



## OLIVEWOOD RESOURCES LIMITED

(formerly Olivewood Trade and Invest 15 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2009/002531/06)

("Olivewood" or "the company")

---

## PRIVATE PLACEMENT MEMORANDUM

---

**The definitions and interpretations on pages 8 to 10 of this private placement memorandum apply *mutatis mutandis* throughout this document.**

Investments in Olivewood will qualify as a deduction from taxable income under section 12J of the South African Income Tax Act, 1962 (Act 58 of 1962), as amended, in the hands of natural persons and listed companies.

This document has been prepared and issued to provide qualifying investors with information relating to an offer to subscribe for 7 000 Olivewood ordinary shares at an issue price of R150 000 per Olivewood ordinary share in terms of a private placement.

---

Opening date of the private placement at 08h00 on	Monday, 2 November 2009
Closing date of the private placement at 17h00 on	Friday, 27 November 2009
Applicants to be notified of success/failure of application	Monday, 30 November 2009
Posting of share certificates and refund of surplus	Friday, 4 December 2009

---

The basis of allotment will remain within the discretion of the directors of Olivewood.

Subscriptions can only be made at an acquisition cost, for a single addressee acting as applicant, of not less than R150 000.

This private placement memorandum is not an invitation to the general public to subscribe for shares in Olivewood, but is an offer to qualifying investors to subscribe for shares in Olivewood and is issued for the purpose of providing information to such qualifying investors with regard to Olivewood.

The directors of Olivewood, whose names are given in paragraph 6.1 commencing on page 30 of this private placement memorandum, collectively and individually, accept full responsibility for the accuracy of the information given in this private placement memorandum and certify that to the best of their knowledge and belief there are no facts that have been omitted which would render any statement in this private placement memorandum false or misleading, and that all reasonable enquiries to ascertain such facts have been made.

On the opening date of the private placement, the authorised share capital of Olivewood will comprise 30 000 ordinary shares having a par value of R1 each. After the private placement the issued share capital of Olivewood will comprise 7 173 ordinary shares of R1 each and the share premium account will total R1 053 642 927 based on an offer price of R150 000 per Olivewood share.

The minimum amount, which in the opinion of the directors, must be raised by Olivewood through the private placement is R500 million. The directors have the right to waive the minimum amount.

All moneys raised in terms of the private placement will be retained in trust until such time as the minimum amount has been raised, or waived.

The ordinary shares issued in terms of the private placement will rank *pari passu* with all other ordinary shares issued by Olivewood. The ordinary shares issued will be issued in certificated form.

This private placement memorandum has not been registered with the South African Registrar of Companies, nor is there a requirement to do so.

Persons with questions relating to this private placement memorandum are invited to contact Allan Hochreiter on (011) 325 5485/57.

**Corporate advisor**



**Attorneys**

david levithan  
Attorney

**Documentation advisor**



**Tax advisor**



**Auditors**



**Communication advisor**

**BRUNSWICK**

---

**Date of issue: Monday, 2 November 2009**

Copies of this private placement memorandum are available in English only and may be obtained from the offices of Allan Hochreiter, the address of which is set out in the "Corporate information and advisors of Olivewood" section of this private placement memorandum.

---

## CORPORATE INFORMATION AND ADVISORS

---

### Company secretary

Anderson Rochussen van der Bijl Inc.  
(Registration number 1999/016240/21)  
6 Glenhove Road  
Melrose Estate, 2196  
(PO Box 87583, Houghton, 2041)

### Corporate advisor

Allan Hochreiter (Proprietary) Limited  
(Registration number 2005/037514/07)  
5<sup>th</sup> Floor, North Wing, Hyde Park  
Jan Smuts Avenue and 6th Road  
Hyde Park, 2196  
(PO Box 411130, Craighall, 2024)

### Commercial banker

The Standard Bank of South Africa Limited – Rosebank Branch  
(Registration number 1962/000738/06)  
29 Tyrwhitt Avenue  
Rosebank, 2196  
(PO Box 52022, Saxonwold, 2132)

### Auditors

Horwath Leveton Boner  
(Practice number 903787)  
3 Sandown Valley Crescent  
Sandown  
Sandton, 2196  
(PO Box 652550, Benmore, Sandton, 2010)

### Date of incorporation

9 February 2009

### Place of incorporation

South Africa

### Registered office

6 Glenhove Road  
Melrose Estate, 2196  
(PO Box 87583, Houghton, 2041)

### Attorneys

David Levithan  
5th Floor, South Wing, Hyde Park  
Jan Smuts Avenue and 6th Road  
Hyde Park, 2196  
(PO Box 412629, Craighall, 2024)

### Tax advisor

Cliffe Dekker Hofmeyr Inc  
(Registration number 2008/018923/21)  
1 Protea Place  
Sandown, 2196  
(Private Bag X7, Benmore, 2010)

### Documentation advisor

BDO Spencer Steward Services  
(Proprietary) Limited  
(Registration number 2006/006127/07)  
13 Wellington Street  
Parktown, 2193  
(Private Bag X60500, Houghton, 2041)

### Communication advisor

Brunswick South Africa Limited  
(Registration number 1995/011507/10)  
23 Fricker Road  
Illovo Boulevard, Illovo, 2196  
(PO Box 2603, Saxonwold, 2132)

---

## TABLE OF CONTENTS

---

	Page
<b>Corporate information and advisors</b>	1
<b>Salient features</b>	4
<b>Important dates and times</b>	7
<b>Definitions and interpretations</b>	8
<b>Private placement memorandum</b>	
1. Introduction	11
2. Overview of section 12J of the Income Tax Act	11
3. Information relating to Olivewood	12
4. Major shareholders	28
5. Share capital	28
6. Directors and Investment Committee members	30
7. Purpose of the private placement	35
8. Details of the private placement	35
9. Risk factors	38
10. Investor capital gains or losses in the sale and purchase of shares of Olivewood shares, post-private placement	39
11. Financial information	39
12. Legal information	39
13. Corporate governance	40
14. Particulars of the private placement	40
<b>Annexure 1</b> Alterations to share capital and issues of securities	41
<b>Annexure 2</b> Extracts from the articles of association of Olivewood	42
<b>Annexure 3</b> Corporate governance	43
<b>Annexure 4</b> Other directorships in the past five years	45
<b>Annexure 5</b> Legal opinion on Olivewood's structure in terms of Collective Investment Schemes and in terms of section 12J of the Income Tax Act	47
<b>Annexure 6</b> Section 12J of the Income Tax Act	48
<b>Annexure 7</b> SARS Venture Capital Company reference guide	53
<b>Annexure 8</b> Olivewood registration with the FSB	69
<b>Annexure 9</b> Olivewood registration with the Commissioner	70
<b>Annexure 10</b> Brief overview of enterprise development as a component of BBBEE compliance	71
<b>Annexure 11</b> Letter of support from Eskom's Chief Executive Officer	74
<b>Annexure 12</b> Mining Weekly article on the Canadian flow through system	75
<b>Annexure 13</b> Press coverage on Olivewood	77
<b>Private placement application form</b>	Attached

**List of tables**

<b>Table 1</b>	Eskom 2008 Annual Report: Capacity Expansions	22
<b>Table 2</b>	Executive director remuneration to February 2010	33
<b>Table 3</b>	Executive director remuneration to February 2011	33
<b>Table 4</b>	Non-executive directors' remuneration to February 2010	34
<b>Table 5</b>	Investment Committee remuneration to February 2010	34
<b>Table 6</b>	Non-executive directors' remuneration to February 2011	34
<b>Table 7</b>	Investment Committee remuneration to February 2011	34
<b>Table 8</b>	Directors' beneficial interests	35
<b>Table 9</b>	Investment Committee beneficial interests	35
<b>Table 10</b>	Private placement cost estimates	40
<b>Table 11</b>	Shares issued on formation of Olivewood	41
<b>Table 12</b>	Shares purchased by directors and other parties to fund the private placement	41
<b>Table 13</b>	BBBEE Enterprise Development Scores	71
<b>Table 14</b>	BBBEE Generic Scorecard	72
<b>Table 15</b>	BBBEE Status	72
<b>Table 16</b>	BBBEE Benefit Factor Matrix	73

**List of figures**

<b>Figure 1</b>	Potential return to a private investor	14
<b>Figure 2</b>	Potential return to a listed company	14
<b>Figure 3</b>	Structure of Olivewood	15
<b>Figure 4</b>	FTS/JSE Africa Resources Index	15
<b>Figure 5</b>	Global Exploration Spend	16
<b>Figure 6</b>	Reuters/Jefferies CRB Index	16
<b>Figure 7</b>	LME Historical Copper Price	17
<b>Figure 8</b>	LME Historical Nickel Price	17
<b>Figure 9</b>	LME Historical Aluminium Price	17
<b>Figure 10</b>	Toronto Stock Exchange Venture Index	18
<b>Figure 11</b>	Platinum Price	19
<b>Figure 12</b>	Eskom's Power Generation Capacity	19
<b>Figure 13</b>	Eskom's Peak Demand and Scenario Forecasts	21
<b>Figure 14</b>	Anticipated Sectoral Exposure	25
<b>Figure 15</b>	Anticipated Exposure to the Risk/Value Curve	25
<b>Figure 16</b>	Investment Process	26
<b>Figure 17</b>	Base for Performance Fee and Individual's Return	28

---

## SALIENT FEATURES

---

The definitions and interpretations on pages 8 to 10 of this private placement memorandum apply *mutatis mutandis* throughout this document.

### 1. INTRODUCTION

This summary contains the salient features of this private placement memorandum, which should be read in its entirety for a full and proper appreciation hereof.

### 2. OVERVIEW OF OLIVEWOOD AND ITS INVESTMENT PROPOSITION

Olivewood, acting on the advice of Dr Emil Brincker, Tax Director at Cliffe Decker Hofmeyr Inc, that the company meets all the requirements of a venture capital company in terms section of 12J(5) of the Income Tax Act duly made application to the Commissioner and was registered as a venture capital company in terms of this legislation on 20 October 2009. Olivewood has obtained legal opinion from Advocates Dennis Fine (S.C.) and Gavin Goldman that it does not fall within the ambit of the Collective Investment Scheme Control Act, 45 of 2002. A summary of these opinions is set out in Annexure 5. The full text of the opinions is available for inspection at the offices of Allan Hochreiter.

It is the intention that Olivewood will invest in the South African resource sector with specific focus on coal and renewable energy. However, Olivewood may invest in such other mining activities which, in the opinion of the Board, will create shareholder value. Such activities include, but are not limited to platinum, chrome, manganese and gold tailings. The goods and services sector of the South African resource industry will also be viewed as potential investment opportunities.

Olivewood's strategy is to:

- be a significant contributor to the development of sustainable junior mining and renewable energy companies in South Africa;
- achieve superior long-term capital returns for investors and provide a mechanism whereby investors can realise these returns;
- be at the forefront of developing small and medium-sized mining companies;
- provide technical, legal and financial support to the qualifying companies in which it invests;
- assist with the consolidation of junior coal companies to fit Eskom's procurement requirements; and
- through compliance with the provisions of section 12J of the Income Tax Act provide for qualifying investors the tax benefits that flow from this legislation pursuant to their investments made into the company.

Olivewood's objective is to create wealth for its shareholders, maximise cash and returns on investments, while providing for sustainable re-investment and satisfying the investment requirements of its shareholders.

Olivewood is directed, managed and staffed by professionals with experience and backgrounds in resources. Investments will be made according to strict criteria and overseen by a robust investment committee.

Olivewood is registered with the Financial Services Board in terms of section 70F the FAIS Act and been registered with the Commissioner as a venture capital company in terms of the provisions of section 12J(5) of the Income Tax Act.

### 3. DISTINGUISHING FEATURES OF INVESTING IN OLIVEWOOD

3.1 Investments in Olivewood by natural persons and listed companies qualify for the tax relief promulgated in terms of the provisions of section 12J of the Income Tax Act.

Olivewood is the first resource venture capital development company to be formed in terms of section 12J of the Income Tax Act that allows for tax deductible investments.

For individuals, the maximum deduction from income is R2.25 million with a maximum of R750 000 per annum for three years.

The investment by a listed company, or a controlled group company in relation to that listed company, will be allowed as a deductible expense during a year of assessment provided that the investment by that listed company or controlled group company does not exceed 40% of the equity shares in Olivewood.

### 3.2 Value creation

History has shown that the two main reasons for the failure of small companies are the lack of capital and suitably trained management. Ongoing failure in this regard is one of the reasons for the introduction of this legislation.

Olivewood will have the required funds for investment in the junior mining companies and through the experience of its directors and management has access to a wide range of expertise that will render financial and technical assistance to the management of the qualifying companies. In so doing Olivewood will not only be giving effect to the intent and purport behind this legislation but will be able to realise significant additional shareholder value.

### 3.3 Enterprise development credits

Olivewood has been advised that the investments by the company into BBBEE compliant qualifying companies will result in enterprise development credits flowing through to Olivewood and in turn to its qualifying investors. Annexure 10 provides more detail on this mechanism.

## 4. MANAGERIAL AND INVESTMENT TEAM

Olivewood's commitment to uplifting the junior mining industry in South Africa, coupled with the benefits which may flow to investors has culminated in Olivewood securing the active participation and involvement of the following highly respected, experienced and well-known executives of the South African mining industry:

- James Allan, through his expertise in the mining and financial services is well qualified to be Olivewood's chief executive officer.
- James Campbell brings extensive knowledge of the coal and base metal sectors to Olivewood. James will be a non-executive director and a member of the Olivewood Investment Committee.
- Con Fauconnier, with many years experience in the South African mining sector, will chair the Olivewood Investment Committee.
- Paddy Kell has agreed to accept an appointment as a non-executive director. Paddy brings a great deal of financial expertise to the company and will chair the Audit, Risk and Nomination Committee.
- René Hochreiter, a top rated platinum and mining analyst and investment advisor, will be a non-executive director.
- Ollie Oliveira will bring his corporate finance expertise in mining transactions to Olivewood as a member of its Investment Committee. Ollie's expertise extends to the local and London markets.
- Botha Schabort, a founding member of PSG Group Limited and entrepreneur, has expertise in renewable energy resources and will be a non-executive director.

*Curricula vitae* in respect of the above directors and Investment Committee members of Olivewood are set out in paragraphs 6.1 and 6.2 of this private placement memorandum.

## 5. PURPOSE OF THE PRIVATE PLACEMENT

The purpose of the private placement is to provide Olivewood with a capital base to allow it to execute its strategy.

It is anticipated that an amount of R1.05 billion will be raised by Olivewood through the issue of 7 000 ordinary shares for cash to qualifying investors. This is based upon an offer price of R150 000 per Olivewood ordinary share, before the costs of the share issue and other expenses. The net proceeds of the issue will be used to invest in qualifying companies in the South African resources sector.

Investors who have been invited to apply should do so by completing the attached private placement application form in full, and without amendment, in accordance with the provisions of this private placement memorandum and the instructions contained in the private placement form.



## 6. DIVIDEND POLICY

As an investment company in the development sub-sector of the mining industry, Olivewood is not expected to generate sufficient free cash flow for the payment of dividends for at least the first three years.

Thereafter, Olivewood intends to adopt a dividend policy dependent upon its operating results, financial position, investment strategy, capital requirements and other relevant factors.

In the event that investments by Olivewood into qualifying companies lead to listing of the shares of such companies on the JSE, Olivewood's shareholdings in these companies may be distributed to its shareholders as a dividend *in specie*.

In all instances Olivewood will seek to distribute profits in a tax efficient manner to investors. It should be noted that any return to an investor that does not result in an exempt dividend will result in a recoupment in the hands of the investor up to the amount of the deduction originally claimed. Dividends are subject to secondary tax on companies or the new dividend tax at the rate of 10%, as the case may be.

## 7. SUMMARY OF THE OFFER

The offer comprises an offering by Olivewood of up to 7 000 Olivewood shares, at the offer price.

Offer price per ordinary share	R150 000
Number of shares to be offered*	7 000
Minimum Rand value of subscription per subscriber acting as applicant	R150 000
Amount to be raised in terms of the offer*	R1.05 billion

\*The directors reserve the right to increase the number of shares offered based upon demand in order to raise additional capital.

All Olivewood shares (including the offer shares) that are in issue at the date of this private placement memorandum will rank *pari passu* in all respects.

The minimum amount which in the opinion of the directors must be raised by Olivewood through the offer for subscription of new shares is R500 million. The Olivewood directors have the right to waive the minimum subscription.

All monies raised in terms of the private placement shall be retained in trust until such time as the minimum amount has been raised, or waived.

## 8. SALIENT DATES AND TIMES

Opening date of the offer 08h00 on	Monday, 2 November 2009
Closing date of the offer 17h00 on	Friday, 27 November 2009
Applicants to be notified of success/failure of application	Monday, 30 November 2009
Posting of share certificates and/or refund of surplus	Friday, 4 December 2009

The dates and times in this private placement memorandum are subject to change and any changes will be published on the website.

## 9. RISK FACTORS

**All the information in this private placement memorandum should be considered by a potential investor before making a decision to purchase any offer shares. Although information has been provided in this private placement memorandum in relation to the offer shares, a prospective purchaser should use his/her own judgement and seek advice from an independent financial adviser as to the appropriate value of the offer shares and related matters thereto.**



---

## IMPORTANT DATES AND TIMES

---

---

**2009**

Opening date of the private placement at 08h00 on	Monday, 2 November
Closing date of the private placement at 17h00 on	Friday, 27 November
Applicants to be notified of success/failure of application	Monday, 30 November
Posting of share certificates to shareholders on or about	Friday, 4 December
Refund of surplus private placement application monies received (where applicable) on or about	Friday, 4 December

---

**Note:**

- The above dates and times are subject to change. Any change will be announced on the website.

