Blue Financial Services Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1996/006595/06)
JSE Share code: BFS
ISIN: ZAE000083655
(“Blue” or the “Company”)

ANNOUNCEMENT OF PROPOSED BLUE BEE TRANSACTION, PUBLICATION OF
FINANCIAL EFFECTS AND POSTING OF CIRCULAR AND NOTICE OF GENERAL
MEETING RELATING TO THE EARLY CONVERSION AND BLUE BEE TRANSACTION, AND
WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION
1.1 The purpose of this announcement is advise to Blue shareholders, inter alia, of the following:
  1.1.1 the proposed R50 million Blue BEE Transaction, as set out in Paragraph 2;
  1.1.2 the publication of the pro forma financial effects of the previously announced Early Conversion, RenAsset Conversion, Pinebridge Specific Issue, together with the pro forma financial effects of the Blue BEE Transaction, as set out in Paragraph 3; and
  1.1.3 the posting of the circular and notice of general meeting to Blue shareholders, containing details of the Early Conversion, RenAsset Conversion, Pinebridge Specific Issue and the Blue BEE Transaction, as set out in Paragraph 5.

1.2 Shareholders are referred to the update announcement released on the Securities Exchange News Service (“SENS”) of the JSE Limited (“JSE”) on 10 December 2010 (“10 December 2010 announcement”) wherein shareholders were advised, inter alia, of the proposed, early conversion of debt into equity (“Early Conversion”) up to a maximum aggregate amount of R325 million (“Conversion Limit”) at a conversion price of 13 cents per Blue ordinary share (“Ordinary Share”). In the 10 December 2010 announcement, shareholders were further advised that the following would form part of the overall Early Conversion, namely:
  1.2.1 the proposed conversion of circa. R44.4 million of debt into Ordinary shares, at a conversion price of 13 cents per Ordinary Share (“RenAsset Conversion”) in terms of the convertible loan agreement entered into between the Company and Renaissance Africa Master Fund Limited (“RenAsset”); and
  1.2.2 the proposed conversion of circa. R43.9 million into Ordinary Shares at a conversion price of 13 cents per
Ordinary Share, in order to discharge Blue’s obligation in connection with the Blue Nigeria Claim being an amount of R40.9 million and the Blue Claim being an amount of R2.9 million, in terms of the Pinebridge amendment agreement (“Pinebridge Amendment Agreement”) entered into between Mayibuye Group (Proprietary) Limited (“Mayibuye”, Pinebridge Global Emerging Markets Partners II, L.P (“Pinebridge”), Blue and certain Blue subsidiaries (“Pinebridge Specific Issue”).

1.3 Shareholders are further referred to the update announcement released on SENS on 21 January 2011 (“21 January 2011 announcement”) wherein shareholders were advised, inter alia, of the subsequent confirmations received from certain of Blue’s existing lenders (“Existing Lenders”) who had signed the debt rescheduling agreement (“DRA”) and the early conversion agreement (“Early Conversion Agreement”), RenAsset and Pinebridge, advising Blue that they would convert up to R266 million of the existing debt and/or obligations owing by Blue, in terms of the Early Conversion.

1.4 The Early Conversion, RenAsset Conversion, Pinebridge Specific Issue and the Blue BEE Transaction are collectively referred to in this announcement as the “Transaction”.

2 PROPOSED BEE TRANSACTION BY BLUE

2.1 Background
The board of Blue (“Board”) would like to propose a BEE transaction to be implemented by Blue (“Blue BEE Transaction”), in terms of which, inter alia, certain third party investors (“QBI’s”) who qualify in terms of the criteria (“BEE Criteria”) which need to be met by those entities or individuals in order to be awarded a pre-defined BEE status or level as contemplated in the Black Economic Empowerment Act, 2003 (Act 53 of 2003), of South Africa (“BEE Act”) and those Blue employees (“QBE’s”) who qualify in terms of BEE criteria will, from time to time be afforded the opportunity to acquire Ordinary Shares from an independent trust to be established in order to implement the Blue BEE Transaction (“Blue BEE Trust”).

2.2 Rationale
One of the provisions contained in the Pinebridge Amendment Agreement is that any Early Conversion undertaken by Blue is capped at R325 million. In terms of the confirmations received from those Existing Lenders who elected to participate in the Early Conversion (“Converting Lenders”), RenAsset and Pinebridge, the total expected debt and/or obligation to be converted into Ordinary Shares amounts to circa. R266 million.
As there is potentially circa. R59 million of headroom between the Conversion Limit of R325 million and the amount that is expected to be converted (R266 million), it is proposed that the Blue BEE Trust be established in order to sell Ordinary Shares for cash to those BEE parties, who qualify in terms of the relevant BEE Criteria and who on acquisition of the Ordinary Shares will become direct shareholders of Blue.

The Company’s objective in the medium term is to raise Blue’s BEE rating to a Level 3 of which BEE equity ownership will comprise a key element. Accordingly, the Company is of the view that the proposed Blue BEE Transaction will greatly benefit Blue as it will significantly improve the BEE status of the Company and reinforce Blue’s stated commitment to transformation. Furthermore it will also assist the Company in the implementation of its turnaround strategy which involves inter alia, improving the financial strength of its balance sheet pursuant to the implementation of the debt equity conversion proposed in terms of the Blue BEE Transaction.

