

## **CPN - Capricorn Investment Holdings Limited - Detailed Cautionary Announcement 15 Dec 2011**

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CAPRICORN INVESTMENT HOLDINGS LIMITED

(formerly Cenmag Holdings Limited)

(Registration Number 1987/004821/06)

("Capricorn" or "the company")

Share code: CPN ISIN: ZAE000149951

DETAILED CAUTIONARY ANNOUNCEMENT INCLUDING TERMS OF A PROPOSED ACQUISITION, REVERSE LISTING, WAIVER OF A MANDATORY OFFER, PROPOSED SPECIFIC ISSUE OF SHARES, APPLICATION TO LIST ON THE ALTERNATIVE EXCHANGE AND RENEWAL OF CAUTIONARY

ANNOUNCEMENT

INTRODUCTION

Shareholders are referred to the cautionary announcements dated 22 June 2011, 3 August 2011 and 12 September 2011 and are advised that a sale and purchase agreement has been agreed between the Company, Water Utilities Limited and Watermark Global PLC (together "Watermark") on 15 December 2011 regarding the acquisition of 100% of the shares and claims in Western Utilities Corporation (Proprietary) Limited ("WUC"), a wholly-owned subsidiary of Watermark for a purchase consideration of GBP 4.50 million.

Watermark, listed on the Alternative Investment Market ("AIM") in London, through WUC, has procured a water treatment technology and commercialisation entity which has developed a Long Term Self-Sustainable Solution for Acid Mine Drainage ("AMD") in South Africa. This is purpose-specific processing of AMD and was developed in conjunction with the mines to meet legislated government directive requirements. It is proposed that the water is treated, transported and sold back into industry to reduce dependence on the expensive and limited potable water reserves.

The development of the AMD project will lead to a number of opportunities, including the management of significant water treatment facilities, the development of waste water management strategies, as well as the project management of upgrade projects from mines participating in the AMD project and other industrial water users.

In addition, WUC has procured proprietary technology in respect of a coal briquetting project ("Briquetting Project"). The Briquetting Project is currently at the development stage but is expected to be in production within 12 months. Off take agreements are already in place in order to secure the income streams of the Coal Briquetting project. The agreement is held with the mine where the coal fines are generated.

Following receipt of all required approvals for the AMD project, it is also envisaged that there will be off take agreements with the mines for the Industrial Quality water and that Potable water will be incorporated into a Bulk Water Distributor network. It has been proposed that revenue will be generated for services rendered through the implementation of the technology, for the water distribution, and through the sale of by-products generated from the AMD Project.

## TERMS

The Board is pleased to announce the terms of the proposed acquisition as follows:

- \* The proposed acquisition of 100% of the issued ordinary shares and all loan account claims against WUC, held by Watermark, by Capricorn resulting in WUC becoming a wholly-owned subsidiary of Capricorn.
- \* The proposed acquisition is to be settled partly in cash and partly in shares with the cash portion of the purchase consideration being raised by way of a specific issue of Capricorn shares for cash.
- \* The purchase consideration of the WUC shares and claims equals to GBP4.50 million of which GBP1.81 million will be payable in cash with the balance of GBP2.69 million to be settled through a fresh issue of ordinary shares in the Company at an issue price of 19 cents per ordinary share.
- \* The cash portion of R23.41 million will be settled out of the capital raised from the specific issue of approximately 210 526 316 ordinary shares at an issue price of 19 cents totalling R40 million. This

specific issue of 210 526 316 new ordinary shares will be underwritten by Trinity Asset Management (Proprietary) Limited ("TAM"), a related party to Capricorn. The underwriting agreement is in the process of being finalised, but will incorporate an underwriting fee of 2%.

#### REVERSE TAKEOVER

Shareholders are cautioned that the implementation of the proposed acquisition will result in the issue of more than 100% of the current issued share capital of the Company, and accordingly will result in a reverse takeover of for the purposes of the Listings Requirements, which stipulate that the Company can only retain its listing following the reverse take-over if the JSE ("the JSE") is satisfied that the Company continues to qualify to be listed. The board of directors is pleased to advise that the Alternative Exchange Advisory Committee has approved the reverse listing of WUC on the condition that R35 million of new equity capital is raised prior to the listing. This condition will be met with the underwriting agreement for R40 million as detailed earlier.