---

## DEFINITIONS AND INTERPRETATIONS

---

In this private placement memorandum and in the annexures hereto, unless otherwise indicated or unless the context indicates a contrary intention, the words in the first column have the meanings stated opposite them in the second column, expressions in the singular include the plural and *vice versa*; expressions importing one gender include the other gender; and expressions denoting a natural person include an artificial person and *vice versa*:

“the Act” or “the Companies Act”	the Companies Act, 61 of 1973, as amended, or substituted by the Companies Act, 71 of 2008;
“Allan Hochreiter”	Allan Hochreiter (Proprietary) Limited (Registration number 2005/037514/07), a private company duly registered and incorporated in accordance with the laws of South Africa and the corporate advisor and promoter to Olivewood;
“articles of association”	the articles of association of the company;
“application form”	the application form in respect of the private placement, attached to and forming part of this private placement memorandum;
“BBBEE”	broad-based black economic empowerment Act, 53 of 2003, as defined by the Broad-based Black Economic Empowerment Act of 2003;
“Bill”	Taxation Laws Amendment Bill B10-2009;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shares”	Olivewood shares, title to which is represented by a share certificate or other physical document of title;
“company secretary”	the company secretary of Olivewood, being Anderson Rochussen van der Bijl Inc. (Registration number 1999/016240/21), a private company duly registered and incorporated in accordance with the laws of South Africa;
“Commissioner”	Commissioner: South African Revenue Service;
“directors” or “board of directors”	the directors of Olivewood, further details of whom appear on pages 30 to 33 of this private placement memorandum;
“documents of title”	share certificates, certified transfer deeds in respect of balance receipts or any other documents of title acceptable to Olivewood in respect of shares;
“Eskom”	Eskom Holdings Limited (Registration number 2002/015527/06), a State-owned company duly registered and incorporated in accordance with the laws of South Africa and the main generator of electricity in South Africa;
“FAIS Act”	Financial Advisory and Intermediary Services Act, 37 of 2002;
“FSB”	Financial Services Board, administrator of the Financial Services Board Act, 97 of 1990, and the FAIS Act;
“FTSE”	FTSE 100 Index;
“GWH”	Gigawatt hour (1 000 Megawatt hours);
“GDP”	gross domestic product;

“IFRS”	International Financial Reporting Standards;
“impermissible trade”	trade carried on in respect of immovable property other than as a trade carried on as an hotel keeper, banking as defined in the Banks Act, 94 of 1990, money-lending or hire-purchase financing, long-term insurance as defined in the Long-Term Insurance Act, 52 of 1998, short-term insurance as defined in the Short-Term Insurance Act, 53 of 1998, financial or advisory services (including legal, tax advisors, stockbroking, management consulting, audit or accounting), gambling, liquor, tobacco, arms, ammunition, a franchise or any trade carried out mainly outside of South Africa;
“Income Tax Act”	the Income Tax Act, 58 of 1962, as amended;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa, licensed as an exchange under the Securities Services Act, 36 of 2004;
“junior mining company”	any company that is solely carrying on a trade of mining exploration or production and which is either an unlisted company or listed on the alternative exchange of the JSE;
“King Code”	King Report on Corporate Governance for South Africa, 2009;
“Kwh”	Kilowatt hour;
“the last practicable date”	the last practicable date prior to the finalisation of this private placement memorandum, being Friday, 23 October 2009;
“MJ”	Mega Joules (Million Joules);
“MPRDA”	Mineral and Petroleum Resources Development Act, 28 of 2002;
“Mt”	Million tonnes;
“MW”	Megawatt (million watts);
“offer”, “private placement” or “placement”	the private placement of 7 000 ordinary shares, in terms of an offer for subscription, at R150 000 per ordinary share, to selected qualifying investors for cash;
“Olivewood” or “the company”	Olivewood Resources Limited (Registration number 2009/002531/06), formerly Olivewood Trade and Invest 15 (Proprietary) Limited, a public company duly registered and incorporated in accordance with the laws of South Africa;
“prime”	the prime lending rate of The Standard Bank of South Africa Limited as published from time to time;
“prohibited investor”	any person, firm or other entity, whose holding or intended holding of shares in Olivewood, may in the sole and conclusive opinion of the directors: <ul style="list-style-type: none"> <li>• contravene any provisions of section 12J of the Income Tax Act;</li> <li>• cause Olivewood or any of its shareholders to suffer any regulatory disadvantage; or</li> <li>• preclude Olivewood or any shareholder from the benefits afforded in terms of section 12J of the Income Tax Act;</li> </ul>
“PV”	present value;

“qualifying companies”	a company that qualifies for investment by a venture capital company in terms of section 12J of the Income Tax Act and which meets the following criteria: <ul style="list-style-type: none"> <li>• the company is a South African resident;</li> <li>• the company is not a controlled group company;</li> <li>• the tax affairs of the company are in order and it has complied with all the relevant laws administered by the Commissioner;</li> <li>• the company is an unlisted company or a junior mining company;</li> <li>• the company is not carrying on an impermissible trade; and</li> <li>• the sum of the investment income (as defined by section 12E(4)(c) of the Income Tax Act) derived by that company during any year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year;</li> </ul>
“qualifying investor”	any investor who is not a prohibited investor;
“Rand” or “R” or “cents”	the official currency of South Africa;
“Registrar of Companies”	the Registrar of Companies in South Africa;
“SARS”	South African Revenue Service;
“shares” or “ordinary shares”	ordinary shares with a par value of R1 in the share capital of Olivewood;
“shareholders”	holders of ordinary shares;
“this private placement memorandum”	this bound document, dated Wednesday, 28 October 2009, including all annexures and the attachments hereto;
“US\$”	United States of America Dollar, the official currency of the United States of America; and
“unlisted company”	a company not listed on a South African exchange or not licensed under section 10 of the Securities Services Act, 36 of 2004.



## **OLIVEWOOD RESOURCES LIMITED**

(formerly Olivewood Trade and Invest 15 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2009/002531/06)

("Olivewood" or "the company")

---

**Directors:** James Allan (*Chief Executive Officer*), René Hochreiter\*, Botha Schabort\*, Paddy Kell\*, James Campbell\*

\*Non-executive

---

### **PRIVATE PLACEMENT MEMORANDUM**

---

#### **1. INTRODUCTION**

Olivewood was registered by SARS as a venture capital company in terms of the provisions of section 12J(5) of the Income Tax Act on 20 October 2009. The reference number of Olivewood is VCC-0001. This registration letter is attached as Annexure 9. Olivewood's primary focus is resource development and it is currently the only company offering a tax effective investment opportunity for qualifying investors in terms of section 12J of the Income Tax Act.

Olivewood will invest in the South African resources sector, with specific focus on coal and renewable energy. In addition, Olivewood will target such other resource sectors as will, in the opinion of the directors, create shareholder value. Such sectors include, but are not limited to, platinum, chrome, manganese and gold tailings. Suppliers of goods and services to the South African resources industry will also be viewed as potential investment opportunities.

Olivewood's strategy is to:

- be a significant contributor to the development of sustainable junior mining and renewable energy companies in South Africa;
- achieve superior long-term capital returns for investors and provide a mechanism whereby investors can realise these returns;
- be at the forefront of developing small and medium-sized mining companies;
- provide technical, legal and financial support to the qualifying companies in which it invests;
- assist with the consolidation of junior coal companies to fit Eskom's procurement requirements; and
- through compliance with the provisions of section 12J of the Income Tax Act provide for qualifying investors the tax benefits that flow from this legislation.

Olivewood's objective is to create wealth for its shareholders, maximise returns on its investments, while providing for sustainable re-investment and satisfying the investment requirements of its shareholders.

#### **2. OVERVIEW OF SECTION 12J OF THE INCOME TAX ACT**

Section 12J of the Income Tax Act came into effect on 1 July 2009 to encourage investment into the junior mining sector of the economy, thereby, stimulating economic growth in South Africa. The provisions of section 12J were amended in terms of the Taxation Laws Amendment Act, 170 of 2009, to clarify certain issues and to facilitate investments. Accordingly any reference to section 12J of the Income Tax Act herein includes a reference to the amendments to section 12J of the Income Tax Act as contemplated by such Amendment Act.

Section 12J of the Income Tax Act provides for deductions from the income of qualifying investors in respect of expenditure actually incurred in exchange for the issue of shares in a venture capital company.

In order to qualify under section 12J of the Income Tax Act, the venture capital company must meet the criteria detailed in paragraph 3.5.1 below.

The criteria for companies to qualify as qualifying companies in which Olivewood may invest and enable investors to realise the benefits, *inter alia*, of section 12J of the Income Tax Act are set out in paragraph 3.5.2 below.

In terms of section 12J of the Income Tax Act, the investment by a natural person in a venture capital company shall be allowed as a deduction from his/her income, provided that the amount of the deduction shall not exceed R750 000 per year of assessment with the maximum deduction being R2.25 million. The investment by a listed company, or a controlled group company in relation to that listed company, shall be deductible in full, provided that the aggregate investment by that listed company, or controlled group company, does not exceed 40% of the equity shares in the venture capital company. Further detail in this regard is provided in paragraph 3.3.3 below.

A claim for deduction must be accompanied by a certificate from the venture capital company confirming its approval as such by the Commissioner for the purposes of section 12J of the Income Tax Act.

The deduction is recouped if the investor disposes of the shares in the approved venture capital company up to the extent of the original investment. In all other respects, standard income tax and capital gains tax rules apply in respect of venture capital company shares. If the shares have been held for a continuous period of three years, the proceeds (less the recoupment) will be of a capital nature. Standard rules will also apply to dividends. Currently dividends are subject to secondary tax on companies or as proposed by the amendments to the Act at the new proposed rate of 10%, as the case may be.

Immediately upon the sale of the shares the investor is entitled to make a further investment in an approved venture capital company and claim the deduction.

If the venture capital company contravenes any of the conditions of approval by the Commissioner, such venture capital company will be afforded a notice period within which to remedy such contravention. If, following this notice period, remedial action is not taken and the approval for the venture capital company is withdrawn by the Commissioner, then an amount equal to 125% of the amount incurred by any person for the issue of shares in the venture capital company will be included in the income of the venture capital company during the year of withdrawal and not in the income of the qualifying investor.

Olivewood qualifies as a venture capital company in terms of section 12J of the Income Tax Act and has been registered as such. The registration letter is attached in Annexure 9.

Olivewood has obtained legal opinion from Advocates Dennis Fine (S.C.) and Gavin Goldman that it does not fall within the ambit of the Collective Investment Scheme Control Act, 45 of 2002. A summary of this opinion is attached as Annexure 5. The full text of this opinion is available for inspection at the offices of Allan Hochreiter.

The full text of section 12J of the Income Tax Act (including the Taxation Laws Amendment Act, 17 of 2009) is attached as Annexure 6 to this private placement memorandum.

### **3. INFORMATION RELATING TO OLIVEWOOD**

#### **3.1 Background to Olivewood**

Olivewood was incorporated as a shelf company under the name Olivewood Trade and Invest 15 (Proprietary) Limited on Monday, 9 February 2009. Olivewood Trade and Invest 15 (Proprietary) Limited was converted from a private company to a public company on Tuesday, 15 September 2009 and changed its name to Olivewood Resources Limited on Thursday, 1 October 2009.

Olivewood was registered with the FSB in terms of section 7 of the FAIS Act, on Tuesday, 11 August 2009 as required by section 12J of the Income Tax Act.

Olivewood was registered with SARS as a venture capital company in terms of section 12J(5) of the Income Tax Act on 20 October 2009.

Olivewood is an initiative of Allan Hochreiter and was formed for the purposes of investing in the resources sector, particularly in coal and renewable energy, in order to develop small and medium-sized mining companies, and to offer investors the tax efficient investments allowed under section 12J of the Income Tax Act.

### **3.2 Nature of the business**

Olivewood is a South African private equity company and will be investing in the resources industry. The main focus of the company will be the coal and renewable energy industries. The directors of Olivewood believe that energy is going to be one of the most active sectors in South Africa in the next five to ten years due to the need to develop coal and renewable energy sources for the future development of the country.

The Olivewood Investment Committee will also evaluate investments in the platinum, chrome, manganese and gold tailings sectors, and those which supply goods and services to the South African resource industry.

### **3.3 Olivewood's distinctive features**

#### *3.3.1 Highly accomplished and experienced team*

Olivewood is directed, managed and staffed by professionals with experience and backgrounds in resources and with skills in sourcing, analysing, executing, value-enhancing and realising investments. The Olivewood management team will actively source suitable investment opportunities and will closely monitor qualifying companies in order to improve the individual qualifying companies' performance, thereby maximising returns to Olivewood investors.

#### *3.3.2 Value creation*

The directors, management and staff intend to offer assistance and expertise to the management of the qualifying companies to develop both long-term strategies and specific action programmes thereby, creating value for all shareholders.

Olivewood will also draw upon third party expertise, where required, in order to realise value for investors.

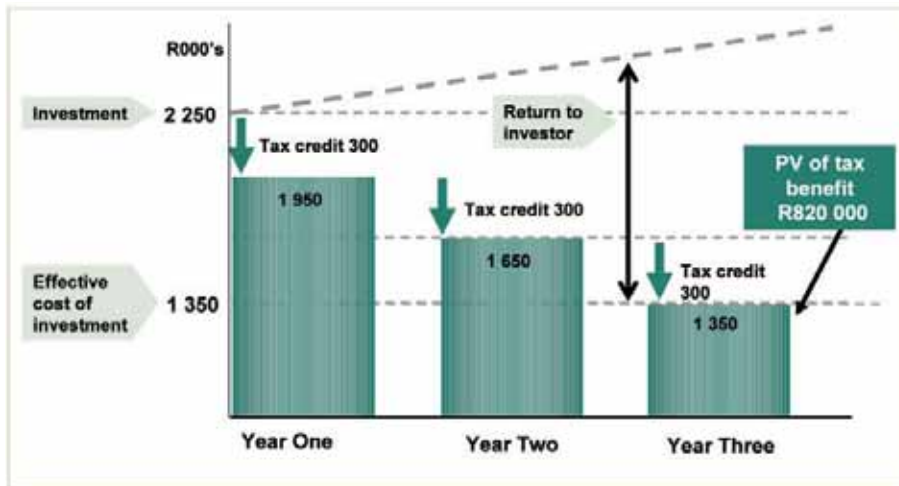
#### **3.3.3 Investments in Olivewood by natural persons and listed companies qualify for the tax relief promulgated under section 12J of the Income Tax Act.**

Olivewood is the first resource development company to be registered in terms of this legislation.

For individuals, the maximum deduction from income is R2.25 million with a maximum of R750 000 per annum. The first deduction can be made in the 2009/2010 tax year.

The return shown in Figure 1 assumes an investment of R2.25 million and these shares are not sold, incurring the recoupment referred to in section 2 above.

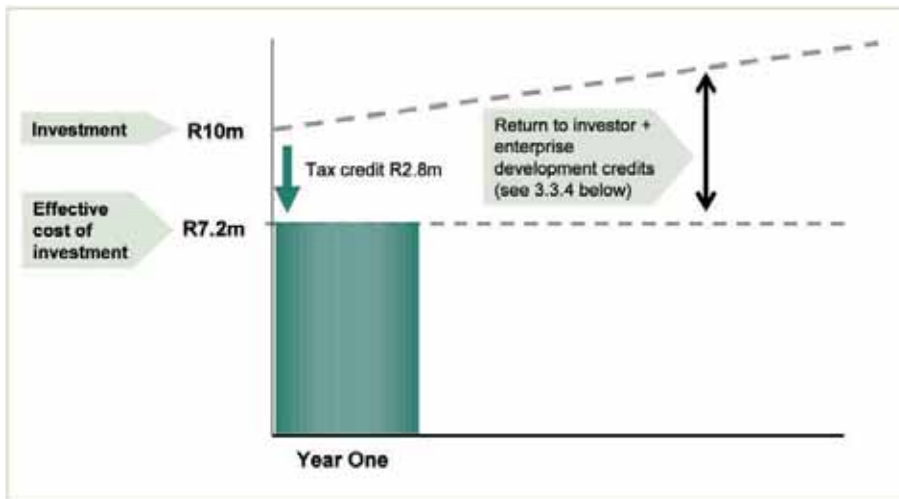




**Figure 1** Potential return to a private investor

The total investment by a listed company, or a controlled group company in relation to that listed company, will be allowed as a deduction from income during a year of assessment provided that the aggregate investment in Olivewood by that listed company or controlled group company does not exceed 40% of the equity shares in Olivewood.

The return shown in Figure 2 assumes an investment of R10 million and these shares are not sold, incurring the recoupment referred to in section 2 above.

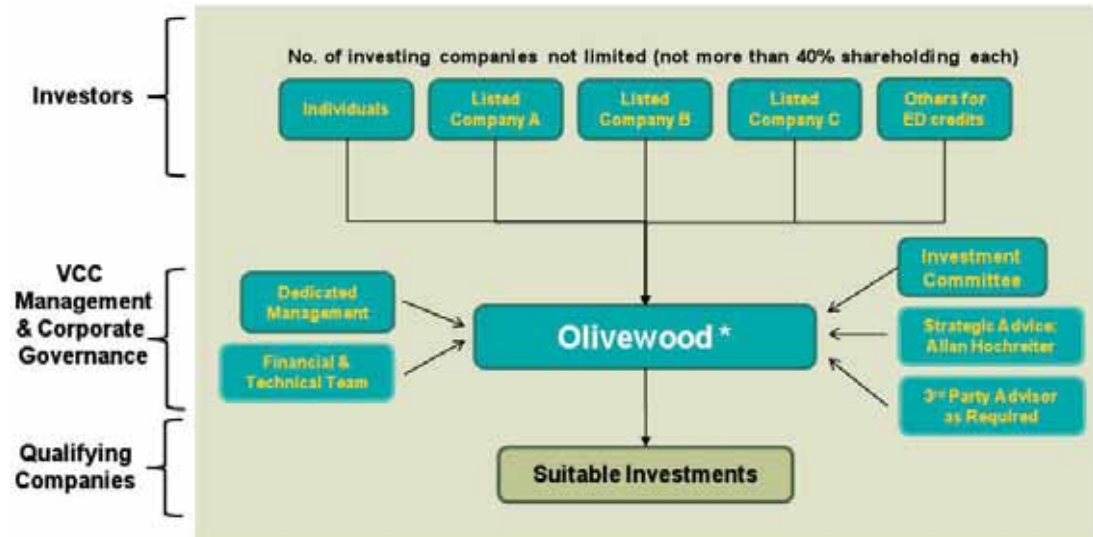


**Figure 2** Potential return to a listed company

### 3.3.4 Enterprise development credits

Companies are entitled to use their investment in Olivewood to earn enterprise development credits for the purpose of BBBEE. In terms of the Government Gazette No. 29617 dated 9 February 2007, the creation of enterprise development credits within Olivewood will flow back to and benefit companies investing in Olivewood. Individuals do not benefit from enterprise development credits. An overview of enterprise development as a component of BBBEE compliance is attached as Annexure 10 to this private placement memorandum.