2.3 Salient features of the Blue BEE Transaction structure

The overarching principle underpinning the proposed Blue BEE Transaction is that an independent trust will seek to acquire the existing debt obligations of the Company from existing lenders or creditors and convert these into Ordinary Shares, at a conversion price of 13 cents per Ordinary Share. These Ordinary Shares will subsequently be sold to BEE investors and Blue employees that meet BEE criteria as contemplated in the BEE Act.

The salient features of the Blue BEE Transaction structure are

2.3.1 The Blue BEE Trust will acquire, in terms of option agreements (“Blue BEE Option Agreements”) to be entered into between the Blue BEE Trust and certain of the Selling Lenders (as defined below), such amounts owed by Blue and its subsidiary companies (“BEE Transaction Debts”) to any of the Existing Lenders who have elected not to convert the entire amount owing to them into Ordinary Shares in terms of the Early Conversion, those lenders who elected not to participate in the DRA and any other creditor of the Group (collectively the “Selling Lenders”). The amount of the Blue BEE Transaction Debts, which the Blue BEE Trust can acquire from the Selling Lenders is capped at an aggregate maximum amount of R50 million.

2.3.2 Neither Blue nor Mayibuye will provide funding or guarantees to the Blue BEE Trust for purposes of acquiring the Blue BEE Transaction Debts.

2.3.3 Blue will subsequently grant the option to the Blue BEE Trust to convert the Blue BEE Transaction Debts acquired in
terms of the Blue BEE Option Agreements into Ordinary Shares at 13 cents per Ordinary Share.

2.3.4 The BEE parties that will be entitled to acquire the Ordinary Shares from the Blue BEE Trust will collectively comprise certain QBI’s and QBE’s who on acquisition of the Ordinary Shares will become direct shareholders of Blue and will rank pari passu with all other shareholders (in particular there will be no restrictions placed on these BEE parties in connection with their ability to sell or transfer the Ordinary Shares owned by these BEE parties).

2.3.5 Only those QBI’s and QBE’s that are not a related party, as defined in the JSE Listings Requirements (“Listings Requirements”), to Blue or Mayibuye will be entitled to acquire the Ordinary Shares from the Blue BEE Trust.

2.3.6 Neither Blue nor Mayibuye will provide funding or guarantees to any QBI’s or QBE’s for purposes of acquiring the Ordinary Shares from the Blue BEE Trust.

2.3.7 It is proposed that the allocation of Ordinary Shares that may be sold by the Blue BEE Trust to the BEE parties mentioned in paragraphs 2.3.4 above will be allocated in the following proportions:

- QBI’s 70%
- QBE’s 30%

2.3.8 Post the implementation of the proposed Blue BEE Transaction, whereby Ordinary Shares will be sold to QBI’s and QBE’s, the Blue BEE Trust will not own for the benefit of Blue or Mayibuye, any Ordinary Shares that will be issued pursuant to the conversion of the Blue BEE Transaction Debts into Ordinary Shares.

2.4 Salient features of the Blue BEE Trust

2.4.1 The Blue BEE Trust will be established as a discretionary trust to specifically implement the Blue BEE Transaction which has been proposed for the benefit of those QBI’s and QBE’s who elect to participate. The aggregate maximum amount of Blue BEE Transaction Debts acquired by the Blue BEE Trust cannot exceed R50 million.

2.4.2 The Blue BEE Trust will be independently administered by GMG Trust Company (SA) (Proprietary) Limited, a privately owned trust and corporate services company incorporated in South Africa ("GMG"), in its capacity as trustee of the Blue BEE Trust. Whilst the overriding principle governing the Blue BEE Trust is that it will implement the Blue BEE Transaction for the primary benefit of the QBI’s and QBE’s, to the extent that there are any residual funds of an
immaterial amount that remain in the Blue BEE Trust post the implementation of the Blue BEE Transaction, the Trustees may elect to allocate these to Blue as the sole, legal beneficiary of the Blue BEE Trust.

2.4.3 Initially the Blue BEE Trust shall have not less than one trustee in office. In the event that the trustee resigns, the Board of Blue is entitled to appoint five natural persons as trustees, provided that at least:

a. three of the newly appointed trustees are black people; and
b. two of the newly appointed trustees are not employed by any member of the Group;

thereafter the Blue BEE Trust shall have not less than five trustees in office at any time.

2.4.4 The establishment of the Blue BEE Trust is irrevocable and shall endure until it is terminated by means of a unanimous resolution of the trustees. On termination of the Blue BEE Trust, all the assets of the Blue BEE Trust will be realised and all liabilities be paid. Any remaining proceeds of the sale of the assets shall be paid to Blue, the sole beneficiary of the Blue BEE Trust.

2.4.5 Shareholders will be requested to approve a specific authority to issue up to 384,615,384 Ordinary Shares for cash at 13 cents per Ordinary Share to the Blue BEE Trust, pursuant to the implementation of the Blue BEE Transaction. It is proposed that such specific authority will remain in place for a period of up to 15 months from the date that shareholders approve such authority in a general meeting.