#### WAIVER OF A MANDATORY OFFER

On implementation of the acquisition of WUC by Capricorn, Watermark's aggregate shareholding in Capricorn will increase from 0% to 40%, which is considered an "affected transaction" by the Takeover Regulation Panel ("TRP") which ordinarily would require a mandatory offer to acquire the Capricorn shares owned by all Capricorn shareholders at an offer price of 19 cents per share.

However, the Companies Act (71 of 2008) ("the Act") and the Regulations thereto, specifically Regulation 86(4), allows for a waiver to be given to an Offeror from the obligation to make a mandatory offer, if such waiver is approved by independent shareholders, in person or by proxy, holding more than 50% of the general voting rights of all the issued shares of Capricorn in a general meeting. The acquisition is subject to Capricorn shareholders approving the waiver of a mandatory offer and accordingly a resolution requesting Capricorn shareholders to waive their rights to a mandatory offer will be included in the circular to shareholders.

In terms of Regulation 86(7) of the Act, a waiver of a mandatory offer requires a fair and reasonable opinion and such opinion will also be included in the circular to shareholders.

The TRP has advised that it is willing to consider the application to grant an exemption to Watermark from the obligation to make a mandatory offer if the absolute majority of independent shareholders of Capricorn waive their entitlement to receive the mandatory offer from Watermark, in accordance with this Regulation 86(4).

Any shareholder of Capricorn who wishes to make representations relating to the exemption shall have 10 business days from the date of the posting of the circular to shareholders, which circular will be posted in due course, to make such representations to the TRP before the ruling is considered.

Representations should be made in writing and delivered by hand, posted or faxed to and should reach the TRP by no later than 10 days after the date of posting of the circular, in order to be considered.

If delivered by hand or courier:	If posted:	If faxed:
The Executive Director Takeover Regulation Panel	The Executive Director Takeover Regulation Panel	The Executive Director Takeover Regulation Panel
1st Floor, Building B Sunnyside Office Park 32 Princess of Wales Terrace Parktown 2193	PO Box 91833 Auckland Park 2006	+27 11 642 9284

If any representations are made to the TRP within the permitted timeframe, the TRP will consider the merits thereof before making a ruling. The Notice of General Meeting which will form part of the circular to shareholders will include a resolution for the waiver of Watermark making a mandatory offer for shareholders to consider, and if deemed fit, to approve at the general meeting.

#### CONDITIONS PRECEDENT

- 1) The acquisition of WUC is subject to the following conditions precedent, amongst others:

2) Regulatory approval by the JSE Limited, AIM, the TRP and the South African Reserve Bank;

3) The receipt of all governmental and regulatory approvals required by law in connection with, or required to permit, the completion of the acquisition shall have been obtained or received in writing on terms which will not cause a Material Adverse Effect and reasonably satisfactory evidence thereof shall have been delivered to each Party; and

The approval of the transaction by the Senior Lenders to WUC, namely the Development Bank of South Africa and the Industrial Development Corporation.

The last day for fulfilment of the conditions precedent set out above is 31 March 2012, or such later date as may be agreed between Capricorn and Watermark in writing.

#### PRO FORMA FINANCIAL EFFECTS

Shareholders are advised that the pro forma financial effects of the proposed acquisition will be announced in due course.

#### DOCUMENTATION AND SALIENT DATES

The above-mentioned proposed acquisition will result in a reverse listing of WUC into Capricorn, which, together with the specific issue of approximately 210 526 316 new shares will require shareholder approval and other related approvals such as a proposed change in name of the Company.

A circular to shareholders detailing the terms of the acquisition, incorporating revised listing particulars will be drafted and distributed to shareholders in due course.

Salient dates will be published once the circular has been finalised.

#### RENEWAL OF CAUTIONARY ANNOUNCEMENT

Accordingly, shareholders are advised to continue to exercise caution when dealing in the Company's securities until a further announcement is made.

Johannesburg

15 December 2011

Sponsor

ArcayMoela Sponsors (Proprietary) Limited

(Registration number 2006/033725/07)

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