The intended structure of Olivewood is as follows:



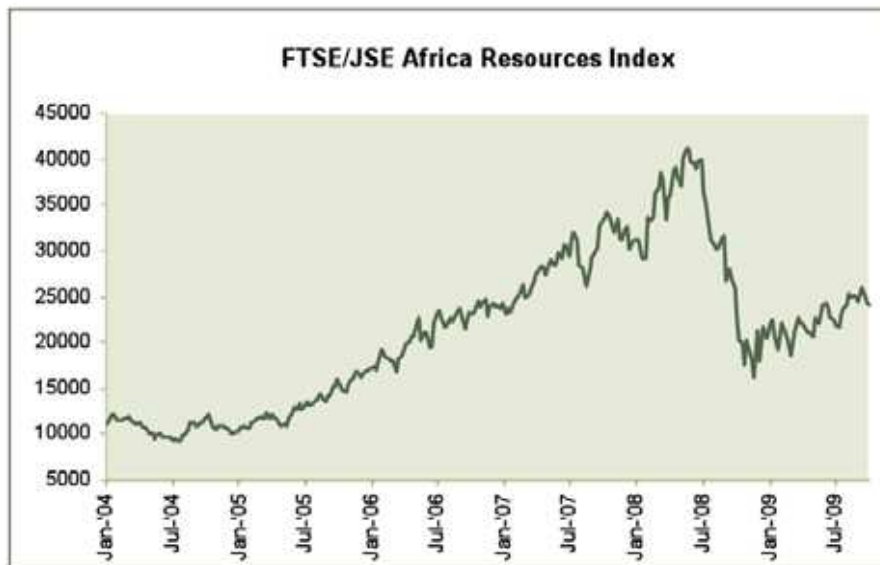
**Figure 3** Structure of Olivewood

\* Olivewood – FSB Licence granted in terms of FAIS Act and registered with the Commissioner of Inland Revenue

### 3.4 Industry overview and market opportunities

#### 3.4.1 Background

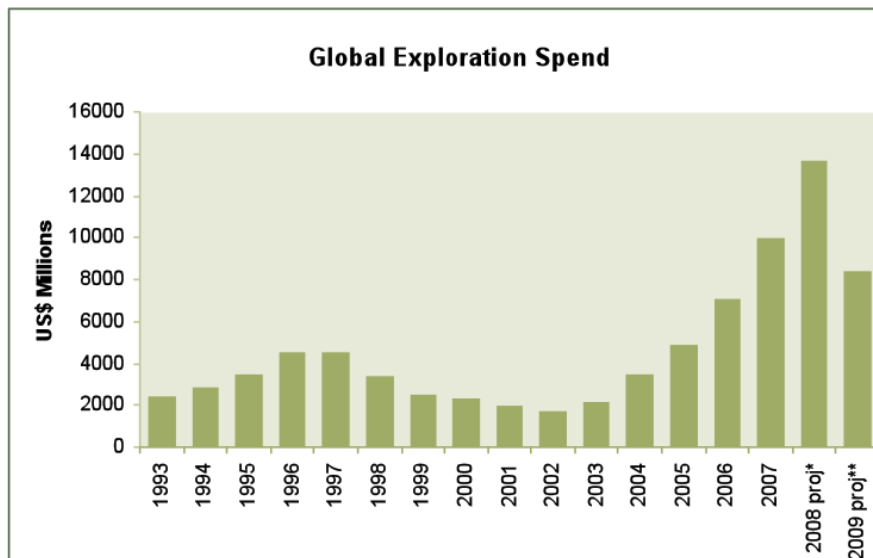
Resource companies benefited from synchronised global economic growth during the period from 2004 to mid 2008. The FTSE/JSE Resources Index increased fourfold over this period as illustrated by the chart below:



**Figure 4** FTS/JSE Africa Resources Index

The main factors which contributed to the increase in the market capitalisation of the resources companies during this period were:

- strong economic growth in China, which drove demand for commodities and energy;
- increased prices of metals and commodities due to reductions in inventories;
- consolidation of the resource industry; and
- a decline in global expenditure on mining exploration, from a peak of US\$5 billion in 1997 to a low of US\$2 billion in 2002, which led to fewer mine developments during this period and resulted in constraints in terms of mine supply.



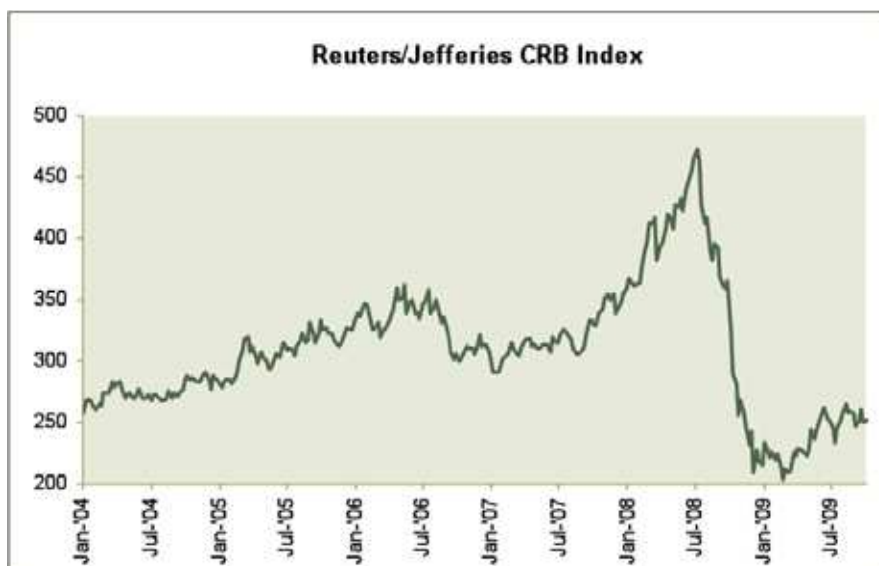
**Figure 5** Global Exploration Spend

The FTSE/JSE Africa Resources Index (Figure 4) shows that the share prices of resource companies peaked at the end of May 2008. They had already declined by approximately one third by the time that Lehman Brothers filed for bankruptcy on 15 September 2008.

Economic crises do not occur overnight. They are often the result of years, perhaps even decades, of global economic change and “irrational exuberance”, a term coined by Alan Greenspan on 5 December 1996 to denote a heightened state of speculative fervour.

The bankruptcy filing by Lehman Brothers led to a tightening of credit by bankers around the world. This resulted in reduced global economic activity and trade in metals and commodities. Construction projects and economic developments around the world were negatively affected by the introduction of more stringent credit policies worldwide.

Commodity prices declined precipitously between the end of May 2008 and the end of September 2008. The most rapid declines were those seen in terminal markets such as nickel, copper and aluminium. Price declines in the bulk commodities lagged these metals. Iron ore, coal and ferrochrome prices have all felt the effects of the global credit crunch. This decline in commodity prices is illustrated by the four charts presented below.



**Figure 6** Reuters/Jefferies CRB Index



Figure 7 LME Historical Copper Price



Figure 8 LME Historical Nickel Price



Figure 9 LME Historical Aluminium Price

The FTSE/JSE Resources Index fell and the market capitalisation of this index reduced by approximately 60% between the end of May 2008 and November 2008. Resource company share prices were back at levels last seen in early 2006. The impact was greater amongst some commodities and asset classes.

Companies with weaker balance sheets and higher levels of gearing lost more value than those that were well capitalised and cash generative. Companies that were in early stage projects or involved in mining exploration saw even greater declines in share prices. As detailed in the chart below, the Toronto Stock Exchange Venture Capital Market declined by 80% during this period.



**Figure 10** Toronto Stock Exchange Venture Index

According to research conducted by Allan Hochreiter, the junior diamond mining index (“Allan Hochreiter Diamond Index”) declined by 90% from March 2007 to March 2009. This index has subsequently doubled in value from March 2009 to end September 2009.

Central bankers responded to reduced global economic activity by reducing interest rates. The United States Government introduced measures to help failing banks and those that were under threat. Loans from the Federal Reserve System, the central banking system of the United States of America, and reductions in the interest rates and, therefore, “cheaper” debt were seen to be the answer to the systemic crisis. The Federal Reserve System reduced interest rates from 5.75% to 0.5% between August 2007 and December 2008 and loans in terms of Troubled Asset Relief Programme of up to US\$700 billion were made available to the various banks. By comparison South Africa’s GDP was approximately US\$500 billion in 2008.

The United States of America Congress approved an innovative programme in order to stimulate scrapping of old motor vehicles and purchases of newer vehicles with improved emission standards. Capital amounting to US\$1 billion was allocated to this programme, known as “Cash for Clunkers”. This amount was expected to be sufficient for a period of one year and was exhausted within one week. Further capital was allocated to the programme. To date, a total of US\$3 billion has been invested into this programme, which has had the effect of stimulating the motor vehicle, steel and platinum markets.

The increase in the platinum price from the lows of around US\$800 per ounce in November 2008 to current levels has been a result of this stimulus package and the realisation that at those low prices that most of South Africa’s platinum production was under threat of closure.



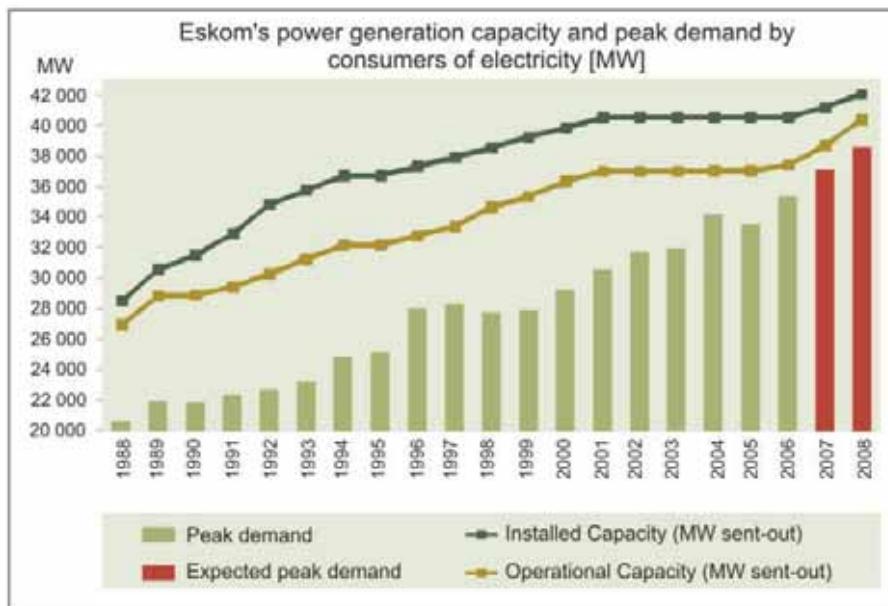
**Figure 11** Platinum Price

The various economic stimulation programmes around the world have had the effect of increasing investor and consumer confidence. Trade has resumed and metals and share prices have risen. The FTSE/JSE Africa Resources Index (Figure 4, page 15) as at 30 September 2009 had increased 55% from the low in November 2008. The Allan Hochreiter Diamond Index has doubled in value since the low in March 2009 and the Toronto Stock Exchange Venture Capital Index (Figure 10) has increased 87% during the same period.

Southern Africa has not been immune to the global recession. Botswana has an economy that is heavily dependent on diamonds and Debswana (the joint venture between De Beers and the Government of Botswana) closed some of its mines during the first quarter of 2009. The diamond mines are the biggest single user of power in Botswana. In South Africa power demand fell as prices for ferromanganese and ferrochrome declined and the imposition of winter tariffs led to the closure of smelters.

### 3.4.2 South African power generation

The chart below illustrates Eskom's power generation capacity and peak demand by consumers of electricity from 1988 to 2008:



**Figure 12** Eskom's Power Generation Capacity



Southern Africa is connected by an electricity distribution grid. Power consumption within this grid affects Eskom's ability to deliver consistent levels of power supply. Installed generation capacity has increased from just over 28 000 MW in 1988 to 42 000 MW in 2008, a compound annual growth rate of just 2%. The reserve margin (being the margin between operational capacity and peak demand), has declined from 25% in 2002 to less than 10% in 2008. Eskom's ideal reserve margin is 15%.

In recent years, Eskom has experienced the following major power supply disruptions:

- 2005/2006: Incidents at Koeberg Nuclear Power Station (limited to Western Cape);
- October 2007: 4 load shedding events;
- November 2007: 3 load shedding events;
- December 2007: 2 load shedding events; and
- Daily load shedding during January 2008 and February 2008.

A number of reasons were put forward for the decline in operational capacity, namely:

- a late start to the build programme;
- high rainfall causing wet coal supplies;
- supply interruptions due to transport problems as a result of high rainfall; and
- increased summer maintenance because programmed winter maintenance had been postponed.

At a press conference held on 25 January 2008 and attended by the Department of Minerals and Energy and the Department of Public Enterprises, a national response plan was launched which included, *inter alia*, the following:

- Supply side options
  - long-term adequacy plan (up to 2015);
  - Eskom's build programme;
  - 3 500 MW co-generation; and
  - 1 000 MW Open Cycle Gas Turbine Independent Power Producer ("OCGT IPP").
- Demand side options
  - power conservation programme;
  - demand side behavioural change programmes; and
  - fast track medium and long-term initiatives.
- Sectoral interventions

The impact of these initiatives on industry and consumers was that Eskom required load reductions from the mining and energy intensive consumers in industry, and all consumers were required to decrease power consumption in the short to medium term.

BHP Billiton Limited reported in June 2008 that aluminium production had been negatively affected by the mandatory 10% reduction in power consumption. Production at the Hillside and Bayside smelters was cut from an average of 220 000 tonnes of aluminium per quarter in 2007 to 200 000 tonnes per quarter in 2008. Manganese alloy production was cut from an average of 220 000 tonnes per quarter in 2007 to 205 000 tonnes per quarter in 2008.

It should be noted that these production cuts took place at a time when the commodity prices were near all-time highs. The economic impact of the electricity supply disruptions and the reduction in GDP growth in South Africa is difficult to quantify. Suffice to say there was a negative impact on economic growth and job creation.

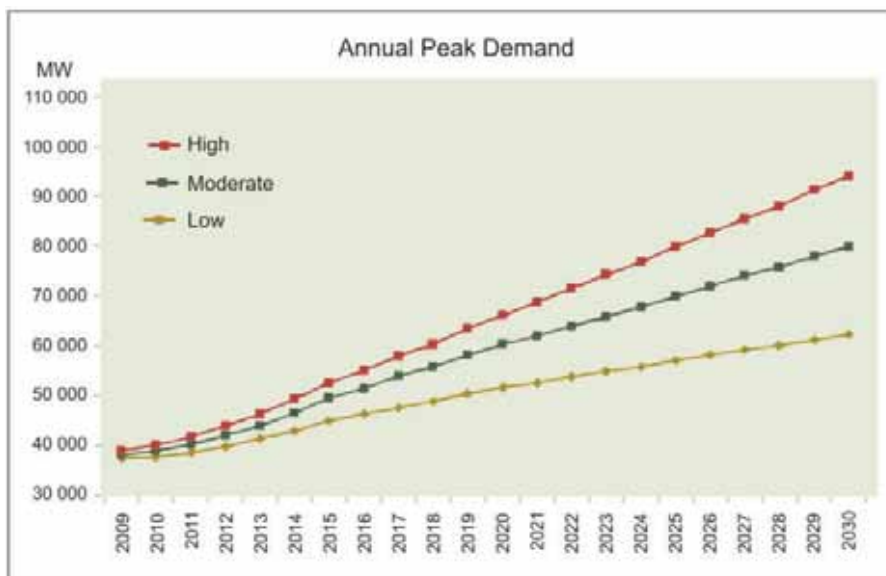


The decline in metals prices that followed the credit crunch in 2008 has resulted in the mothballing of some ferrochrome and ferromanganese furnaces in South Africa, both energy intensive industries. Production of ferromanganese for the quarter to June 2009 declined to 25 000 tonnes down 90% from the same period in 2007. Most ferrochrome producers had reduced production by approximately 60% in the first half of 2009. The reduction of power consumption from these sectors has helped Eskom to provide stable power supplies to the rest of the country over this period.

Prices for both ferrochrome and ferromanganese have started recovering and both these industries are increasing capacity utilisation. As these industries return to full capacity the reserve margin will be decreasing. It is likely that power shedding may be introduced in the next six months, again highlighting the short-term requirement for additional power capacity.

In the longer term there is a requirement to increase installed capacity; the inadequacy of current lack of installed capacity is hindering economic growth and beneficiation of raw materials. Whilst the South African Government has a stated policy of encouraging the conversion of raw materials into beneficiated products (e.g. from ore to alloy through the reduced royalties for beneficiated products), the lack of generation capacity is restricting the build programme for furnaces in, amongst others, the ferrochrome and manganese industries.

Eskom's scenario forecasts are shown in the following chart (from the Sandton CoalTrans Conference 2009):



**Figure 13** Eskom's Peak Demand and Scenario Forecasts

The low growth forecast assumes 2.3% generation capacity growth and a 4% GDP growth rate; whilst the high growth forecast is for 4% generation capacity growth and a target of 6% GDP growth per annum. Targeted capacity varies from 62 000 MW (+22 000 MW) to 95 000 MW (+45 000 MW). Even if one considers the low growth scenario forecast, the assumption is for installation of approximately 50% of current capacity in the next 17 years. The high growth forecast requires a doubling of capacity in this period.