2.4.6 The trustees of the Blue BEE Trust may, inter alia, only acquire or hold the following assets in the name of the Blue BEE Trust:

a. Ordinary Shares;
b. Blue BEE Transaction Debts as described in paragraph 2.3.1 above;
c. Ordinary Shares which are obtained by converting the Blue BEE Transaction Debts into Ordinary Shares at a conversion price of 13 cents per Ordinary Share; and
d. the proceeds of the sale of the Ordinary Shares which are obtained by the Blue BEE Trust as a result of converting the Blue BEE Transaction Debts into Ordinary Shares.

2.4.7 All resolutions of the trustees shall be adopted by a majority vote and each trustee shall be entitled to cast one vote. The quorum required for any meeting of the
trustees shall be a majority of the number of trustees then in office.

2.4.8 The Blue BEE Trust will be a discretionary trust and Blue, as the sole beneficiary, will benefit to the extent, if any, of any distributions made to Blue in the discretion of the trustees.

2.5 Potential adjustment to the maximum permissible amount of R50 million

2.5.1 Of the total known amount that is proposed will be converted, namely circa. R266 million, there is R85.4 million of debt which is US dollar (“US$”) denominated, and a further R36.7 million of debt that is Botswana Pula (“BWP”) denominated. The actual amount that will be converted into Ordinary Shares will be calculated by using the Ruling Spot Rate (US$ and BWP) on the day that a conversion notice is issued by Blue to each of the Converting Lenders, RenAsset and Pinebridge, as the case may be, which conversion notice will only be issued once all shareholder and regulatory approvals have been obtained.

2.5.2 In order to cater for the possible weakening in the exchange rates between ZAR and US$ and ZAR and BWP, the Blue BEE Trust Deed provides for the maximum permissible amount of R50 million to be reduced by such actual amounts that are required to be paid to the Converting Lenders, RenAsset and Pinebridge as is required to implement the Early Conversion, RenAsset Conversion and the Pinebridge Specific Issue. Should the relevant currencies fluctuate and result in the aggregate debt to be converted in terms of the Early Conversion, RenAsset Conversion and the Pinebridge Specific Issue such that the aggregate debt to be converted exceed an amount of R266 million, there is additional head room of R9 million available before the amount which the Blue BEE Trust is entitled to convert will be reduced by the amount which exceeds R275 million.

3 FINANCIAL EFFECTS

Shareholders are referred to the 10 December 2010 announcement wherein inter alia, it was stated that the pro forma financial effects of the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue could not be determined at the time.

Subsequent to the 10 December 2010 announcement, the pro forma financial effects of inter alia the Early Conversion, the RenAsset Conversion, the Pinebridge Specific Issue and the consequent issue of Anti-dilution Shares to Mayibuye, have been determined and are set out in Paragraph 3.1.
The pro forma financial effects of the Blue BEE Transaction, the potential issue of further Dilution and Anti-dilution Shares as well as the potential issue of Warranty Shares are set out in Paragraphs 3.2 to 3.4.

Shareholders are advised to read the pro forma financial effects set out in Paragraphs 3.1 to 3.4 in conjunction with the 10 December 2010 announcement as well as any other update announcements released on SENS that are specifically referred to in the 10 December 2010 announcement.

It should be noted that for purposes of preparing the pro forma financial effects set out below, references to “Recapitalisation” refers to the recapitalisation of the Company through the injection of R163 million of equity capital by Mayibuye in terms of the subscription agreement concluded in 2010 (“Subscription Agreement”), the provision of up to R300 million in capital payments to be received by Blue and its subsidiary companies (as consideration for the sale of any claims by Blue and its subsidiary companies) in terms of the claims purchase agreement concluded in 2010 (“Claims Purchase Agreement”) and the implementation of the DRA and Pinebridge Agreement (read with the Pinebridge Amendment Agreement). References to “Recapitalisation Circular” refer to the circular to Blue shareholders dated 7 October 2010;

3.1 Unaudited pro forma financial effects

The table below illustrates the unaudited pro forma financial effects of the Recapitalisation, Blue Nigeria Claim, the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue on the published reviewed condensed consolidated interim results of the Company for the 6 months ended 31 August 2010.

The preparation of the unaudited pro forma financial effects is the responsibility of the Directors of Blue. The unaudited pro forma financial effects have been prepared for illustrative purposes only to provide information on how the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue might have impacted on the financial position and results of the Company and, due to the nature thereof, may not be a fair reflection of the Company's financial position, nor of its future results, after the Recapitalisation, Blue Nigeria Claim and the Early Conversion, the RenAsset Conversion and the Pinebridge Specific Issue.

It should be noted that for purposes of preparing the pro forma financial effects set out in paragraphs 3.1 to 3.4, the issue price of 13 cents per Ordinary Share at which the Ordinary Shares are to be issued in terms of the Early Conversion Agreement, the
RenAsset Agreement, the Pinebridge Amendment Agreement and the Blue BEE Trust Deed is assumed to be the fair value of the Ordinary Shares for accounting purposes. For avoidance of doubt the potential issue of Warranty Shares to Mayibuye arising from the Blue Nigeria Claim, the impact of the BEE Transaction and any consequent issue of Anti-dilution Shares to Mayibuye is not set out in the table below.

