the "After the Acquisitions" column reflect the financial effects of the Acquisitions on Conduit Capital and are based on the following assumptions:
 - 2.1 The Snowball Wealth Purchase Consideration is based on 189 635 102 Conduit Capital shares being issued at 285 cents per share, its closing price on the JSE on 31 December 2015, which gives rise to goodwill of R19.659 million that is immediately impaired;
 - 2.2 41 000 000 Conduit Capital shares included in Snowball Wealth's NAV as at 31 December 2015 have been accounted for as treasury stock and all profits derived therefrom have been excluded from the final result;
 - 2.3 Transaction costs estimated at 1% of the Snowball Wealth NAV have been settled in cash, offset against share premium and attract no tax credits. Interest on these cash balances is foregone at an after-tax rate of 6.5%;
 - 2.4 The effective tax rate in respect of the Snowball Wealth Acquisition is 1.2%, mainly due to the capital nature of the acquired income and the non-deductibility of the goodwill impairment;
 - 2.5 The Midbrook Lane Purchase Consideration is based on 68 428 980 Conduit Capital shares being issued at 285 cents per share, its closing price on the JSE on 31 December 2015, which gives rise to goodwill of R20.870 million that is immediately impaired;
 - 2.6 9 811 110 Conduit Capital shares included in Midbrook Lane's NAV as at 31 December 2015 have been accounted for as treasury stock and all profits derived therefrom have been excluded from the final result; and
 - 2.7 Transaction costs estimated at 1% of the Midbrook Lane NAV have been settled in cash, offset against share premium and attract no tax credits. Interest on these cash balances is foregone at an after-tax rate of 6.5%; and
 - 2.8 The effective tax rate in respect of the Midbrook Lane Acquisition is 8.5% as a result of the non-deductibility of the goodwill impairment.

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	31.8	186.49
Headline earnings per share (cents)	11.1	40.3	263.06
Net asset value per share (cents)	184.9	214.6	16.06
Tangible net asset value per share (cents)	148.3	192.1	29.53
Weighted average number of shares in issue (000's)	286 802	483 105	68.45
Total number of shares in issue (000's)	331 377	538 630	62.54

Notes:

1. The figures set out in the "Before the Acquisitions" column were extracted from Conduit Capital's unaudited and unpublished management accounts for the year ended 31 December 2015.
2. The figures set out in the "After the Acquisitions" column reflect the financial effects of the Acquisitions on Conduit Capital and are based on the following assumptions:
 - 2.1 The Snowball Wealth Purchase Consideration is based on 189 635 102 Conduit Capital shares being issued at 285 cents per share, its closing price on the JSE on 31 December 2015, which gives rise to goodwill of R19.659 million that is immediately impaired;
 - 2.2 41 000 000 Conduit Capital shares included in Snowball Wealth's NAV as at 31 December 2015 have been accounted for as treasury stock and all profits derived therefrom have been excluded from the final result;
 - 2.3 Transaction costs estimated at 1% of the Snowball Wealth NAV have been settled in cash, offset against share premium and attract no tax credits. Interest on these cash balances is foregone at an after-tax rate of 6.5%;
 - 2.4 The effective tax rate in respect of the Snowball Wealth Acquisition is 20.6%, mainly due to the capital nature of the acquired income;
 - 2.5 The Midbrook Lane Purchase Consideration is based on 68 428 980 Conduit Capital shares being issued at 285 cents per share, its closing price on the JSE on 31 December 2015, which gives rise to goodwill of R20.870 million that is immediately impaired;
 - 2.6 9 811 110 Conduit Capital shares included in Midbrook Lane's NAV as at 31 December 2015 have been accounted for as treasury stock and all profits derived therefrom have been excluded from the final result; and
 - 2.7 Transaction costs estimated at 1% of the Midbrook Lane NAV have been settled in cash, offset against share premium and attract no tax credits. Interest on these cash balances is foregone at an after-tax rate of 6.5%; and
 - 2.8 The effective tax rate in respect of the Midbrook Lane Acquisition is 97.5% as a result of the non-deductibility of the goodwill impairment.

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.

2.4 Irrevocable Support

At the date of this announcement, Conduit Capital has received irrevocable support of 66% for the Snowball Wealth Acquisition and 65% for the Midbrook Lane Acquisition from Shareholders, based on Shareholders not restricted from voting on the respective acquisition.

2.5 Circular to Shareholders

Shareholders are advised that the Circular to Shareholders, incorporating a notice convening a general meeting and containing full details of the Acquisitions, will be posted to Shareholders on or about 29 September 2016.

3 WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement released on SENS on 4 August 2016 and the "Proposed Acquisitions of Snowball Wealth and Midbrook Lane, and Renewal of Cautionary" announcement released on SENS on 11 August 2016, and are hereby advised that further to the details contained in this announcement, caution is no longer required to be exercised by Shareholders when dealing in the Company's securities.

Sponsor and Corporate Advisor
Merchantec Capital

Legal Advisor
Cliffe Dekker Hofmeyr