Eskom's 2008 Annual Report forecast the following planned capacity expansion:

MW	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Camden*	400									400
Grootvlei*	590	585								1 175
Komati*	120	240	310	285						955
Ankerlig #		740								740
Gourikwa #		296								296
Arnot*	90	60	30							180
Medupi*					798	1 596	798	1 596		4 788
Bravo*						803	1 606	803	1 606	4 818
Ingula**						1 352				1 352
Lima*								375	1 125	1 500
Wind farm			100							100
<b>Annual MW</b>	<b>1 200</b>	<b>1921</b>	<b>440</b>	<b>285</b>	<b>798</b>	<b>3 751</b>	<b>2 404</b>	<b>2 774</b>	<b>2 731</b>	<b>16 304</b>
<b>Coal fired MW</b>	<b>1 200</b>	<b>885</b>	<b>340</b>	<b>285</b>	<b>798</b>	<b>2 399</b>	<b>2 404</b>	<b>2 399</b>	<b>1 606</b>	<b>12 316</b>

**Table 1** Eskom 2008 Annual Report: Capacity Expansions

\* Coal fired

# Open Cycle Gas Turbine

\*\* Pump storage

It is noted that, of this additional capacity expansion, Eskom capital constraints have already resulted in the postponement of the wind farm (100 MW) project and the two OCGT projects totalling 1 036 MW. The addition of 12 300 MW of coal fired capacity increases Eskom's coal procurement from around 125 Mt per annum to 165 Mt per annum by 2016.

Estimates for the capital expenditure required for the supply of coal to Eskom in terms of this forecast vary from R20 billion to R40 billion (estimates range from R350 million to R600 million per million tonne per annum production capacity depending on the location and scale of the operation).

Adding to the demand side equation for coal is the additional potential for exports. A recent presentation at the CoalTrans conference, held in Sandton, highlighted the development of coal fired power stations on the Indian sub-continent and the stated desire by these utilities to import low grade coal from Southern Africa. Historically the quality of coal exported from South Africa has had a higher calorific value (around 27 MJ/kg) than that consumed by Eskom (typically with an energy content of 19-23 MJ/kg). Transporting lower grade coals results in a higher price for the inputs into electricity generation. It is this mix of exporting higher grade coals and selling the lower grade product to Eskom that has been the backbone of the South African coal industry.

Rising energy prices will make the conversion of ores into alloys less economically viable, if alloy prices remain constant at current levels. Clearly rising energy prices will make South African alloys less competitive in the international market and could lead to closures of furnaces and decreased demand for power from South African alloy producers.

### 3.4.3 Renewable energy

South Africa ratified the United Nations Framework Convention on Climate Change ("UNFCC") on 29 August 1997. The Kyoto protocol was adopted at a Conference of the Parties to the UNFCC in December 1997.

Government has recognised that renewable energy should form part of the energy mix for the country. A target of 10 000 GWH (equivalent to 1200 MW or a power station two-thirds the size of Koeberg) from renewable energy by 2013 has been set by Government and to date very little progress has been made.

The 100 MW wind farm planned by Eskom for commissioning by 2010 (see Eskom's Annual Report 2008 forecast above) has been postponed because of the high capital cost involved (around US\$200 million).

A target of 10 000 GWH from renewable energy sources is therefore likely to require capital expenditure of approximately US\$2.4 billion.

The introduction of Renewable Energy Feed In Tariffs (“REFIT”) in March 2009 paves the way for private enterprise to develop renewable energy sources. The National Electricity Regulator of South Africa (“NERSA”) has announced that prices of R1.25 per kwh will be paid for wind energy and R2.10 per kwh for solar energy supplied to the grid.

This industry is currently in its infancy in South Africa. A great deal of progress needs to be made before South Africa can claim to be amongst the international leaders in renewable energy.

In accordance with an article in *Time Magazine* 9 March 2009, Denmark is currently the world leader in wind power with 5 200 turbines producing 3 100 MW of power. This equates to 19% of the country’s electricity compared with 10% in Spain and Portugal which are the next highest. Vestas Wind Systems is a Danish company that is a leader in the production and sales of wind turbines.

The oil crisis of 1973 led to the introduction of tax incentives to invest in renewable energy and in the 1990s the Danish Government introduced tariffs that required utilities to enter into 10-year fixed rate contracts for wind power. Unlike the United States where subsidies and tax credits were variable thereby smothering nascent industries, Denmark maintained the stance towards developing renewable energy despite lower oil prices in the 1990s.

The REFIT tariffs are higher than the price of current power from coal fired stations, mainly because of the higher capital cost required for renewable energy stations. However, it should be noted that under a scenario where Eskom is asking NERSA to approve 40% per annum increases in the cost of power, it will not be many years before renewable energy is competitive with coal fired energy.

South Africa is well-positioned to take advantage of concentrated solar stations. Most of South Africa has a high incidence of sunshine per annum and its latitude is such that solar energy is more efficient in South Africa than it is in countries such as Spain.

Wind power has the advantage over solar power in that the technology for wind power is already proven and can be bought off the shelf. Concentrated solar stations are not modular and the technology has to be further developed before it is modular and easy to install.

Renewable energy sources currently have a high capital cost and a low operating cost. Importantly it has the benefit of not being a consumer of water, another precious resource in South Africa.

### 3.5 Investment strategy

Olivewood intends to pursue a proactive investment strategy by actively sourcing and evaluating investment opportunities in the resources sector, particularly coal and renewable energy.

Investments will be closely monitored. Assistance and expertise will be offered to the management of qualifying companies in order to enhance each company’s performance and maximise returns.

#### 3.5.1 *Criteria for Olivewood to qualify as a venture capital company as contemplated by section 12J of the Income Tax Act*

In order for Olivewood to remain qualified as a venture capital company for purposes of section 12J of the Income Tax Act, it must after 36 months from the date of approval by SARS i.e. by 20 October 2012, have:

- invested at least R150 million into junior mining companies or, where such investment is to be made in any qualifying company which is not a junior mining company, at least R30 million has been invested;
- invested at least 80% of its total investment into qualifying companies with a book value of not greater than R100 million in the case of junior mining companies, immediately after the investment by Olivewood. Where the qualifying company is not a junior mining company, it must have a book value of not greater than R10 million, immediately after the investment by Olivewood;
- invested a maximum of 15% of its own capital into any one qualifying company; and
- as its sole objective the management of investments in qualifying companies.

If after this period the Commissioner is not satisfied that there has been compliance with the above, he is entitled to, after due notice to Olivewood to withdraw his approval.

### 3.5.2 *Criteria for companies to qualify as qualifying companies*

In order to qualify under section 12J of the Income Tax Act, qualifying companies must meet the following criteria:

- it must be a South African resident;
- it must not be a controlled group company;
- the tax affairs of the company are in order and it has complied with all the relevant laws administered by the Commissioner;
- it is an unlisted company or a junior mining company;
- it is not carrying on an impermissible trade; and
- the sum of the investment income (as defined by section 12E(4)(c) of the Income Tax Act) derived by that company during any year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year.

### 3.5.3 *Olivewood's investment criteria*

To qualify for the relief envisaged under section 12J of the Income Tax Act, the initial investment criteria is to target qualifying companies. In addition, it is preferable that the qualifying company should be led by strong management who have faith and belief in their underlying asset. Olivewood's holding period in qualifying companies will range from 3 to 7 years.

Olivewood's exit strategy will be pre-defined but cognisant of the need for the flexibility often necessary to take advantage of unexpected opportunities.

Olivewood will consider the following elements when making an investment in a company:

- attractive investment prices;
- a capable management team who will be guided by the experience and expertise of Olivewood's directors, management and staff, alternatively;
- Olivewood will assist in procuring a suitable and experienced management team and staff for the qualifying company;
- thorough analytical assessment and due diligence; and
- identifiable exit strategies at the time of the investment.

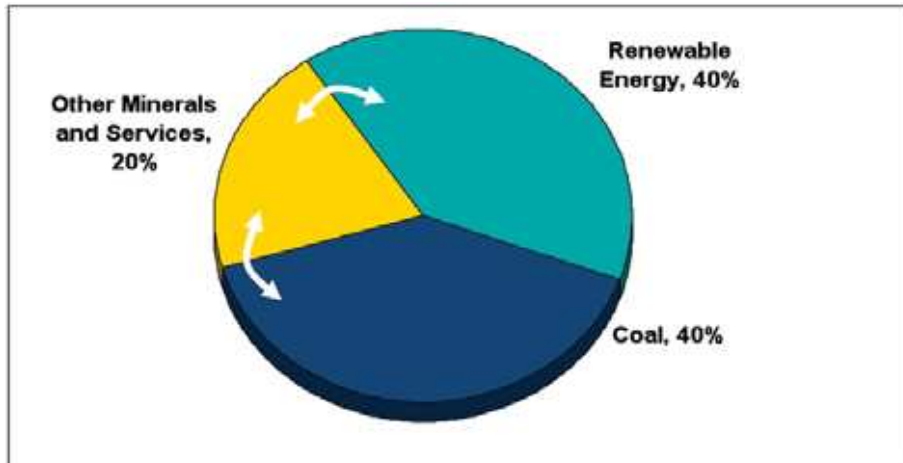
### 3.5.4 *Transaction types*

Olivewood will typically target the following types of transactions:

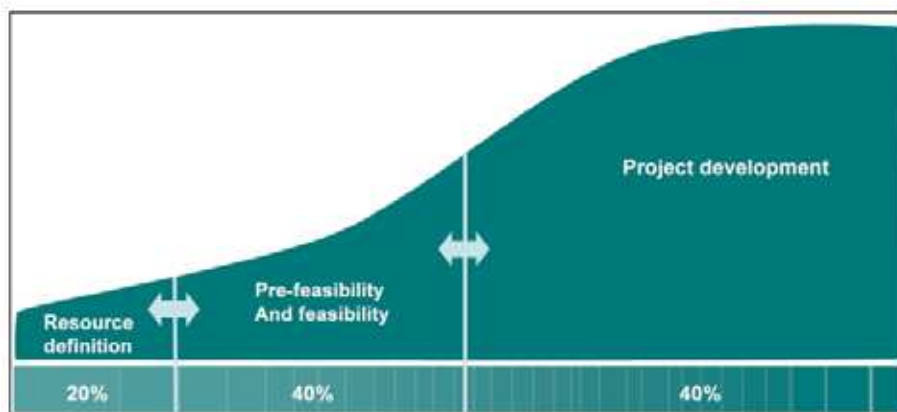
- equity investments into projects and operating assets requiring capital;
- equity investments into qualifying companies that have a defined mineral resource and that require funding for either a pre-feasibility or feasibility study;
- equity investments into mineral rights where there is a high probability of mineralisation;
- equity investments into strategic assets that can be merged with other assets in order to add value to both assets; and
- co-investment opportunities that will be pursued with other companies.

### 3.5.5 *Expected company exposure*

At the outset the following charts illustrate the expected company exposure. However, the actual company exposure is likely to differ depending on projects that are subsequently approved by the Olivewood Investment Committee. Larger investors in Olivewood will also be canvassed with regards to the expected fund exposure.



**Figure 14** Anticipated Sectoral Exposure



**Figure 15** Anticipated Exposure to the Risk/Value Curve

The high risks associated with grassroots exploration, the earliest stage of exploration, are considered by the directors to be unacceptable for Olivewood. Therefore, the company will not finance grassroots exploration. The directors will invest some funds in resource definition, where mineralisation has already been indicated. However a higher proportion of Olivewood's funds will be invested in projects that are at the pre-feasibility or more advanced stages.

### 3.5.6 *Sourcing opportunities and transaction execution*

The launch of Olivewood on 14 September 2009 resulted in a number of potential qualifying companies being presented to the Olivewood management team. The directors anticipate that the announcement of the capital raising will result in further approaches in this regard.

At the current date, the Olivewood management team has already identified a number of potential qualifying companies that require further investigation and evaluation.

It is critical that Olivewood and all qualifying companies comply with the provisions of section 12J of the Income Tax Act as detailed in paragraphs 3.5.1 and 3.5.2 above.

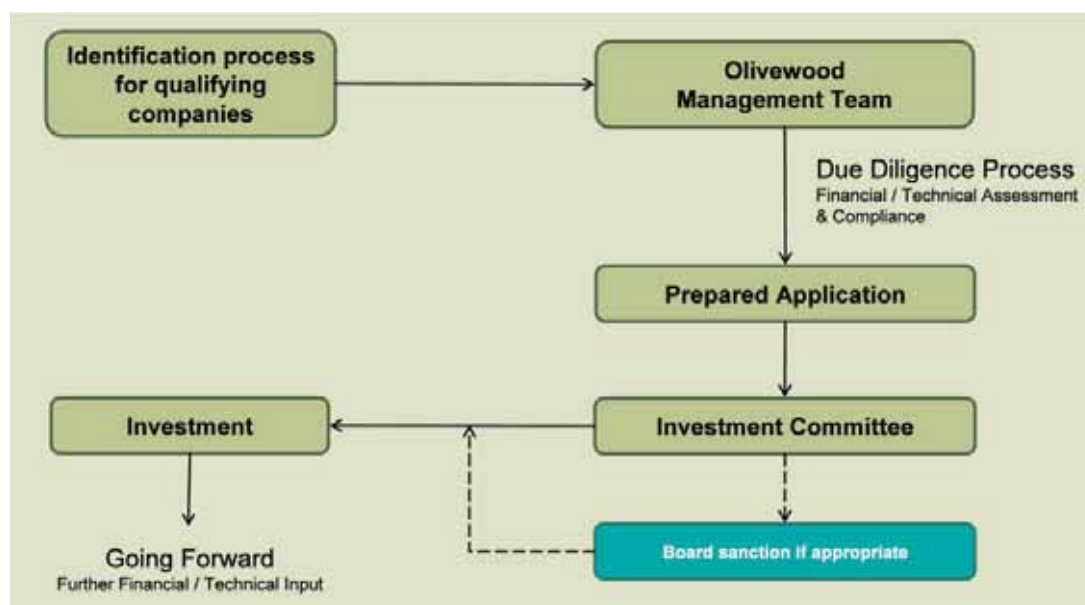
The investment process to be followed by Olivewood is detailed in paragraph 3.6.7 below.

### 3.5.7 Investment process

Once an investing opportunity has been identified, Olivewood's management team will perform a preliminary evaluation of the opportunity, following which, a decision will be made as to whether to proceed to the due diligence stage.

Olivewood will follow strict due diligence criteria before making investments in qualifying companies. Such criteria include the following:

- the nature and extent of the qualifying company's compliance with section 12J of the Income Tax Act;
- a full analysis and audit of the qualifying company's compliance with the MPRDA and charter promulgated thereunder;
- a geological assessment of the company's projects;
- the qualifying company's compliance with other regulatory issues;
- a full analysis of any litigation and/or competition issues as may be relevant;
- a full analysis of the qualifying company's know-how, processes, methodologies and technologies;
- a full analysis of the qualifying company's environmental and/or rehabilitation issues;
- a full and proper understanding of the corporate affairs and structure of the qualifying company; and
- a valuation of the company.



**Figure 16** Investment Process

### 3.5.8 Monitoring and value enhancement

Prior to each investment, Olivewood's management team will work to identify any management weaknesses and augment the existing management team as necessary. Alternatively, Olivewood's management team will assist in procuring a suitable and experienced management team and staff for the qualifying company.

Olivewood and the qualifying company's management team will work together to develop and implement a strategic plan to develop such company and for shareholder value appreciation. These will include, *inter alia*, the following:

- project development;
- mergers and consolidations;
- listings; and
- trade sales of investments.



### 3.5.9 Return of capital and exit strategies

Any investment in Olivewood should be for a minimum period of three years, much the same as investments into Collective Investment Schemes or the stock market. In such case the proceeds from realisation (after recoupment of the initial investment) will automatically be of a capital nature.

During this period, the directors and management of Olivewood will consider the listing of qualifying companies that have been successfully developed and possibly distribute Olivewood's shares in such companies to shareholders by means of a dividend *in specie*.

Trade sales of successfully developed qualifying companies for cash or shares will also be considered as a method for realising value in Olivewood's investments.

Whilst shareholders should be viewing their investments into Olivewood as a medium to long-term investment, there may be some shareholders who want to exit early for various reasons.

## 3.6 Management and Performance Bonuses

An Olivewood Remuneration Committee will be appointed which will be responsible for determining remuneration for directors, management and members of the Olivewood Investment Committee and the payment of performance bonuses.

While Olivewood is unlisted there will be no share option scheme but performance bonuses will be paid to management and members of the Olivewood Investment Committee. In order to align the interests of the Olivewood shareholders and those of the directors, management and members of the Olivewood Investment Committee, it is proposed that the performance bonus scheme be determined as follows:

- the net asset value of Olivewood will be determined by the auditors of the company on an annual basis, assisted where required by a Competent Person's Report in respect of the unlisted assets;
- no performance bonuses will be paid if the net asset value per share for that period has not achieved a return of prime plus 3% ("the benchmark");
- performance bonuses amounting to 10% of the net asset value in excess of the benchmark will be paid;
- performance bonuses amounting to 20% of the net asset value in excess of a return of 2% above the benchmark will be paid;
- performance bonuses will only be paid after the first three years, or at such time as may be determined by the board; and
- performance bonuses will comprise 50% paid in Olivewood shares and 50% in cash.

Based on the current prime interest rate of 10.5%, the benchmark rate of return of prime plus 3% equals 13.5% per annum.

Prime	10.5%
Benchmark net asset value required	13.5%
Initial investment in an Olivewood share	R150 000
Value of investment after year one	R170 250
Value of investment after year two	R193 234
Value of investment after year three	R219 320

Therefore, Olivewood shareholder value will increase by 46% over the three-year period before any performance bonuses are paid to management and the members of the Olivewood Investment Committee.



Assuming that an individual investor in Olivewood obtains a tax benefit equal to a marginal tax rate for individuals of 40% on his investment, the cost of his investment is equal to R90 000 per Olivewood share and a return on investment of 144% will be realised by such investor before any performance bonuses are paid to the directors, management and the members of the Olivewood Investment Committee. Figure 17 indicates this.