**Unaudited pro forma financial effects**

<table>
<thead>
<tr>
<th></th>
<th>Before (2)</th>
<th>After Recapitalisation and Blue Nigeria Claim (3)</th>
<th>% change</th>
<th>After the Early Conversion and the RenAsset Conversion (6)</th>
<th>% change</th>
<th>After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue (9)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share (&quot;LPS&quot;)</td>
<td>(25.3)</td>
<td>(9.7)</td>
<td>61.7%</td>
<td>(3.6)</td>
<td>62.9%</td>
<td>(3.1)</td>
<td>13.9%</td>
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<tr>
<td>Headline loss per share (&quot;HLPS&quot;)</td>
<td>(24.9)</td>
<td>(9.6)</td>
<td>61.4%</td>
<td>(3.5)</td>
<td>63.5%</td>
<td>(3.1)</td>
<td>11.4%</td>
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<tr>
<td>Net asset value per share (&quot;NAVPS&quot;)</td>
<td>(33.0)</td>
<td>(5.5)</td>
<td>83.3%</td>
<td>2.4</td>
<td>143.6%</td>
<td>2.8</td>
<td>16.7%</td>
</tr>
<tr>
<td>Net tangible asset value per share (&quot;NTAVPS&quot;)</td>
<td>(112.0)</td>
<td>(31.8)</td>
<td>71.6%</td>
<td>(7.5)</td>
<td>76.4%</td>
<td>(5.9)</td>
<td>21.3%</td>
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<tr>
<td>Number of shares in issue ('000)</td>
<td>624,370</td>
<td>1,878,216</td>
<td>200.8%</td>
<td>4,973,651</td>
<td>164.8%</td>
<td>5,663,314</td>
<td>13.9%</td>
</tr>
<tr>
<td>Weighted average number of shares ('000)</td>
<td>624,370</td>
<td>1,878,216</td>
<td>200.8%</td>
<td>4,973,651</td>
<td>164.8%</td>
<td>5,663,314</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

**Notes:**

1. The unaudited pro forma financial effects are based on the accounting policies adopted by the Company and are in accordance with IFRS.
The 'Before' column is based on the published reviewed condensed consolidated interim results for the 6 months ended 31 August 2010.

**Recapitalisation and Blue Nigeria Claim**

3 The ‘After Recapitalisation and Blue Nigeria Claim’ column (on which pro forma financial effects have been provided previously) has been adjusted for the financial effects of the Recapitalisation as previously presented in the Recapitalisation Circular. It also includes adjustments relating to the recognition of the Blue Nigeria Claim. The following adjustments are made or have been considered:

4 For purposes of calculating LPS and HLPS (After Recapitalisation and Blue Nigeria Claim), the unaudited pro forma financial effects are calculated on the following assumptions:

(a) The Recapitalisation resulting in the issue of 1,253,846,154 Ordinary Shares was implemented on 1 March 2010 and the cash portion (R150 million) of the aggregate subscription consideration being R163 million (“Aggregate Subscription Consideration”) was made available to Blue on 1 March 2010;

(b) Once-off transaction, implementation and restructuring costs of R10 million (pre-tax) in aggregate are assumed to be settled from the cash portion of the Aggregate Subscription Consideration, and are assumed to be tax deductible;

(c) The non-recurring expense of R13 million relating to the settlement of the amount owing to Pinebridge in terms of the Pinebridge Agreement (“Pinebridge Settlement Amount”) has been recognised in the statement of comprehensive income, but this expense is assumed to be non tax deductible;

(d) No income has been assumed to be generated from the balance of R140 million from the Aggregate Subscription Consideration as to do so would be inconsistent with the Listings Requirements which do not permit pro forma adjustments relating to future events or decisions. The Company, however intends to deploy the R140 million balance of the cash proceeds received from the Aggregate Subscription Consideration to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields;

(e) No effect of the DRA has been recognised as no significant capital repayments, which would have to be rescheduled to 31 August 2010, were made to Existing Lenders during 1 March 2010 to 31 August 2010;
(f) The Claims Purchase Agreement is accounted for as follows:

I. A facility will be made available to Blue whereby Claims which at any point may not exceed R300 million will be sold to Leonox. It is assumed that R100 million of Claims were sold to Leonox during 1 March 2010 and 31 August 2010;

II. An implied cost of funding of 5% above the then prevailing Prime Lending Rate is assumed to be incurred. This implied cost of funding is recognised for the period from 1 March 2010 to 31 August 2010. The total cost of funding recognised for the 6 months is circa. R3.4 million (pre-tax); and

III. No income has been assumed from the deployment of the net cash made available to Blue to generate new loan advances to customers, as to do so would be inconsistent with the Listings Requirements which do not permit pro forma adjustments that are not factually supportable or are based on future events or decisions. However, the Company will utilise the facility made available in terms of the Claims Purchase Agreement to generate a new book of loans and advances to customers and therefore generate earnings for the Group based on targeted earnings yields.

