

26 February 2008

Blackstar Investors plc

("Blackstar" or the "Company")

Investment

The Company is pleased to announce that, on 21 February 2008, it reached agreement to provide Kagisano Group Holdings Limited ("Kagisano") with a R 100 million (£7 million) convertible loan facility. To fund this transaction Blackstar has agreed a R100 million loan facility with Investec Bank Limited ("Investec") on matching terms.

Effectively Blackstar will earn a spread on the differential between the loan drawn down by Kagisano and the corresponding loan drawn down by Blackstar from Investec. In addition, Blackstar will have an option to convert 50% of its loan into new ordinary shares in Kagisano at R3.00 per share on any date up to 31 December 2011. Blackstar has calculated the value of this option (using the Black-Scholes method) at R14.5 million (£1 million).

Kagisano is a financial services group that targets the financial needs of clients in the lower income groups of South Africa with a broad range of financial services products. These include credit products, cellular products, insurance products, employee benefits and other financial solutions.

Blackstar Managers Limited ("BML") has been looking to gain exposure to the financial services industry, in particular the micro lending, sector for some time. This sector is of interest in that the large majority of South Africans are not part of the traditional banking system. The four large commercial banks in South Africa provide services to approximately 6 million people, out of a total population of around 50 million. The growth opportunities in this sector are self-evident and the various micro lending players have become very adept at providing and collecting loans in the emerging, lower income sector of the market.

Kagisano has shown tremendous growth: in 2004 it had a debtors' book of R16.6 million (£1.1 million) and a net profit after tax for the year of R1.6 million (£105,000). In 2007 Kagisano had a

debtors' book of R120 million (£8 million) and a net profit after tax for the year of R32 million (£2.1 million). Kagisano's success can be attributed to a strategy of innovation based on technology, using its centralised Information Technology management systems and state-of-the-art call centre that improve cost effectiveness and lending discipline.

The Blackstar loan facility is a long term loan facility which will enable Kagisano to grow its advances' book to more than R300 million (£20 million). Blackstar's involvement is a strategic alliance in respect of Kagisano's existing and future funding requirements.

The terms of the Blackstar loan facility are as follows:

- The principal Blackstar loan facility available is R100 million.
- The full Blackstar loan facility has to be utilised by 31 December 2008.
- The amount drawn will be classified as a term loan, repayable by not later than 31 December 2011.
- In respect of 50% of the loans taken up, Blackstar will have the right at any stage up to 31 December 2011:
 - to subscribe for a maximum of 16 666 667 Kagisano new ordinary shares for cash at an issue price of R3.00 per Kagisano new ordinary share; and
 - to call for the repayment thereof.
- The loan facilities are fully secured by appropriate personal and real security provided by Kagisano and all of its subsidiaries, including cross-guarantees and security cessions of all shares and trade receivables.
- Blackstar is entitled to nominate one director for appointment to the Kagisano board.
- The loan will bear interest at a rate linked to the prime rate, payable quarterly.

Andrew Bonamour, Managing Partner of Blackstar Managers, said: "Kagisano is an ideal entry point into the market as it has good systems, a good management team with a solid track record and it has all the necessary ingredients to be successful in the sector."

For further information, please contact:

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