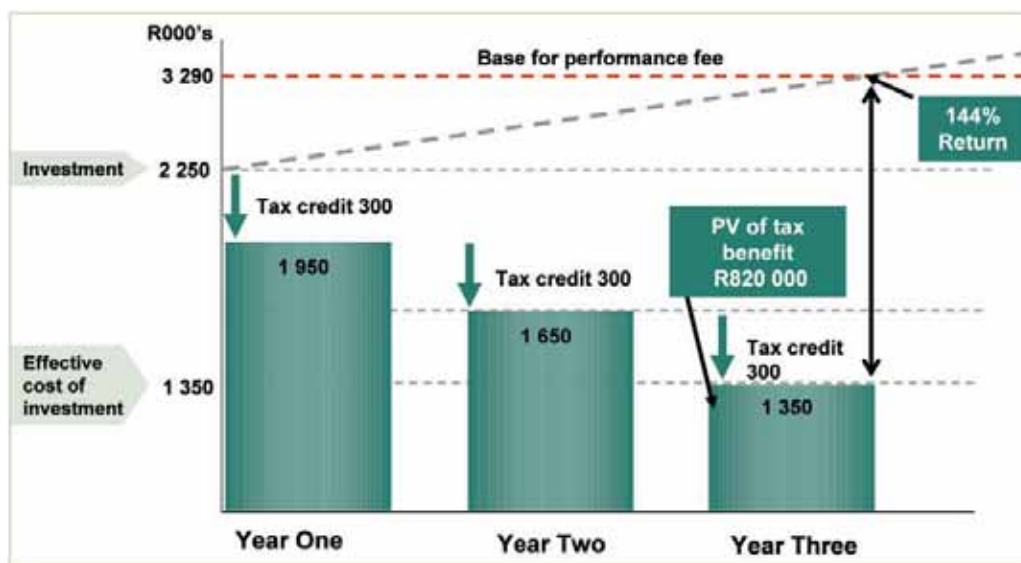


Figure 17 Base for Performance Fee and Individual's Return

### 3.7 BBEE

There is no statutory or legislative requirement for Olivewood itself to be BBEE compliant. However, the legal requirements of the MPRDA require that all mining companies are BBEE compliant.

Investments by Olivewood into BBEE compliant qualifying companies will result in enterprise development credits flowing through to Olivewood and to companies invested in Olivewood.

The methodology whereby enterprise development credits will flow to qualifying investors in Olivewood is set out in Annexure 6.

## 4. MAJOR SHAREHOLDERS

The shareholdings of the directors are detailed in paragraph 6.5 below.

There is currently no controlling shareholder of Olivewood. This will not change following the private placement.

At the last practicable date, no options or preferential rights have been given, or are proposed to be given, to any person to subscribe for any securities in Olivewood.

## 5. SHARE CAPITAL

### 5.1 Share capital and share premium

Olivewood's authorised and issued share capital and share premium prior to the private placing are set out below:

Share capital	R
<b>Authorised:</b>	
<i>Ordinary share capital</i>	
30 000 ordinary shares of R1 each	30 000
<b>Total authorised share capital</b>	<b>30 000</b>

<b>Share capital</b>	<b>R</b>
<b>Issued:</b>	
173 ordinary shares of 100 cents each	173
Share premium	<b>3 649 927</b>
<b>Total issued share capital and premium</b>	<b>3 650 095</b>
Olivewood's authorised and issued share capital and share premium, taking into account the issue of an additional 7 000 offer shares at R150 000 per share and the costs of the private placement as set out in paragraph 14.1, which are to be offset against the share premium, are set out below:	
<b>Share capital</b>	<b>R</b>
<b>Authorised:</b>	
<i>Ordinary share capital</i>	
30 000 ordinary shares of R1 each	30 000
<b>Total authorised share capital</b>	<b>30 000</b>
<b>Issued:</b>	
Share capital 7 173 ordinary shares of 100 cents each	7 173
Share premium	<b>1 053 642 927</b>
	<b>1 053 650 100</b>
<i>Less: Private placement costs</i>	685 000
<b>Total issued share capital and premium</b>	<b>1 052 965 100</b>

Olivewood has not created or agreed to create any debentures.

The shares being issued in terms of the private placement are being issued at a premium in order to minimise the number of shares required to be issued to raise the required capital.

In terms of a resolution passed at a general meeting of Olivewood shareholders on 2 September 2009, after the allotment and issue of the private placement shares, the 29 842 authorised but unissued ordinary shares in the company were placed under the control of the directors until the annual general meeting, subject to the provisions of sections 221 and 222 of the Act.

## 5.2 Alterations to share capital

The details of all alterations to share capital and issues or offers of securities since incorporation are disclosed in Annexure 1.

## 5.3 Shares issued other than for cash

No shares were issued or agreed to be issued by Olivewood since incorporation, other than for cash, as detailed in Annexure 1.

## 5.4 Rights attaching to Olivewood shares

In accordance with the articles of association, at any general meeting every member present in person or by proxy, and if a member is a body corporate, its representative, shall have one vote on a show of hands. On a poll, every member present in person or by proxy shall have that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by that member bears to the aggregate of the nominal value of all the shares issued by the company.

All of the shares are of the same class and rank *pari passu* in every respect. There are no conversion or exchange rights attached to such shares. Any variation in the rights attaching to the shares will require the written consent of the holders of three-fourths of the issued shares of that class or a general resolution of the shareholders in general meeting in accordance with the articles of association and the provisions of the Companies Act.

## 6. DIRECTORS AND INVESTMENT COMMITTEE MEMBERS

### 6.1 Olivewood directors

The profiles of the Olivewood directors are set out below.

---

#### EXECUTIVE DIRECTOR

---

<b>James Gordon Allan</b>	Chief Executive Officer
<b>Qualification</b>	BSc(Eng) (Mining) (Wits), MBA (Wits)
<b>Age</b>	50
<b>Nationality</b>	South African
<b>Business address</b>	c/o Allan Hochreiter, 5th Floor, North Wing, Hyde Park, Jan Smuts Avenue and 6th Road, Hyde Park, 2196

James has worked in the mining and mining financial services industries for the past 27 years. After graduating from the University of the Witwatersrand in 1982, James was involved in coal mining, followed by an extended period in stock broking and corporate finance. He formed his own corporate finance company, Allan Hochreiter, in 2005.

He has a detailed knowledge of the diamond and coal mining industries. Career highlights include advising the De Beers group minorities (2001), establishing Lesedi Drilling (Proprietary) Limited (2003), James Allan & Associates (Proprietary) Limited (2005), now Allan Hochreiter (Proprietary) Limited and Partners Drilling (Proprietary) Limited (2005) and advising Partners International Limited (2008).

---

#### NON-EXECUTIVE DIRECTOR and MEMBER OF THE INVESTMENT COMMITTEE

---

<b>James Wilbert Campbell</b>	Non-executive director and Investment Committee member
<b>Qualification</b>	BSc (QUB), MA (Cantab)
<b>Age</b>	59
<b>Nationality</b>	South African
<b>Business address</b>	91 East Avenue, Atholl, Sandton, 2196

From 1975 until 2002, James served in various positions with the Anglo American group of companies, including Chairman of Anglo Coal and Anglo Base. He was a director of Anglo American plc, Anglo Platinum Limited, AngloGold Ashanti Limited, De Beers Centenary AG and De Beers Consolidated Mines Limited. He was non-executive chairman of Minara Resources Limited from 2003 until May 2008.

James is currently a non-executive director of Ferrous Resources (Proprietary) Limited, an unlisted company focused on large scale iron ore developments in Brazil, and Evraz Group SA, one of the world's largest vertically-integrated steel, mining and vanadium businesses, and is also a non-executive director of Highveld Steel and Vanadium Corporation Limited.

---

#### NON-EXECUTIVE DIRECTOR

---

<b>René Carlo Hochreiter</b>	Non-executive director
<b>Qualification</b>	BSc(Eng) (Mining) (Wits), BSc(Eng) Geology (Wits)
<b>Age</b>	52
<b>Nationality</b>	South African
<b>Business address</b>	c/o Allan Hochreiter, 5th Floor, North Wing, Hyde Park, Jan Smuts Avenue and 6th Road, Hyde Park, 2196

René has worked in the mining and mining financial services industries for 29 years. He was the top rated platinum analyst for 10 consecutive years and top rated "other mining" analyst for four years. As an investment banker at Nedbank Limited, René was responsible for transactions valued at R12 billion in various mining transactions. In November 2006 he joined Allan Hochreiter.

René has a detailed knowledge of the platinum mining business, as well as good insight into the iron ore, manganese, chromite, antimony, copper, nickel, fluorspar and diamond sectors.

Career highlights include the successful capital raising of R180 million for Eland Platinum Holding Limited at R16 per share in December 2005 and a further R600 million at R22 and R24 per share in March 2006. Eland Platinum was subsequently sold for R105 per share to Xstrata plc in December 2007.

René is a Fellow of the Geological Society of South Africa and a member of the South African Institute of Mining and Metallurgy. He is also a Trustee of the Steve Kearney Education Trust.

---

#### **NON-EXECUTIVE DIRECTOR**

---

<b>Paddy Kell</b>	Non-executive director
<b>Qualification</b>	BCom (Wits), CA(SA)
<b>Age</b>	61
<b>Nationality</b>	South African
<b>Business address</b>	c/o Allan Hochreiter, 5th Floor, North Wing, Hyde Park, Jan Smuts Avenue and 6th Road, Hyde Park, 2196

Paddy joined the De Beers group in 1972 and worked his way through the accounting ranks to the position of finance manager in 1988. He was involved in planning and execution of the separation of De Beers corporate structure into De Beers Consolidated Mines Limited and De Beers Centenary AG and developed investor relations and corporate and financial management strategy for the De Beers group.

In 1994, he was appointed group financial manager, with overall financial responsibility for the De Beers group of companies. In 1997, he was appointed finance director of the De Beers group. He retired in 2007.

---

#### **NON-EXECUTIVE DIRECTOR**

---

<b>Philip Botha Schabert</b>	Non-Executive director
<b>Qualification</b>	PrEng, BSc (Civil Engineering) (Stellenbosch), MBA (Wits)
<b>Age</b>	52
<b>Nationality</b>	South African
<b>Business address</b>	c/o Allan Hochreiter, 5th Floor, North Wing, Hyde Park, Jan Smuts Avenue and 6th Road, Hyde Park, 2196

Botha started his career in 1980 as a civil engineer, specialising in project management. He later worked in the bond and money markets. He was a founding shareholder and director of PSG Group Limited which is listed on the JSE.

Since 2001, Botha has been active in the corporate finance, venture capital, private equity and property development sectors where he has held board and chairmanship positions. He is a shareholder of South African General Investment and Trust Company Limited and an indirect shareholder and director of Eden Island Development Company (registered in the Seychelles).

He has sound finance, engineering and corporate governance experience at management and board level in a wide range of industries.

## 6.2 Olivewood Investment Committee

The profiles of the members of the Olivewood Investment Committee are set out below:

---

### CHAIRMAN AND CONVENER OF THE INVESTMENT COMMITTEE

---

<b>Con Fauconnier</b>	Chairman and Convener – Investment Committee
<b>Qualification</b>	PrEng, DSc (hc)(Free State), DEng, MBA, MSc (Eng), BSc Hons (Eng), BSc (Eng) (Mining) (Pretoria), SLP (Oxford)
<b>Age</b>	61
<b>Nationality</b>	South African
<b>Business address</b>	c/o Allan Hochreiter, 5th Floor, North Wing, Hyde Park, Jan Smuts Avenue and 6th Road, Hyde Park, 2196

Con has spent his whole career, dating from 1966, in the mining industry, working at Gencor Limited, JCI Limited, Iscor Limited, Kumba Resources Limited and Exxaro Resources Limited. He currently serves as an independent non-executive director on the boards of Namakwa Diamonds Limited and Merafe Resources Limited. He is also an honorary professor in the Faculty of Engineering, Built Environment and Information Technology of the University of Pretoria and a fellow of the Gordon Institute of Business Science.

Con was president of the Chamber of Mines of South Africa from 2003 to 2005. He is a Fellow of the South African Institute of Mining & Metallurgy and a Fellow of the Institute of Directors of Southern Africa and the South African Academy of Engineering and a trustee of the World Wide Fund for Nature, South Africa.

He is the co-author and editor of the book “Increased Underground Extraction of Coal” and the author of some 40 papers published in technical and professional journals in South Africa and internationally.

---

### NON-EXECUTIVE DIRECTOR and MEMBER OF THE INVESTMENT COMMITTEE

---

<b>James Wilbert Campbell</b>	Non-executive director and Investment Committee member
<b>Qualification</b>	BSc (QUB), MA (Cantab)
<b>Age</b>	59
<b>Nationality</b>	South African
<b>Business address</b>	91 East Avenue, Atholl, Sandton, 2196

From 1975 until 2002, James served in various positions with the Anglo American group of companies, including Chairman of Anglo Coal and Anglo Base. He was a director of Anglo American plc, Anglo Platinum Limited, AngloGold Ashanti Limited, De Beers Centenary AG and De Beers Consolidated Mines Limited. He was non-executive chairman of Minara Resources Limited from 2003 until May 2008.

James is currently a non-executive director of Ferrous Resources (Proprietary) Limited, an unlisted company focused on large scale iron ore developments in Brazil, and Evraz Group SA, one of the world’s largest vertically-integrated steel, mining and vanadium businesses, and is also a non-executive director of Highveld Steel and Vanadium Corporation Limited.

---

### MEMBER OF THE INVESTMENT COMMITTEE

---

<b>Ollie Oliveira</b>	Investment Committee member
<b>Qualification</b>	BComm (Natal), CA(SA), FCMA
<b>Age</b>	57
<b>Nationality</b>	South African
<b>Business address</b>	Ridlands End, Ridlands Lane, Oxted, Surrey, United Kingdom

Ollie has 36 years’ experience in corporate finance, 25 years of which have been dedicated to the natural resources and mining industries. Until his retirement in 2007, Ollie held various senior

positions within the De Beers group in operational, strategic and corporate finance management roles, culminating in a 6-year period on the main board as an Executive Director – Corporate Finance and head of strategy and business development.

He has led and managed corporate finance assignments totaling in excess of US\$ 28 billion, covering assignments in both debt and equity capital markets, venture capital, initial public offers and mining project financing.

He has a profound knowledge of the resource industry in Africa having negotiated joint venture and mining concession agreements with the governments of several sub-Saharan countries.

Ollie sits on a number of private investment company boards and acts as consultant to several international private equity funds.

### 6.3 Other directorships

Details of directorships held by the directors and Investment Committee members in other companies during the past five years are included in Annexure 4.

### 6.4 Directors and Investment Committee members' declarations

None of the following applies to any of the directors or members of the Olivewood Investment Committee listed above for the 12 months preceding the date of this private placement memorandum: bankruptcies, insolvencies or individual voluntary compromise arrangements; receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, members' voluntary liquidations, or any compromise or arrangement with creditors generally or any class of creditors of any company of which such person is or was a director with an executive function of such company at the time of any such event; compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships of which the person is or was a partner at the time of such event; receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of such event; public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, disqualification by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or any offense involving dishonesty.

### 6.5 Qualification, borrowing powers, appointment and remuneration of directors

The relevant provisions of the articles of association concerning the qualification, borrowing powers, appointment and remuneration of the directors are included in Annexure 2 to this private placement memorandum.

The table below sets out the estimated remuneration and benefits proposed to be paid to the executive directors for the year ending 28 February 2010:

<b>Name of director</b>	<b>Salary R</b>	<b>Total R</b>
J Allan	566 667	566 667
<b>TOTAL</b>	<b>566 667</b>	<b>566 667</b>

**Table 2** Executive director remuneration to February 2010

The table below sets out the estimated remuneration and benefits proposed to be paid to the executive directors for the year ending 28 February 2011:

<b>Name of director</b>	<b>Salary R</b>	<b>Total R</b>
J Allan	1 360 000	1 360 000
<b>TOTAL</b>	<b>1 360 000</b>	<b>1 360 000</b>

**Table 3** Executive director remuneration to February 2011

6.5.1 No payments are proposed to be made, either directly or indirectly, in cash or securities or otherwise to:

6.5.1.1 the directors in respect of benefits, management, consulting, technical, secretarial fees, restraint payments or expense allowances;

6.5.1.2 a third party *in lieu* of directors' fees;

6.5.1.3 the directors as an inducement to qualify them as directors.

The table below indicates the fees proposed to be paid to non-executive directors for the year ending 28 February 2010.

Fees	2010 R
<b>Non-executive</b>	
J Campbell	150 000
R Hochreiter	150 000
P Kell	150 000
B Schabort	150 000
<b>TOTAL</b>	<b>600 000</b>

**Table 4** Non-executive directors' remuneration to February 2010

The table below indicates the fees proposed to be paid to members of the Investment Committee for the year ending 28 February 2010.

Fees	2010 R
C Fauconnier	250 000
J Campbell	208 333
O Oliveira	208 333
<b>TOTAL</b>	<b>666 666</b>

**Table 5** Investment Committee remuneration to February 2010

The table below indicates the fees proposed to be paid to non-executive directors for the year ending 28 February 2011.

Fees	2011 R
<b>Non-executive</b>	
J Campbell	360 000
R Hochreiter	360 000
P Kell	360 000
B Schabort	360 000
<b>TOTAL</b>	<b>1 440 000</b>

**Table 6** Non-executive directors' remuneration to February 2011

The table below indicates the fees proposed to be paid to members of the Investment Committee for the year ending 28 February 2011.

Fees	2011 R
C Fauconnier	600 000
J Campbell	500 000
O Oliveira	500 000
<b>TOTAL</b>	<b>1 600 000</b>

**Table 7** Investment Committee remuneration to February 2011

The directors of Olivewood do not hold any options over Olivewood shares.

Olivewood has taken out personal liability insurance in the amount of R200 million on behalf of the directors, members of the Investment Committee and public officers of the company.



The borrowing powers of the directors have not been exceeded since the incorporation of the company and may only be varied by way of a special resolution passed by the shareholders of Olivewood in a general meeting.