(g) A full tax rate of 28% has been applied and the impact of any tax losses is ignored. All interest expenses incurred are assumed to be tax deductible;

(h) An adjustment of circa. R2.3 million to non-controlling interest i.r.o. additional losses arising due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in Paragraph 1.2.2 of this announcement. It is assumed that the Blue Nigeria Claim was effective 1 March 2010; and

(i) No value has been attributed to any cost savings or cost synergies expected from Mayibuye's participation in Blue's operations.

5 For purposes of calculating NAVPS and NTAVPS (After Recapitalisation and Blue Nigeria Claim), the unaudited pro forma financial effects are calculated on the following assumptions:

(a) The Recapitalisation was implemented on 31 August 2010;

(b) The issue of 1,253,846,154 Ordinary Shares for an Aggregate Subscription Consideration of R163 million which has been added to share capital;

(c) The cash portion of the Aggregate Subscription Consideration of R150 million has been added to cash and cash equivalents;
(d) Once off transaction, implementation and restructuring costs of R10 million (pre tax) or R7.2 million (post tax), all of which are assumed to be tax deductible, are paid out of cash resources and are adjusted to accumulated losses;

(e) The Pinebridge Settlement Amount of R13 million will be settled out of earnings thereby increasing the Company's accumulated loss. This non-recurring cost is assumed to be non tax deductible;

(f) No effect of the DRA has been recognised as it is assumed that this agreement was implemented on 31 August 2010, and therefore the impact of any rescheduling of debt would not have occurred on this date;

(g) No effect of the Claims Purchase Agreement has been recognised as it is assumed that this agreement was implemented on 31 August 2010. The capital facility available in terms of the Claims Purchase Agreement is on a draw down basis and subject to Blue meeting predetermined vetting criteria. Accordingly it is assumed that as at 31 August 2010 no drawdown would have occurred;

(h) The recognition of a long term liability totalling circa. R40.9 million arising due to the additional 10% shareholding in Blue Nigeria as a result of the Blue Nigeria Claim as discussed in Paragraph 1.2.2 of this announcement. It is assumed that the Blue Nigeria Claim was effective 31 August 2010. The Blue Nigeria Claim was adjusted to accumulated losses; and

(i) An adjustment of circa. R1.2m to non-controlling interest (which has been adjusted to accumulated losses) representing the proportionate minority interest value as a result of the additional 10% shareholding in Blue Nigeria which is transferred from minority interest to equity as discussed above.

The Early Conversion and the RenAsset Conversion

6 The 'After the Early Conversion and the RenAsset Conversion' column has been adjusted for the effects of the Early Conversion and the RenAsset Conversion.

7 For purposes of calculating LPS and HLPS (After the Early Conversion and the RenAsset Conversion), the unaudited pro forma financial effects are calculated on the following assumptions:

(a) The Early Conversion and the RenAsset Conversion were implemented on 1 March 2010;
An interest saving of R16.5 million (pre tax) is reversed against interest expense and is assumed to be taxable. The interest saving has been calculated based on the total participants to the Early Conversion and the RenAsset Conversion as at 1 March 2010 and the actual interest incurred and reported for the 6 months ended 31 August 2010;

The reversal of a foreign exchange gain totaling R6,6 million (pre-tax) is reversed against other operating income and is assumed to be tax deductible. The foreign exchange gain reversed has been calculated based on the foreign exchange gain recognised on the conversion of foreign denominated debt due to participants to the Early Conversion and RenAsset Conversion as at 1 March 2010 and the foreign exchange gain reported for the six months ended 31 August 2010.

Once off transaction costs of R2 million (pre tax) in aggregate are paid out of cash resources, and are assumed to be tax deductible;

A full tax rate of 28% has been applied and the impact of any tax losses is ignored;

The issue of 1,712,719,093 Dilution Shares in accordance with the Early Conversion and the RenAsset Agreements; and

The issue of 1,382,715,676 Anti-dilution Shares in accordance with the Subscription Agreement.

For purposes of calculating NAVPS and NTA VPS (After the Early Conversion and the RenAsset Conversion), the unaudited pro forma financial effects are calculated on the following assumptions:

(a) The Early Conversion and the RenAsset Conversion were implemented on 31 August 2010;

(b) Share capital has been adjusted for:

I. The issue of 1,712,719,093 Dilution Shares in accordance with the Early Conversion and RenAsset Agreements. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R222.7 million adjustment to share capital.

II. The issue of 1,382,715,676 Anti-dilution Shares in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of R0.000001 a share for a cash consideration of R1,382.72.

III. The issue of Dilution and Anti dilution shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of BWP
36.4 million and USD 6.6 million which have been converted at rates of ZAR/BWP = 1.01 and ZAR/USD = 6.74 respectively as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the effective date of the Early Conversion and the RenAsset Conversion (being the date the conversion notices are issued by Blue).

(c) Long term liabilities have been adjusted for the de-recognition of debt to the value of R222.7 million based on the total debt converted into Ordinary Shares in accordance with the Early Conversion and the RenAsset Agreements; and

(d) Accumulated losses have been adjusted for:

I. Once off transaction costs of R2 million (pre tax) or R1.4 million (post tax), all of which are assumed to be tax deductible, are paid out of cash resources.

The Pinebridge Specific Issue

9 The ‘After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue’ column has been adjusted for the effects of the Early Conversion and the RenAsset Conversion as detailed above, as well as the effects of the Pinebridge Specific Issue.

10 For purposes of calculating LPS and HLPS (After the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue), the unaudited pro forma financial effects have been calculated based on the assumptions detailed above for the purposes of the Early Conversion and RenAsset Conversion as well as the following additional assumptions, specifically pertaining to the Pinebridge Specific Issue:

(a) The Pinebridge Specific Issue was implemented on 1 March 2010;

(b) The issue of 337,935,223 Dilution Shares accordance with the Pinebridge Amendment Agreement; and

(c) The issue of 351,728,497 Anti-dilution Shares in accordance with the Subscription Agreement.

11 For purposes of calculating NAVPS and NTAVPS (After the Early Conversion, the RenAsset Conversion and Pinebridge Specific Issue), the unaudited pro forma financial effects have been calculated based on the assumptions detailed above for the purposes of the Early Conversion and RenAsset Conversion as well as the following additional assumptions specifically pertaining to the Pinebridge Specific Issue:

(a) The Pinebridge Specific Issue was implemented on 31 August 2010;
(b) Share capital has been adjusted for:

I. The issue of 337,935,223 Dilution Shares in accordance with the Pinebridge Amendment Agreement. Dilution shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R43.9 million adjustment to share capital.

II. The issue of 351,728,497 Anti-dilution Shares in accordance with the Subscription Agreement. Anti-dilution Shares are assumed to be issued at the par value of R0.000001 a share for a cash consideration of R351.73.

III. The issue of Dilution and Anti-dilution Shares are indicative only due to the fact that the debt being converted include foreign denominated borrowings of USD6.1 million which have been converted at a rate of ZAR/USD = 6.74 as at 7 January 2011. The ultimate conversion of the debt will be impacted by the foreign exchange rates prevailing at the effective date of the Pinebridge Specific Issue (being the date the conversion notice is issued by Blue).

(c) Long term liabilities have been adjusted for the de-recognition of debt to the value of R40.9 million based on the total debt converted into Ordinary Shares as set out in Paragraph 1.2.2 of this announcement, in accordance with the Pinebridge Amendment Agreement; and

(d) Accumulated losses have been adjusted for:

The Blue Claim of circa. R2.9 million which gives rise to the issue of 22,731,277 Ordinary Shares as discussed in Paragraph 1.2.2 of this announcement. The Blue Claim Amount constitutes a change in estimate of the number of Ordinary Shares to be issued on the conversion of the Class C Convertible Redeemable Preference Shares, as such represents an equity transaction and not the recognition of an additional liability.

3.2 Illustrative effects of the potential issue of additional Dilution Shares up to the Conversion Limit incorporating the Blue BEE Transaction

The following table sets out the unaudited pro forma financial effects of the potential issue of further Dilution Shares up to the Conversion Limit as a result of the Blue BEE Transaction (as described in Paragraph 2 of this announcement), the potential adjustment to the maximum permissible amount (as described in paragraph 2.5 of this announcement) as well as Anti-dilution Shares as contemplated in the Subscription Agreement.

Illustrative effects of the potential issue of the maximum
<table>
<thead>
<tr>
<th></th>
<th>Pro forma before (cents)</th>
<th>After Maximum Early Conversion (cents)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share</td>
<td>(3.1)</td>
<td>(2.6)</td>
<td>16%</td>
</tr>
<tr>
<td>Headline loss per share</td>
<td>(3.1)</td>
<td>(2.6)</td>
<td>16%</td>
</tr>
<tr>
<td>Net asset value per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(&quot;NAVPS&quot;)</td>
<td>2.8</td>
<td>3.3</td>
<td>18%</td>
</tr>
<tr>
<td>Net tangible asset value per share (&quot;NTAVPS&quot;)</td>
<td>(5.9)</td>
<td>(4.2)</td>
<td>29%</td>
</tr>
<tr>
<td>Number of shares in issue ('000)</td>
<td>5,663,314</td>
<td>6,580,346</td>
<td>16%</td>
</tr>
<tr>
<td>Weighted number of shares ('000)</td>
<td>5,663,314</td>
<td>6,580,346</td>
<td>16%</td>
</tr>
<tr>
<td>Further shares issued to Existing Lenders ('000)</td>
<td>449,346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further shares issued to Mayibuye ('000)</td>
<td>467,686</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mayibuye shareholding(%)</td>
<td>51.0%</td>
<td>51.0%</td>
<td>0%</td>
</tr>
<tr>
<td>Additional Lenders shareholding(%)</td>
<td>0.0%</td>
<td>6.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Existing Blue shareholders(%)</td>
<td>49.0%</td>
<td>42.2%</td>
<td>(14%)</td>
</tr>
</tbody>
</table>

Notes:

1. The 'Pro forma before' column is based on the unaudited pro forma financial effects for the 6 months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in Paragraph 3.1 of this announcement.