Extracts from the articles of association regarding the borrowing powers of the directors are set out in Annexure 2 to this private placement memorandum. No Exchange Control or other restrictions on the borrowing powers of the directors exist.

## 6.6 Interests of directors and the investment committee

The beneficial interests of the directors at the last practicable date are indicated in the table below.

	<b>Direct Beneficial Shares in Olivewood</b>	<b>Indirect Beneficial Shares in Olivewood</b>	<b>Percentage in Olivewood</b>
James Allan	25	–	14.5
René Hochreiter	15	–	8.7
James Campbell	15	–	8.7
Paddy Kell	10	–	5.8
Botha Schabort	10	–	5.8
<b>TOTAL</b>	<b>75</b>	<b>–</b>	<b>43.4</b>

**Table 8** Directors' beneficial interests

With the exception of the interests disclosed above, at the last practicable date, none of the directors had any direct or indirect beneficial interests in Olivewood.

None of the directors have any material beneficial interest, whether direct or indirect, in any transactions effected by Olivewood since its incorporation that remain in any respect outstanding or unperformed.

The beneficial interests of the investment committee in Olivewood at the last practical date are indicated in the table below. Whilst James Campbell is a member of the investment committee his interests are shown only as a director.

	<b>Direct Beneficial Shares in Olivewood</b>	<b>Indirect Beneficial Shares in Olivewood</b>	<b>Percentage in Olivewood</b>
Con Fauconnier	5	–	2.9
Ollie Oliveira	25	–	14.5
<b>TOTAL</b>	<b>30</b>	<b>–</b>	<b>17.3</b>

**Table 9** Investment Committee members' beneficial interests

## 7. PURPOSE OF PRIVATE PLACEMENT

An amount of R1.05 billion based on an offer price of R150 000 per Olivewood ordinary share, before share issue and private placement expenses, will be raised by the company by the issue of 7 000 ordinary shares for cash to qualifying investors. The proceeds of the issue will be used to fund investments into suitable opportunities in the resources sector.

## 8. DETAILS OF THE PRIVATE PLACEMENT

### 8.1 Salient features

The salient features of the private placement are as follows:

– Offer price per ordinary share	R150 000
– Par value per ordinary share	R1
– Premium per ordinary share	R149 999
– Number of ordinary shares offered for subscription in terms of the placement	7 000
– Total consideration before expenses	R1.05 billion

The opening and closing dates of the private placement are as follows:

- Opening date of the private placement at 08h00 on Monday, 2 November 2009
- Closing date of the private placement at 17h00 on Friday, 27 November 2009
- Applicants to be notified of success/failure of application Monday, 30 November 2009
- Posting of share certificates and refund of surplus Friday, 4 December 2009

Those qualifying investors that have been invited to apply should do so by completing the attached private placement application form in accordance with the provisions of this private placement memorandum and the instructions contained in such form.

No offer will be made to the general public in terms of the private placement. The private placement will be made to qualifying investors only.

Olivewood shares issued in terms of the private placement will rank *pari passu* with all other ordinary shares issued by Olivewood.

## 8.2 Procedure for application to subscribe for shares in Olivewood

Applications to subscribe for shares in terms of the private placement must be made on the attached private placement application form provided to qualifying investors.

The rights granted to an applicant to apply for shares in terms of the private placement may be exercised only by the applicant for whom they are intended and may not be hypothecated in any way, ceded, renounced or assigned in favour of anyone else.

The private placement applications are irrevocable once received by Olivewood.

No receipts will be issued for applications and/or payments received.

Applications can only be made at an acquisition cost, for a single addressee acting as applicant, of not less than R150 000.

The private placement applications will only be regarded as complete once payment for the total amount of the application has been received. Payment may only be made by bank guaranteed cheque (crossed "not transferable") or banker's draft or electronic transfer (confirmed by fax or electronic proof of payment in the case of electronic transfers) in accordance with the instructions in paragraphs 8.3 and 8.4 below. Postal orders, cash or telegraphic transfers will not be accepted. All cheques and banker's drafts will be deposited by the corporate advisor and promoter immediately upon receipt of a designated account under the control of Olivewood with a registered South African bank.

Should any cheque or banker's draft subsequently be dishonoured, the directors of Olivewood may, in their sole discretion, and without prejudice to any rights the company may have, regard the private placement application of such applicant as being revoked or take such steps in regards thereto as they deem fit.

## 8.3 Application for Olivewood shares – payment by bank guaranteed cheque or banker's draft

Applicants who wish to pay by way of bank guaranteed cheque or banker's draft must complete and return the attached private placement application form, together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" and drawn in favour of "**Olivewood Resources Limited**") in an envelope marked "**The Olivewood Private Placement**", marked for the attention of Mr Allan, to:

*If delivered by hand*

Attention: Mr Allan  
Olivewood Resources Limited  
c/o Allan Hochreiter (Proprietary) Limited  
5th Floor, North Wing, Hyde Park  
Jan Smuts Avenue and 6th Road  
Hyde Park

*if posted*

Attention: Mr Allan  
Olivewood Resources Limited  
c/o Allan Hochreiter (Proprietary) Limited  
PO Box 411130  
Craighall  
2024

so as to be received by no later than 17h00 on Friday, 27 November 2009. No late applications will be accepted without approval from the board.

#### 8.4 Application for Olivewood shares – payment by electronic transfer

Applicants who wish to pay by way of electronic transfer may do so, in which case the private placement application and proof of payment by electronic transfer must be hand delivered, posted, faxed or emailed to Olivewood (and not to the company secretary), marked for the attention of Mr Allan, to:

<i>If delivered by hand</i>	<i>if posted</i>	<i>if faxed or emailed</i>
Attention: Mr Allan Olivewood Resources Limited c/o Allan Hochreiter (Proprietary) Limited 5th Floor, North Wing Hyde Park Corner Corner Jan Smuts Avenue and 6th Road Hyde Park	Attention: Mr Allan Olivewood Resources Limited c/o Allan Hochreiter (Proprietary) Limited PO Box 411130 Craighall 2024	Attention: Mr Allan Fax number: 011 325 4629 Email address: james@olivewoodresources.co.za

so as to be received by no later than 17h00 on Friday, 27 November 2009. No late applications will be accepted without approval from the board.

Payment by electronic transfer must be made into the following bank account, with the name of the applicant as the payer's reference:

Bank:	Standard Bank
Branch:	Sandton
Branch code:	009 205
Account name:	Grayston Financial Nominees (Pty) Ltd No. 3 Account
Account number:	42987156

Olivewood accepts no responsibility and will not be liable for the failure to allocate any private placement shares where proof of payment by electronic transfer has not been received or the purported proof of such payment is insufficient or defective or Olivewood is, for any reason, not able to reconcile a payment or purported payment with a particular application for private placement shares.

#### 8.5 Reservation of rights

The directors of Olivewood reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

The directors of Olivewood reserve the right to accept or reject, either in whole or in part, any private placement applications should the terms and the instructions contained in this private placement memorandum not be complied with properly.

#### 8.6 Results of allocations

Applicants will be notified of the allocation of shares pursuant to the private placement by the close of business on Monday, 30 November 2009.

#### 8.7 Minimum subscription

The minimum subscription is for one share at R150 000.

#### 8.8 Over subscriptions

In the event of any private placement application being rejected or accepted for a lesser number of shares than applied for, any surplus application monies received will be refunded by the company either by a cheque drawn on Olivewood Resources Limited or by electronic transfer on or about Friday, 4 December 2009.

In the event of an oversubscription the allocation of shares will be decided by the board in an equitable manner.

## 8.9 Issue of private placement shares

All private placement shares offered will be issued at the expense of Olivewood.

All private placement shares issued are subject to the provisions of Olivewood's memorandum and articles of association and will rank *pari passu* in all respects with the existing ordinary shares in issue.

## 9. RISK FACTORS

Investment in Olivewood entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in Olivewood. Prospective investors should carefully consider the following factors, amongst others, in making their investment decision. There can be no assurance that Olivewood will be able to achieve its investment objective or that investors will receive a return of their capital.

### 9.1 Country risks

Olivewood is restricted to investing in South African companies and is thus exposed to all the risks associated with South Africa.

The South African mineral title regime has recently been the subject of major revision. Accordingly many laws may be considered relatively new, resulting in risks such as possible interpretational problems in respect of the new laws, introduction of wide ministerial discretion, modification of mining or exploration rights, operating restrictions, increased taxation and royalties and export taxes, operating restrictions, mine safety and environmental regulation. Investments may be affected in varying degrees by political and economic stability, terrorism, crime and fluctuations in currency exchange rates and inflation.

### 9.2 Reliance on key personnel

Olivewood will be managed exclusively by its directors and management. The Olivewood Investment Committee will be tasked with sourcing, electing and selecting appropriate investments for approval by the board. Investors will not be able to contribute to this decision making process. Accordingly, the success of Olivewood will depend upon the calibre of its directors, management team and the Olivewood Investment Committee members.

If these services are lost, Olivewood could be adversely affected.

### 9.3 Investments in less established companies

Olivewood is obliged to invest its funds primarily in qualifying companies. By definition, such qualifying companies will usually be junior mining companies. Investments in such companies may involve greater risks than investments in more established companies. The securities of such companies may be subject to more abrupt and erratic market price movements than larger, more established companies.

These companies may also be more vulnerable to financial failure as they tend to have smaller capitalisations and fewer resources. Such companies may also have shorter operating histories on which to judge future performance and may experience start-up related difficulties that are not faced by established companies.

### 9.4 Long-term illiquid investments by Olivewood

Although certain investments by Olivewood may generate current income, the return of capital and realisation of gains, if any, from an investment in a qualifying company by Olivewood will generally occur only upon the partial or complete disposal of such investment. It is generally anticipated that the investments will only be sold three to seven years after such investments are made.

### 9.5 Limited number of investments

Olivewood may participate in a limited number of investments and, as a consequence, the aggregate return of such investments may be adversely affected by the unfavourable performance by any single qualifying company.

## 10. INVESTOR CAPITAL GAINS OR LOSSES ON THE SALE AND PURCHASE OF OLIVEWOOD SHARES, POST-PRIVATE PLACEMENT

Private share transaction or possible secondary market transactions in Olivewood shares will give rise to potential capital gains and losses if held for a continuous period of three years. The SARS has published tax rules applicable to investors and this is given in Annexure 7.

“In all other respects, standard income tax and CGT rules apply in respect of VCC shares.”

All investors are advised to consult their respective tax advisors with respect to the tax treatment thereof.

## 11. FINANCIAL INFORMATION

### 11.1 Year-end of Olivewood

It is proposed that Olivewood’s year-end will be at the end of February of each year.

### 11.2 Accounting policies

The annual financial statements and other financial information of Olivewood will be prepared in accordance with International Financial Reporting Standards.

### 11.3 Dividend policy

As an investment company in the development sub-sector of the mining industry, Olivewood is not expected to generate sufficient free cash flow for the payment of dividends for at least the first three years.

Thereafter, Olivewood intends to adopt a dividend policy dependant upon its operating results, financial position, investment strategy, capital requirements and other relevant factors.

In the event that investments by Olivewood in qualifying companies lead to listing of such companies on the JSE, Olivewood’s shareholdings in these companies may be distributed to its shareholders as a dividend *in specie*.

In all instances Olivewood will seek to distribute dividends in a tax efficient manner to investors.

### 11.4 Material transactions

Olivewood has not entered into any material transactions since its incorporation.

### 11.5 Capital commitments, lease commitments and contingent liabilities

- Capital commitments:

At the last practicable date, the company did not have any material capital commitments.

- Lease commitments:

At the last practicable date, the company did not have any lease commitments.

- Contingent liabilities:

At the last practicable date, the company did not have any material contingent liabilities.

### 11.6 Loans receivable

At the last practicable date Olivewood had no material loans receivable.

## 12. LEGAL INFORMATION

### 12.1 Contracts

At the last practicable date, the only material contract that Olivewood has entered into since its incorporation, that contains an obligation or settlement that is material to Olivewood at the date of the private placement memorandum is as follows:

- Olivewood has entered into an agreement with Allan Hochreiter in terms of which Olivewood will pay Allan Hochreiter and other intermediaries a capital raising fee equal to 4% of the total capital raised in terms of this private placement memorandum.

No third party manages, nor is it proposed that any third party will manage, the business of Olivewood or any part thereof.

There were no payments made, or proposed to be made to the promoters of the company since its incorporation.

Olivewood has not entered into any underwriting agreement in respect of the issue or sale of ordinary shares since its incorporation.

No commissions, discounts, brokerages or other special terms have been granted since incorporation in connection with the issue or sale of any securities or stock of the company.

The board has resolved to enter into an agreement with Allan Hochreiter whereby the services of James Allan are to be retained as an executive director.

## 12.2 Litigation statement

There are no legal or arbitration proceedings outside the ordinary course of business, nor are the directors aware of any proceedings which are pending or threatened which may have a material effect on the company's financial position.

## 12.3 Conflicts

In the event of any conflict or inconsistency between the terms of this private placing memorandum and Olivewood's articles of association the terms of this private placement memorandum shall prevail. In the event that it is necessary to amend the articles in order to procure the enforcement of any of the provisions of this private placement memorandum or to carry into effect the intention underlying any of the provisions of this private placement memorandum each shareholder agrees to exercise such voting rights and use all other reasonable endeavours (whether by convening any necessary shareholders meeting or executing any written shareholders resolution or voting in favour of any special resolution or otherwise) to procure that the articles are so amended.

## 13. CORPORATE GOVERNANCE

The company's Corporate Governance report is set out in Annexure 3.

## 14. PARTICULARS OF THE PRIVATE PLACEMENT

### 14.1 Private placement costs

The costs of the private placement are estimated at approximately R700 000 and comprise:

Description	R
Capital raising fee (Allan Hochreiter and other intermediaries)	4% of capital raised
Documentation fee (BDO Spencer Steward Services (Proprietary) Limited)	85 000
Tax and legal fees and share issue	300 000
Travel and expenses	50 000
Publicity	100 000
Printing and publishing	150 000
<b>TOTAL</b>	<b>685 000</b>

**Table 10** Private placement cost estimates

These costs will be borne by Olivewood. All amounts set out in the table above are exclusive of VAT and disbursements.

---

## ALTERATIONS TO SHARE CAPITAL AND ISSUES OF SECURITIES

---

### ISSUES OF OLIVEWOOD SECURITIES

On 2 February 2009, Olivewood was incorporated with an authorised share capital of 1 000 ordinary shares of R1 each.

100 ordinary shares in Olivewood were issued to Dennis Jacobus Bishop at R1 per ordinary share on incorporation of the company.

On 31 March 2009, the 100 issued ordinary shares in Olivewood were transferred to Allan Hochreiter for R100 in cash.

On 3 September 2009, the authorised share capital of the company was increased by the creation of 29 000 ordinary shares of R1 each.

On 10 September 2009, the 100 issued ordinary shares in Olivewood held by Allan Hochreiter were transferred as follows:

Number of shares	Description
5	Issued to Ann Bridget Campbell at par value.
5	Issued to Tessa Angela Campbell at par value.
5	Issued to Peter James Campbell at par value.
5	Issued to Georgina Alice Campbell at par value.
20	Issued to Manuel Lino De Sousa-Oliveira ("Ollie Oliveira") at par value.
10	Issued to James Gordon Allan at par value.
10	Issued to Philippa Anne Poulsom at par value.
5	Issued to René Carlo Hochreiter at par value.
15	Issued to the Sieberana Trust at par value.
12	Issued to Kenneth Robert Greve at par value.
3	Issued to Tertius de Villiers at par value.
2	Issued to Peter James Campbell at par value.
1	Issued to Masilo Simon Moloto at par value.
1	Issued to Erika McCarthy at par value.
1	Issued to Natalie Patricia Greve at par value.

**Table 11** Shares issued on formation of Olivewood

On 26 October 2009, R3.65 million was raised to fund the private placement and initial expenses. The following shares were issued at R50 000 each:

Number of shares	Description
15	Issued to James Gordon Allan.
15	Issued to James Wilbert Campbell.
10	Issued to Paddy Kell.
5	Issued to Con Fauconnier.
3	Issued to Kenneth Robert Greve.
10	Issued to René Carlo Hochreiter.
5	Issued to Ollie Oliveira.
10	Issued to Philip Botha Schabort.

**Table 12** Shares purchased by directors and other parties to fund the private placement



---

**EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF OLIVEWOOD**

---

**Directors**

53. The number of the directors shall not be less than two and the names of the first directors may be determined in writing by a majority of the subscribers of the memorandum. Until directors are appointed, whether or not the directors have been named by a majority of the subscribers of the memorandum, every subscriber of the memorandum shall be deemed for all purposes to be a director of the company.
54. The remuneration of the directors shall from time to time be determined by the company in general meeting.
55. If any director be called upon to perform extra services or to make any special exertions in going or residing abroad, or otherwise, for any of the purposes of the company, the company may remunerate that director either by a fixed sum or by a percentage of profits or otherwise as may be determined, and such remuneration may be either in addition to, or in substitution for, the remuneration determined under article 54.

**Alternate directors**

56. Each director shall have the power to nominate any person who is a shareholder of the company (except where the company is a wholly owned subsidiary, when such person need not be a shareholder) possessing the necessary qualifications of a director, to act as alternate director in his place during his absence or inability to act as such director, provided that the appointment of an alternate director shall be approved by the board, and on such appointment being made, the alternate director shall, in all respects, be subject to the terms, qualifications and conditions existing with reference to the other directors of the company.
57. The alternate directors, whilst acting in the stead of the directors who appointed them, shall exercise and discharge all the powers, duties and functions of the directors they represent. The appointment of an alternative director shall be revoked, and the alternate director shall cease to hold office, whenever the director who appointed him ceases to be a director or gives notice to the secretary of the company that the alternate director representing him has ceased to do so, and in the event of the disqualification or resignation of any alternate director during the absence or inability to act for the director whom he represents, the vacancy so arising shall be filled by the chairman of the directors who shall nominate a person who is a shareholder of the company (except where the company is a wholly owned subsidiary, when such person need not be a shareholder of the company) to fill such vacancy, subject to the approval of the board.

**Powers of directors**

58. The business of the company shall be managed by the directors who may pay all expenses incurred in promoting and incorporating the company, and may exercise all such powers of the company as are noted by the Act, or by these articles, required to be exercised by the company in general meeting, subject to these articles, to the provisions of the Act, and to such regulations, not inconsistent with the aforesaid articles or provisions, as may be prescribed by the company in general meeting, but no regulation prescribed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such regulation has not been prescribed.

**Borrowing powers**

59. The directors may exercise all the powers of the company to borrow money and to mortgage or bind its undertaking and property or any part thereof, and its issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party.



---

## CORPORATE GOVERNANCE

---

### INTRODUCTION

Olivewood is committed to a sound corporate governance policy. The company will strive to comply with the principles incorporated in the King Code of Corporate Practices and Conduct. A summary of the current compliance is as follows:

### BOARD OF DIRECTORS

The board of directors of the company (“the board”) is based on a unitary structure and retains full and effective control and management of the group. There is one executive director on the board and four non-executive directors. No one director has unfettered powers of decision making and there is a policy in place to ensure a clear division of responsibilities at board level.

The non-executive directors and the executive director do not have fixed-term service contracts. In terms of the company’s articles of association, one-third of the directors (or if their number is not a multiple of three, then the number nearest to one-third but not less than one-third) shall retire from office at the annual general meeting. The directors to retire shall be those who have been longest in office since their last election. Retiring directors shall be eligible for re-election, in all instances complying with the King Code of Governance for South Africa 2009 (King III).

The board meets regularly, at least quarterly, to review the direction, strategic issues, major contracts and commitments, group policies and stakeholder reporting. In addition to the quarterly meetings, the board also meets on an ad hoc basis to consider specific issues.

All directors have been given a presentation on the group’s strategy, as well as a document outlining the duties and liabilities of directors. Any new directors will be given the same presentation and documents.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the company at the company’s expense, subject to prior approval of the chairperson, which shall not be unreasonably withheld.

### BOARD COMMITTEES

Certain functions have been delegated to committees which will operate within agreed terms of reference approved by the board. The functions of these committees are described more fully below.

#### **Audit, Risk and Nomination Committee**

The committee comprises two non-executive directors and one external member, as follows:

Paddy Kell (*chairman*)

James Campbell (*non-executive director*)

Kenneth Greve

The primary responsibility of the committee is to evaluate matters concerning accounting policies, internal controls, auditing, financial reporting, risk management and compliance and reviewing the published financial statements of the group prior to board approval. This committee also assists the board with company policies, the structure, size and effectiveness of the board and its committees and in reviewing the company’s governance processes. Furthermore, it makes recommendations on the appointments of new directors and establishes the formal induction process and ensures that a training and development programme is in place for board members. The committee meets twice a year or when required for the process of nomination.

The external auditors have unlimited access to the chairperson of the committee. The Audit, Risk and Nomination Committee is responsible for recommending the use of the external auditors for non-audit services. Auditors are appointed annually based on the recommendation of the Audit Risk and Nomination Committee. Risk management policies will be implemented as and when the need for such policies arises.

The committee, in carrying out its tasks, has a wide range of powers to consult both internally and externally in order to acquire the necessary resources to complete its duties.

### **Remuneration Committee**

The company currently does not have a remuneration committee. The remuneration committee will comprise the non-executive chairman (once a suitable candidate has been selected) and two non-executive directors. James Campbell has agreed to act as interim chairman.

### **Company secretary**

The company secretary is accountable to the board on all governance and statutory matters and in this respect all directors have access to the services of the company secretary. The appointment and removal of the company secretary is a matter for the board as a whole.

### **Internal control**

The company's internal controls are designed to provide reasonable assurance to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets.

### **Non-financial matters**

All directors and employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is beyond reproach.

### **Stakeholder communication**

The board will strive to present a balanced and understandable assessment of the group's position addressing material matters of significant interest and concern to stakeholders. The board will communicate with stakeholders at least on a six-monthly basis.

### **Continuous disclosure**

The company has a continuous disclosure policy in place for directors and officers to ensure that timely and accurate information is provided to all shareholders. The company secretary is the nominated communication officer and is responsible for liaising with the board to ensure the company complies with its requirements.

---

**OTHER DIRECTORSHIPS IN THE PAST FIVE YEARS**


---



---

**J Allan**


---

**Current**

Allan Hochreiter (Proprietary) Limited	Move-on-up 248 (Proprietary) Limited
Bacarac Trading 15 (Proprietary) Limited	Ochre Shimmer Trade and Invest 72 (Proprietary) Limited
Bacarac Trading 92 (Proprietary) Limited	Olivewood Resources Limited
Bacarac Trading 108 (Proprietary) Limited	Partners Drilling (Proprietary) Limited
Black Ginger 449 (Proprietary) Limited	Partners Drilling International Limited
Caber Trade and Invest 1 (Proprietary) Limited	Parchment Trading 67 (Proprietary) Limited
Coin Wise Trading 32 (Proprietary) Limited	Platoon Trade and Invest 96 (Proprietary) Limited
Coveway Trade and Invest 46 (Proprietary) Limited	Roan Platinum (Proprietary) Limited
Cream Magenta 199 (Proprietary) Limited	Sable Platinum Mining (Proprietary) Limited
Garton Consulting (Proprietary) Limited	Saddle Path Props 54 (Proprietary) Limited
Lesedi Drilling and Mining Contracting Company (Proprietary) Limited	Sustainable Empowerment Solutions (Proprietary) Limited
Middlewave Trade and Invest 4 (Proprietary) Limited	Cavaletto 89 (Proprietary) Limited

---

**J Campbell****Current**

Olivewood Resources Limited  
 Ferrous Resources Limited  
 Highveld Steel and Vanadium Limited  
 Evraz Group Société Anonyme

**Past**

Minara Resources Limited

---

**R Hochreiter****Current**

Allan Hochreiter (Proprietary) Limited	Olivewood Resources Limited
Bacarac Trading 92 (Proprietary) Limited	Partners Drilling International Limited
Bacarac Trading 108 (Proprietary) Limited	Parchment Trading 67 (Proprietary) Limited
Black Ginger 449 (Proprietary) Limited	Platoon Trade and Invest 96 (Proprietary) Limited
Caber Trade and Invest 1 (Proprietary) Limited	Roan Platinum (Proprietary) Limited
Coin Wise Trading 32 (Proprietary) Limited	Sable Platinum Mining (Proprietary) Limited
Coveway Trade and Invest 46 (Proprietary) Limited	Saddle Path Props 54 (Proprietary) Limited
Middlewave Trade and Invest 4 (Proprietary) Limited	Cavaletto 89 (Proprietary) Limited
Ochre Shimmer Trade and Invest 72 (Proprietary) Limited	Partners Drilling (Proprietary) Limited
TransAfrika Resources Limited	TransAfrika Belgique NV/SA
TransAfrika (DRC) sprl	TransAfrika Gold (DRC) sprl
Streatham Management Services (Proprietary) Limited	

---

---

**P Kell**

---

**Current**

Olivewood Resources Limited

**Past**

Paddy was a director of De Beers SA, De Beers Centenary AG, De Beers Consolidated Mines Limited and numerous subsidiary companies within the De Beers group.

---

**B Schabert**

---

**Current**

Eden Island Development Company (Seychelles)

South African General Investment and Trust Company Limited

---

**O Oliveira**

---

**Current**

African Alliance Africa Pioneer Fund

African Alliance Africa Pioneer Master Fund

Constantia Fund Limited

**Past**

Ollie was a director of De Beers SA, De Beers Centenary AG, De Beers Consolidated Mines Limited and numerous subsidiary companies within the De Beers group.

---

**C Fauconnier**

---

**Current**

Merafe Resources Limited

Namakwa Diamonds Limited

**Past**

Exxaro Resources Limited

Kumba Resources Limited

Sishen Iron Ore Company (Proprietary) Limited

Kumba Coal (Proprietary) Limited

Exxaro Coal (Proprietary) Limited

Exxaro Sands (Proprietary) Limited

Exxaro TSA Sands (Proprietary) Limited

---

---

**LEGAL OPINION ON OLIVEWOOD'S STRUCTURE IN TERMS OF COLLECTIVE INVESTMENT SCHEMES AND IN TERMS OF SECTION 12J OF THE INCOME TAX ACT**

---

A summary of the opinion on Olivewood's structure in terms of Collective Investment Schemes Act, dated 30 September 2009, is provided herein. The detailed summary is available for inspection at the offices of Allan Hochreiter.

"In our view Collective Investment Schemes Control Act 45 of 2002 does not apply to the structure of and contemplated activities of Consultant. Clearly, in the present case, the intention is to take advantage of income tax deductions which are allowable under section 12J. There is no intention to widen the base of investments nor to share risk and costs."

A summary of the opinion on Olivewood's structure in terms of section 12J of the Income Tax Act, dated 7 August 2009 is provided herein. The detailed summary is available for inspection at the offices of Allan Hochreiter.

"Consultant is a shelf company and is currently in the process of converting into a public company. Consultant has made application to the Commissioner for approval as a venture capital company, in terms of sub-section (5) of section 12J of the Income Tax Act, 58 of 1962 (as amended) ("the Act")."

---

**SECTION 12J OF THE INCOME TAX ACT**

---

**Income Tax Act, 1962 (Act 58 of 1962)****Chapter II: The Taxes****Part I: Normal Tax****12J. Deductions in respect of expenditure incurred in exchange for issue of venture capital company shares**

1. For the purposes of this section:

**'impermissible trade'** means:

- (a) any trade carried on in respect of immovable property, other than a trade carried on as an hotel keeper;
- (b) any trade carried on by a bank as defined in the Banks Act, 1990 (Act No. 94 of 1990), a long-term insurer as defined in the Long-Term Insurance Act, 1998 (Act No. 52 of 1998), a short-term insurer as defined in the Short-Term Insurance Act, 2008 (Act No. 53 of 1998), and any trade carried on in respect of money-lending or hire-purchase financing;
- (c) any trade carried on in respect of financial or advisory services, including trade in respect of legal services, tax advisory services, stock broking services, management consulting services, auditing or accounting services;
- (d) any trade carried on in respect of gambling;
- (e) any trade carried on in respect of liquor, tobacco, arms or ammunition;
- (f) any trade carried on as a franchisee; or
- (g) any trade carried on mainly outside the Republic;

**'junior mining company'** means any company that is solely carrying on a trade of mining exploration or production which is either an unlisted company as defined in section 41 or listed on the alternative exchange division of the JSE Limited;

**'qualifying company'** means any company if:

- (a) that company is a resident;
- (b) the company is not a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of 'connected person';
- (c) the tax affairs of the company are in order and the company has complied with all the relevant provisions of the laws administered by the Commissioner;
- (d) the company is an unlisted company as defined in section 41 or a junior mining company;
- (e) the company is carrying on any trade or will carry on any trade within a period of:
  - (i) in the case of a junior mining company, 36 months;
  - (ii) in the case of any other company, 18 months,after the issue of any shares by that company as contemplated in the definition of 'qualifying share', and the trade mainly carried on or that will be mainly carried on by that company is not an impermissible trade;
- (f) within a period of:
  - (i) in the case of junior mining companies, 36 months; or
  - (ii) in the case of any other company, 18 months,

the sum of the investment income, as defined in section 12E(4)(c), derived by that company during a year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year; and

- (g) within 18 months after an amount is received by or accrued to the company for the issue of any shares by the company as contemplated in the definition of 'qualifying share', the company incurs an amount of expenditure which is allowable as a deduction in terms of this Act for purposes of any trade carried on by that company, equal to the amount so received or accrued;

**'qualifying share'** means an equity share held by a venture capital company which is issued to that company by a qualifying company, unless that venture capital company has an option to dispose of the share, or the qualifying company has an obligation to redeem that share, for an amount other than the market value of the share at the time of that disposal or redemption;

**'venture capital company'** means a company that has been approved by the Commissioner in terms of subsection (5).

2. There must be allowed as a deduction from the income of a natural person, a listed company or a controlled group company in relation to a listed company as contemplated in the definition of group of companies in section 41, a deduction determined in terms of subsection (3) in respect of expenditure actually incurred by that person or company in acquiring shares issued to that person or company by a venture capital company.
3. The deduction to be allowed in terms of subsection (2) during a year of assessment in respect of expenditure incurred by:
  - (a) any natural person must not exceed R750 000: Provided that the amount allowed to be deducted in that year plus the aggregate of the amounts allowed to be so deducted in any other year must not exceed R2,25 million plus so much of that expenditure as has been included in the income of that person in terms of section 8(4);
  - (b) any company is the expenditure incurred in respect of shares which, together with other shares held by that company and any other company forming part of the same group of companies as defined in section 41 as that company in the venture capital company, do not constitute more than 10 per cent of the equity shares of the venture capital company.
4. A claim for a deduction in terms of subsection (2) must be supported by a certificate issued by the venture capital company stating the amounts invested in that company and that the Commissioner approved that company as contemplated in subsection (5).
5. The Commissioner must approve a venture capital company if that company has applied for approval and the Commissioner is satisfied that:
  - (a) the company complies with the conditions contemplated in paragraphs (a), (b), (c) and (d) of the definition of 'qualifying company';
  - (b) from a date not later than 36 months after the date of application for approval, no more than 10 per cent of the gross income of the company will be derived from sources other than financial instruments or services rendered to a qualifying company in which the company holds shares;
  - (c) the company together with any connected person in relation to that company does not control any qualifying company;
  - (d) the company is licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002); and
  - (e) from a date not later than 36 months after the date of application for approval:
    - (i) the expenditure incurred by the company to acquire qualifying shares will be at least R30 million or, where the company acquires qualifying shares in any junior mining company, at least R150 million;



- (ii) at least 10 per cent of the expenditure incurred by the company to acquire assets held by the company will be for qualifying shares held by that company which were issued to it by qualifying companies that hold assets with a book value not exceeding R5 million immediately after that issue; and
  - (iii) at least 80 per cent of the expenditure incurred by the company to acquire assets held by the company will be for qualifying shares issued to it by qualifying companies that hold assets with a book value not exceeding R10 million immediately after that issue or, if any such company is a junior mining company, not exceeding R100 million; and
  - (iv) no more than 15 per cent of the expenditure incurred by the company to acquire qualifying shares held by the company will be incurred for qualifying shares issued to it by any one qualifying company.
6. If the Commissioner is satisfied that any venture capital company approved in terms of subsection (5) has during a year of assessment failed to comply with the provisions of that subsection, the Commissioner must after due notice to the company withdraw that approval from the commencement of that year if corrective steps acceptable to the Commissioner are not taken by that company within a period stated in that notice.
  7. A company may apply for approval in terms of subsection (5) in respect of the year following the year during which approval was withdrawn in respect of that company in terms of subsection (6) if the non-compliance which resulted in the withdrawal has been rectified to the satisfaction of the Commissioner.
  8. If the Commissioner withdraws the approval of a company in terms of subsection (6) as a result of non-compliance with subsection (5), an amount equal to 125 per cent of the expenditure incurred by any person for the issue of shares held in the company must be included in the income of the company during the year of withdrawal.
  9. A venture capital company must submit to the Commissioner an annual return within such time and containing such information as the Commissioner may prescribe.
  10. A venture capital company must submit to the Minister a report providing the Minister with the information that the Minister may prescribe.
  11. No deduction shall be allowed under this section in respect of shares acquired after 30 June 2021.

**Amendment of section 12J of Act 58 of 1962, as inserted by section 27 of Act 60 of 2008**

**25.** (1) Section 12J of the Income Tax Act, 1962, is hereby amended:

(a) by the substitution in subsection (1) for paragraphs (e) and (f) of the definition of “qualifying company” of the following paragraphs:

“(e) the company is not carrying on any **[trade or will carry on any trade within a period of:**

(i) in the case of a junior mining company, 36 months;

**(ii) in the case of any other company, 18 months, after the issue of any shares by that company as contemplated in the definition of “qualifying share”, and the trade mainly carried on or that will be mainly carried on by that company is not an] impermissible trade; and**

(f) **[within a period of:**

(i) **in the case of junior mining companies, 36 months; or**

**(ii) in the case of any other company, 18 months,]**

the sum of the investment income, as defined in section 12E(4)(c),

derived by that company during **[a]** any year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year; **[and]”;**

(b) by the deletion in subsection (1) of paragraph (g) of the definition of ‘qualifying company’;

- (c) by the substitution in subsection (1) for the definition of “venture capital company” of the following definition:
- “‘**venture capital company**’ means a company that has been approved by the Commissioner in terms of subsection (5) and in respect of which such approval has not been withdrawn in terms of subsection (6) or (6A).”;
- (d) by the substitution in subparagraph (3) for paragraph (b) of the following paragraph:
- “(b) any company is the expenditure incurred in respect of shares which, together with other shares held by that company and any other company forming part of the same group of companies as defined in section 41 as that company in the venture capital company, do not constitute more than **[10]** 40 per cent of the equity shares of the venture capital company.”;
- (e) by the substitution for subsection (5) of the following subsection:
- “(5) The Commissioner must approve a venture capital company if that company has applied for approval and the Commissioner is satisfied that:
- (a) the company is a resident;
  - (b) the sole object of the company is the management of investments in qualifying companies;
  - (c) the company is an unlisted company as defined in section 41;
  - (d) the company is not a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of ‘connected person’;
  - (e) the tax affairs of the company are in order and the company has complied with all the relevant provisions of the laws administered by the Commissioner;
  - (f) the company together with any connected person in relation to that company does not control any qualifying company in which the company holds shares; and
  - (g) the company is licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).”;
- (f) by the substitution for subsection (6) of the following subsection:
- “(6) If the Commissioner is satisfied that any venture capital company approved in terms of subsection (5) has during a year of assessment:
- (a) failed to comply with the provisions of that subsection; or
  - (b) derived more than 20 per cent of its gross income from investment income as defined in section 12E(4)(c), other than:
    - (i) dividends from qualifying shares; and
    - (ii) proceeds derived from investment in qualifying shares,
the Commissioner must after due notice to the company withdraw that approval from the commencement of that year if corrective steps acceptable to the Commissioner are not taken by the company within a period stated in that notice.”;

(g) by the insertion of the following subsection:

“(6A) If, after the expiry of a period of 36 months commencing on the date of approval by the Commissioner of a company as a venture capital company in terms of subsection (5), the Commissioner is not satisfied that:

    - (a) the expenditure incurred by the company in that period to acquire qualifying shares:
      - (i) in a junior mining company, was at least R150 million; or
      - (ii) in any qualifying company other than a junior mining company, was at least R30 million;
or
    - (b) at least 80 per cent of the expenditure incurred by the company in that period to acquire assets held by the company was incurred to acquire qualifying shares issued to the company by qualifying companies, each of which, immediately after the issue, held assets with a book value not exceeding:
      - (i) R100 million, where the qualifying company was a junior mining company; or
      - (ii) R10 million, where the qualifying company was a company other than a junior mining company; or

- (c) no more than 15 per cent of the expenditure incurred by the company to acquire qualifying shares held by the company was incurred for qualifying shares issued to the company by any one qualifying company, the Commissioner must after due notice to the company withdraw that approval with effect from the date of approval by the Commissioner of that company as a venture capital company if corrective steps acceptable to the Commissioner are not taken by the company within a period stated in the notice.”; and
- (h) by the substitution for subsections (7) and (8) of the following subsections:
  - “(7) A company may apply for approval in terms of subsection (5) in respect of the year of assessment following the year of assessment during which approval was withdrawn in respect of that company in terms of subsection (6) or (6A) if the non-compliance which resulted in the withdrawal has been rectified to the satisfaction of the Commissioner.
  - (8) If the Commissioner withdraws the approval of a company in terms of subsection (6) or (6A) [as a result of non-compliance with subsection (5)], an amount equal to 125 per cent of the expenditure incurred by any person for the issue of shares held in the company must be included in the income of the company [**during the year of withdrawal**] in the year of assessment in which the approval is withdrawn by the Commissioner.”