2. The ‘After Maximum Early Conversion’ column is based on a scenario whereby relevant qualifying BEE parties will be offered to participate in the Blue BEE transaction by virtue of acquiring Blue BEE Transaction Debts up to a maximum amount of R50 million as well as the potential adjustment to the maximum permissible amount. The unaudited pro forma financial effects are calculated on the following assumptions:

(a) The potential scenario where the Blue BEE Transactions Debts as well as the remaining outstanding debt to Existing Lenders amount to R58.4 million. The R58.4 million has been arrived at by reducing the Conversion Limit per the Early Conversion Agreement, with the R266.6 million debt converted for the purposes of the Transaction in order to cater for the
potential adjustment to the maximum permissible amount as described in Paragraph 2.5 of this announcement;

(b) The issue of 449,345,685 Dilution Shares in accordance with the Blue BEE Transaction and the potential adjustment to the maximum permissible amount as described in Paragraph 2.5 of this announcement. Dilution Shares are assumed to be issued at a fair value of 13 cents a share giving rise to a R58.4 million adjustment to share capital;

(c) The issue of 467,686,325 Anti-dilution Shares as set out in Paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution shares are assumed to be issued at the par value of R0.000001 a share for a cash consideration of R467.69;

(d) The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of circa. R4.4 million (pre tax), is added back to earnings for an assumed 6 month period. The interest saving is assumed to be fully taxable;

(e) The Dilution Shares and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects; and

(f) The Dilution Shares and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

3.3 Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares

The following table sets out the unaudited pro forma financial effects of the potential issue of future Dilution Shares and Anti-dilution Shares under the high case scenario as detailed in the Recapitalisation Circular after assuming the capital payment holiday of 36 months as contemplated in the Debt Rescheduling Agreement and described in Paragraphs 4.6 and 4.7 of the Recapitalisation Circular.

<table>
<thead>
<tr>
<th>Illustrative effects of the potential issue of Dilution Shares and Anti-dilution Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share (3.1) (cents)</td>
</tr>
<tr>
<td>Headline loss per share (3.1) (cents)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Pro forma before (1)</th>
<th>High case (2)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share</td>
<td>(3.1)</td>
<td>(2.4)</td>
<td>23%</td>
</tr>
<tr>
<td>Headline loss per share</td>
<td>(3.1)</td>
<td>(2.4)</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>2.8</td>
<td>4.2</td>
<td>50%</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Net asset value per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(&quot;NAVPS&quot;)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net tangible asset value per</td>
<td>(5.9)</td>
<td>(2.9)</td>
<td>51%</td>
</tr>
<tr>
<td>share (&quot;NTAVPS&quot;)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares in issue</td>
<td>5,663,314</td>
<td>7,024,691</td>
<td>24%</td>
</tr>
<tr>
<td>('000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted number of shares</td>
<td>5,663,314</td>
<td>7,024,691</td>
<td>24%</td>
</tr>
<tr>
<td>('000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further shares issued to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Lenders ('000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-dilution Shares issued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to Mayibuye ('000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mayibuye shareholding (%)</td>
<td>51.0%</td>
<td>51.0%</td>
<td>0%</td>
</tr>
<tr>
<td>Additional Lenders shareholding (%)</td>
<td>0.0%</td>
<td>9.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Existing Blue shareholders (%)</td>
<td>49.0%</td>
<td>39.5%</td>
<td>(19%)</td>
</tr>
</tbody>
</table>

Notes:

1. The 'Pro forma before' column is based on the unaudited pro forma financial effects for the 6 months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in Paragraph 1.2 of this announcement.

2. The 'High case' column is based on a scenario whereby there remains outstanding debt to Existing Lenders of R133.4 million that will result in Dilution Shares and Anti-dilution Shares being issued as set out in Paragraphs 4.6 and 4.7 of the Recapitalisation Circular. The unaudited pro forma financial effects are calculated on the following assumptions:

(a) The potential scenario where the outstanding debt to Existing Lenders amount to R133.4 million. The R133.4 million has been arrived at by reducing the high case scenario of R400 million per section 4 of Annexure 2 of the Recapitalisation Circular, with the R266.6 debt converted for the purposes of the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue;

(b) The issue of 667,074,695 Dilution Shares as set out in Paragraph 4.6 in the Recapitalisation Circular in accordance with the Debt Rescheduling Agreement. Dilution shares are assumed to be issued at a 30 day VWAP of 20 cents a share giving rise to a R133.4 million adjustment to share capital.
(c) The issue of 694,301,234 Anti-dilution Shares as set out in Paragraph 4.7 in the Recapitalisation Circular in accordance with the Subscription Agreement are issued to Mayibuye and its resulting shareholding is 51%. Anti-dilution Shares are assumed to be issued at the par value of R0.000001 per share for a cash consideration of R694.03;

(d) The interest expense that is attributable to the outstanding debt to Existing Lenders is assumed to have an average interest rate of 15% per annum. Consequently, an interest saving of circa. R10 million (pre tax), is added back to earnings for an assumed 6 month period. The interest saving is assumed to be fully taxable;

(e) The Dilution and Anti-dilution Shares are assumed to be in issue for the period from 1 March 2010 to 31 August 2010 for the purposes of calculating the LPS and HLPS, illustrative effects; and

(f) The Dilution and Anti-dilution Shares are assumed to be issued on 31 August 2010 for the purposes of calculating the NAVPS and NTAVPS illustrative effects.

3.4 Illustrative effects of the potential issue of Warranty Shares

The following table sets out the unaudited pro forma financial effects of the potential issue of Warranty Shares assuming a high case scenario, however before the impact on the Blue BEE Transaction:

<table>
<thead>
<tr>
<th>Illustrative effects of the potential issue of Warranty Shares</th>
<th>Pro forma before(1)</th>
<th>High case (2)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss per share</td>
<td>(3.1)</td>
<td>(5.3)</td>
<td>(71%)</td>
</tr>
<tr>
<td>Headline loss per share</td>
<td>(3.1)</td>
<td>(5.2)</td>
<td>(68%)</td>
</tr>
<tr>
<td>Net asset value per share (&quot;NAVPS&quot;)</td>
<td>2.8</td>
<td>(0.1)</td>
<td>(104%)</td>
</tr>
<tr>
<td>Net tangible asset value per share (&quot;NTAVPS&quot;)</td>
<td>(5.9)</td>
<td>(7.7)</td>
<td>(31%)</td>
</tr>
<tr>
<td>Number of shares in issue (‘000)</td>
<td>5,663,314</td>
<td>6,478,314</td>
<td>14%</td>
</tr>
<tr>
<td>Weighted number of shares (‘000)</td>
<td>5,663,314</td>
<td>6,478,314</td>
<td>14%</td>
</tr>
<tr>
<td>Further shares issued to Mayibuye (‘000)</td>
<td></td>
<td>815,000</td>
<td></td>
</tr>
<tr>
<td>Mayibuye shareholding (%)</td>
<td>51.0%</td>
<td>57.2%</td>
<td>12%</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-----</td>
</tr>
<tr>
<td>Existing Blue shareholders (%)</td>
<td>49.0%</td>
<td>42.8%</td>
<td>(13%)</td>
</tr>
</tbody>
</table>

Notes:

1. The 'Pro forma before' column is based on the unaudited pro forma financial effects for the 6 months ended 31 August 2010 after adjusting for the Early Conversion, RenAsset Conversion and Pinebridge Specific Issue as set out in Paragraph 1.2 of this announcement.

2. The ‘High case’ column is based on a potential scenario whereby a warranty Claim Amount raised by Mayibuye will result in Warranty Shares being issued as set out in Paragraph 4.5 of the Recapitalisation Circular. The unaudited pro forma financial effects are calculated on the following assumptions:

   (a) The post-tax warranty Claim Amount is R163 million. The R163 million is consistent with the high case scenario per section 3 of Annexure 2 of the Recapitalisation Circular. The high case warranty Claim Amount must be viewed in light of an existing Claim Amount estimated at R43.9 million as set out in Paragraph 1.2.2 of this announcement and a potential Claim Amount estimated at R8 million;

   (b) The issue of 815,000,000 Warranty Shares. Warranty Shares are assumed to be issued at a 30 day VWAP of 20 cents per Blue share; and

   (c) The associated cost of issuing the Warranty Shares is credited against share capital and debited against accumulated loss.

3. The once-off net after tax expense attributable to the potential warranty Claim Amount is adjusted against the earnings of the Company and will result in a cash outflow for Blue in order to settle the associated expense.

4. **Inter-Conditionality of the Transaction**

   4.6.1 Shareholders are advised that the Transaction as a whole is inter-conditional on the RenAsset Conversion and the Early Conversion being implemented, and that should the required shareholder approvals not be obtained for either of the aforementioned conversions, the Transaction as a whole will not be capable of being implemented.

   4.6.2 Shareholders are also advised that should the required shareholder approvals not be obtained for the implementation of either or both the Pinebridge Specific Issue and/or the
Blue BEE Transaction, the implementation of the RenAsset Conversion and the Early Conversion may proceed. In addition, neither the Pinebridge Specific Issue nor the Blue BEE Transaction are inter-conditional and either may be implemented independently of the other.

5 POSTING OF CIRCULAR AND NOTICE OF GENERAL MEETING
Shareholders are hereby advised that the circular to Blue shareholders containing the details of the Early Conversion, RenAsset Conversion, the Pinebridge Specific Issue and the proposed Blue BEE Transaction and incorporating the Notice of General Meeting of ordinary shareholders of Blue to be held at 09h30 on Friday, 25 February 2011 at the registered office of the Company, being Building 10, 107 Haymeadow Street, Boardwalk Office Park, Faerie Glen, Pretoria, 0081, was posted to Blue shareholders today Thursday, 10 February 2011.

6 WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT
As the financial effects relating to the Early Conversion, RenAsset Conversion, Pinebridge Specific Issue and the proposed Blue BEE Transaction have been published as set out in paragraph 3 above, shareholders are advised that they no longer need to exercise caution when dealing in their Blue securities.

Pretoria
10 February 2011

Designated adviser to Blue
Grindrod Bank Limited

Financial adviser to Blue in relation to the Early Conversion
PricewaterhouseCoopers Corporate Finance (Proprietary) Limited

Reporting accountants to Blue
Deloitte & Touche