25. (2) Subsection (1) is deemed to have come into operation on 1 July 2009.

---

**SARS VENTURE CAPITAL COMPANY REFERENCE GUIDE**

---



EFFECTIVE DATE  
01.07.2009

**REFERENCE GUIDE**  
**VENTURE CAPITAL COMPANIES (VCCs)**

## 1 PURPOSE

- The purpose of this document is to provide guidelines for Venture Capital Companies (VCCs).

## 2 SCOPE

- This basic guide explains the legislative requirements applicable to VCC's, the application process and the obligations of approved VCC's

## 3 REFERENCES

### 3.1 LEGISLATION

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	<b>Income Tax Act No. 58 of 1962:</b> Section 12J
Other Legislation:	<b>None</b>
International Instruments:	<b>None</b>

### 3.2 CROSS REFERENCES

DOCUMENT #	DOCUMENT TITLE	APPLICABILITY
AS-VCC-02-A1	Frequently Asked Questions – Venture Capital Companies	All

## 4 DEFINITIONS AND ACRONYMS

<b>FSP</b>	Financial Services Provider
<b>Investment Income</b>	In terms of section 12E(4)(c) of the Act 'investment income' means: <ol style="list-style-type: none"> <li>i. any income in the form of dividends, royalties, rental derived in respect of immovable property, annuities or income of a similar nature;</li> <li>ii. any interest as contemplated in section 24J. (other than any interest received by or accrued to any co-operative bank as contemplated in paragraph (a)(ii)(ff)), any amount contemplated in section 24K and any other income which, by the laws of the Republic administered by the Commissioner, is subject to the same treatment as income from money lent; and</li> <li>iii. any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities or immovable property;</li> </ol>
<b>Junior Mining Company</b>	Any company that is solely carrying on a trade of mining exploration or production which is either an unlisted company as defined in section 41 or listed on the alternative exchange division of the JSE Limited
<b>Qualifying Share</b>	An equity share held by a venture capital company which is issued to that company by a qualifying company, unless that venture capital company has an option to dispose of the share, or the qualifying company has an obligation to redeem that share, for an amount other than the market value of the share at the time of that disposal or redemption
<b>The Act</b>	The Income Tax Act No. 58 of 1962
<b>SARS</b>	South African Revenue Services
<b>VCC</b>	Venture Capital Company

## 5 BACKGROUND

- One of the main challenges to the economic growth of small and medium-sized businesses and junior mining exploration is access to equity finance.
- To assist these sectors in terms of equity finance, government has implemented a tax incentive for investors in such enterprises through a Venture Capital Company (“VCC”) regime.
- The VCC is intended to be a marketing vehicle that will attract retail investors. It has the benefit of bringing together small investors as well as concentrating investment expertise in favour of the small business sector.
- With effect from 1 July 2009, investors (individuals and listed companies) can claim for income tax deductions in respect of the expenditure incurred in exchange for VCC shares.
- The VCC regime is subject to a 12 year sunset clause i.e. it ends on 30 June 2021. This will allow for review of the efficacy of regime and a decision will then be made as to whether it should be continued

## 6 GOVERNING LEGISLATION

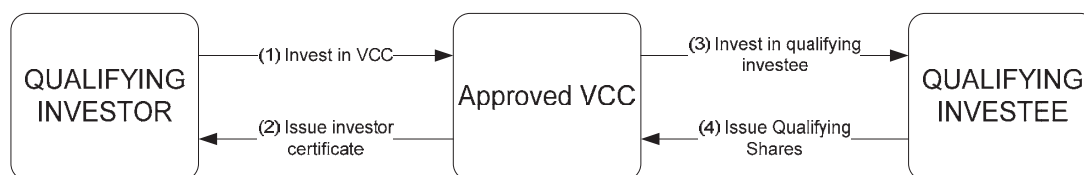
- The contents of the guide are subject to the provisions of the Income Tax Act No. 58 of 1962 (the Act).

### 6.1 SECTION 12J

- The Legislation promulgated for the deductions in respect of expenditure incurred in exchange for the issue of venture capital company shares is contained in Section 12J of the Act.

## 7 ABOUT THE VCC REGIME

### 7.1 AN OVERVIEW OF HOW IT WORKS



- Qualifying Investors will invest in approved VCC’s in exchange for investor certificates. Investors can claim tax deductions in respect of their investments in an approved VCC.
- The approved VCC will, in turn, invest in qualifying investee companies in exchange for qualifying shares.

### 7.2 QUALIFYING INVESTORS

#### 7.2.1 ENTITIES WHICH QUALIFY TO BE INVESTORS

- The following entities qualify to invest in an approved VCC
  - Individuals
  - Listed companies (and section 41 group company members)

## 7.2.2 DOCUMENTATION THAT THE INVESTOR WILL RECEIVE FROM THE VCC

- The approved VCC must issue investor certificates to its investors. This will provide SARS with the proof it needs to allow the investor the relevant tax deduction.

## 7.2.3 TAX RULES APPLICABLE TO INVESTORS

- Qualifying investors can claim income tax deductions in respect of the expenditure actually incurred to acquire shares in approved VCCs.
- On request from SARS, the investor must verify a claim for a deduction by providing a VCC Investor Certificate that has been issued by an approved VCC, stating the amount of the investment and the year of assessment in which the investment was made.
- The deductions allowed to investors for a year of assessment in respect of expenditure incurred are subject to the following rules:
  - **INDIVIDUALS (NATURAL PERSONS):**  
Individuals are eligible for a 100% deduction of the amount invested in an approved VCC in exchange for *newly* issued shares only (in other words, the deduction does not apply to secondary trading of VCC shares). The following limits apply to individuals:
    - Annual deduction limit : R750 000
    - Cumulative lifetime deduction limit (adjusted for recoupments) : R2.25 million

**NOTE:** The deduction is recouped (recovered) if an individual disposes of the VCC shares to the extent of the initial VCC investment (under the general recoupment rules of section 8(4)).

- **Example:** If an individual investor makes a R2.25 million investment in VCC's over three years and subsequently recoups R1 million of a VCC investment in later years, the investor can still obtain a R1 million deduction for future VCC investments.
  - In all other respects, standard income tax and CGT rules apply in respect of VCC shares.
  - **LISTED COMPANIES (AND THEIR GROUP SUBSIDIARIES):**
    - A listed company is eligible for a 100% deduction of amounts invested in a VCC to the extent that its investments, together with the investments of its group companies (section 41 of the Act), do not exceed 40% of the equity shares of the VCC i.e. although it is allowed to invest in more than 40% of the shares of the VCC, it will not get a deduction in respect of the amount in excess of the 40%.

**NOTE:** Unlisted entities (companies and trusts) are not eligible for any special deductions when investing in VCC shares. This exclusion of unlisted entities prevents individual investors from overcoming the ceiling of R750 000 by making investments through closely-held entities.

## 7.3 QUALIFYING INVESTEEES

### 7.3.1 ENTITIES WHICH QUALIFY TO BE INVESTEEES

- An entity that meets all the following requirements will qualify as an investee company:
  - The company must be a South African resident;
  - The company must be an unlisted company (section 41 of the Act) or a junior mining company; A junior mining company may be listed on the Alternative Exchange Division (AltX) of the JSE Limited;
  - The company's tax affairs must be in order (a tax clearance certificate must be requested from SARS to support this requirement);
  - The company must not be a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of "connected person" in section 1 of the Act;



- During a year of assessment, the sum of the investment income derived by the company must not exceed 20% of its gross income for that year of assessment;
- The company must not carry on any of the following impermissible trades:
  - Dealing in or renting of immoveable property, except trade as a hotel keeper (includes bed and breakfast establishments);
  - Financial service activities such as banking, insurance, money-lending and hire-purchase financing;
  - Provision of financial or advisory services, including legal, tax advisory, brokering, management consulting, auditing, accounting and other related activities;
  - Operating casino's or other gambling related activities including any other games of chance;
  - Manufacturing, buying or selling liquor, tobacco products or arms or ammunition;
  - Trading as a franchisee;
  - Any trade carried on mainly outside the Republic.

### 7.3.2 TAX RULES APPLICABLE TO INVESTEEES

- There are no special tax rules for investee companies. The standard tax rules will apply.

## 7.4 VENTURE CAPITAL COMPANIES (VCCs)

### 7.4.1 APPLICATION FOR A VCC STATUS

- An application form must be completed by the company. The application form is available electronically and can be accessed by following the steps below :
  - On the SARS website ([www.sars.gov.za](http://www.sars.gov.za)), click on <Tax Types>
  - From the list of tax types, select <Income Tax (IT)>
  - Click on <Tax relief for investing – Venture Capital Companies>
  - Select the link <Click here to download the application form>
- The following supporting documentation must accompany the application form:
  - A tax clearance certificate to substantiate that the company's tax affairs are in order
  - CIPRO registration certificate to confirm the CIPRO registration number
  - An FSP Licence Certificate to confirm the FSP Licence number

**NOTE:** The Company may submit additional documentation to support the information declared on the VCC application form.

- The completed and signed application form must be submitted to SARS by using one of the following channels:
  - Email : [vcc@sars.gov.za](mailto:vcc@sars.gov.za)
  - Post : SARS Large Business Centre  
Technical Enablement: Domestic Taxes (Direct Tax)  
Venture Capital Companies  
Private Bag X170  
Rivonia  
2128
  - Fax : (011) 602 4889
- SARS will assess the application form to determine if the company meets the requirements.
  - If the application is successful, a VCC reference number will be allocated and an approval letter will be issued to the applicant

- If the application is not successful, a rejection letter will be issued to the applicant stating the reason(s) for the rejection.

#### 7.4.2 PRELIMINARY REQUIREMENTS TO BE MET TO QUALIFY FOR AN APPROVED VCC STATUS

- A company must meet all the following preliminary requirements to qualify for an approved VCC status for each year of assessment:
  - The company must be a South African resident;
  - The sole object of the company must be the management of investments in qualifying companies (i.e. investees);
  - The company must be an unlisted company (section 41 of the Act);
  - The company must not be a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of “connected person” in section 1 of the Act;
  - The company’s tax affairs must be in order;
  - The company, together with any connected person, must not control any qualifying investee company (i.e. small business or junior mining company) in which it holds shares;
  - The company must be licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002.

#### 7.4.3 ADDITIONAL REQUIREMENTS TO BE MET AFTER SARS HAS APPROVED THE VCC STATUS

- The company must satisfy the following requirements after the expiry of 36 months from the date of SARS approving the VCC status:
  - The expenditure incurred by the VCC to acquire qualifying shares (in an investee company) must be at least:
    - R150 million - in any junior mining company;
    - R30 million - in any other qualifying company.
  - A minimum of 80% of the expenditure incurred by the VCC to acquire assets must be for qualifying shares, and each investee company must, immediately after the issuing of the qualifying shares, hold assets with a book value not exceeding:
    - R100 million - in any junior mining company; or
    - R10 million - in any other qualifying company
  - The expenditure incurred by the VCC to acquire qualifying shares in any *one* qualifying company must not exceed 15%.

#### 7.4.4 FAILURE TO COMPLY WITH THE STIPULATED REQUIREMENTS

- Non-compliance with the following will trigger a withdrawal of an approved VCC status:
  - If, during any year of assessment, after the approval of the VCC status, the company:
    - Fails to comply with the preliminary approval requirements (refer to 7.4.2 above);
    - Derives more than 20% of its gross income from sources other than investment income, as defined in section 12E(4)(c) (other than dividends from qualifying shares), or services rendered to a qualifying company in which the company holds shares
  - If the company, on expiry of 36 months from the date of approval of the VCC status, fails to meet the additional requirements (refer to 7.4.3 above).
- The SARS office will issue a written notification to the company, indicating that the company has failed to meet specific requirements and that the VCC status will be withdrawn if the company does not take the acceptable corrective steps within the period stated in that notice.

#### 7.4.5 WITHDRAWAL OF A VCC STATUS AND PENALTIES

- If the approved VCC does not take the acceptable corrective steps to rectify the non-compliance within the period specified in the written notice from the SARS office, the approved VCC status will be withdrawn from:

- the commencement of that year of assessment, or
  - the date of approval of the VCC status – where the VCC does not meet the specific requirements after the expiry of 36 months from the date of approval.
- The VCC will be notified of the withdrawal in writing.
- Once an approved VCC status has been withdrawn by the SARS office, the VCC will become liable for penalties. The penalty is equal to 125% of the amount that each qualifying investor (refer to 7.2 above) has invested in the VCC in exchange for a VCC investor certificate.
- The penalty must be included in the income of the VCC for the year of assessment in which the approved VCC status is withdrawn.

**NOTE:** The penalty applies to all withdrawals (i.e. whether initiated by SARS or the VCC) where the minimum requirements were not met and the shortfalls were not addressed accordingly.

- A company may voluntarily request for a withdrawal of their approved VCC status. The SARS office will then decide on levying penalties in light of whether or not the VCC met its requirements. The request for withdrawal must be submitted in writing and must include the following information:
  - The VCC reference number
  - Income tax reference number
  - Reason(s) for withdrawal
- If the company takes the corrective steps to rectify the non-compliance that resulted in the withdrawal of the VCC status, the company may reapply for an approved VCC status in the year of assessment following the year of assessment in which the VCC status was withdrawn. The standard application form must be used if the company opts to reapply.

#### 7.4.6 TAX RULES APPLICABLE TO VCCs

- There are no special tax rules for approved VCCs. The standard tax rules will apply.

#### 7.4.7 RESPONSIBILITIES OF AN APPROVED VCC

- The VCC must maintain a record of all its investors. A copy of this record must be submitted to SARS in February and August of each year. The records must contain at least the following details:
  - Income tax reference number
  - Name of entity
  - Physical address
  - Nature of trade
  - Contact details
  - Number of shares issued (per investor)
  - Value of shares (per investor)
  - Date of issue of shares (per investor)
- The VCC must maintain a record of all its investees. A copy of this record must be submitted to SARS in February and August of each year. The records must contain at least the following details:
  - Income tax reference number
  - Name of entity
  - Physical address
  - Nature of trade
  - Contact details
  - Number of qualifying shares received (per investee)
  - Value of qualifying shares (per investee)
  - Date of receipt of qualifying shares (per investor)

- The onus will be on the VCC to ensure that it invests in companies (i.e. investees) that meet the stipulated requirements (refer to requirements in 7.3 above).
- The VCC must issue “VCC investor certificates” to qualifying investors (refer to 7.2 above) in the year in which the investment is received. The certificates issued by the VCC must include at least the following details:
  - The income tax reference number of the VCC
  - The VCC reference number (as issued by SARS after the approval of the VCC status)
  - The name and address of the VCC issuing the certificate to which enquiries may be directed
  - The date of receipt of the investment
  - The name and address of the Investor
  - The income tax reference number of the Investor
  - The amount of the investment
- On request from the Minister of Finance, a VCC must submit a report providing information that the Minister may prescribe.

## 7.5 ENQUIRIES

- If you have any enquiries regarding Venture Capital Companies, you can contact us via the following channels:
  - By phone : (011) 602 3629 or (011) 602 3332
  - By fax : (011) 602 4889
  - By email : [vcc@sars.gov.za](mailto:vcc@sars.gov.za)
  - By Post : SARS Large Business Centre  
Technical Enablement: Domestic Taxes (Direct Tax)  
Venture Capital Companies  
Private Bag X170  
Rivonia  
2128

## 8 QUALITY RECORDS

Number	Title
VCC001	VCC Application form

## 9 DOCUMENT MANAGEMENT

Designation	Name / Division
Business Owner:	Senior Manager: Legal and Policy
Policy Owner:	Senior Manager: Product Design and Development
Author:	N Juta
Detail of change from previous revision:	Initial Release
Template number and revision	POL-TM-07 - Rev 3

# FREQUENTLY ASKED QUESTIONS

## VENTURE CAPITAL COMPANIES

## 1 PURPOSE

- These frequently asked questions (FAQs) deal with some of the basic principles of venture capital companies in order to contribute to a broader understanding of the incentive. This document should not be used as a legal reference.

## 2 SCOPE

- These questions are based on section 12J of the Income Tax Act No. 58 of 1962 (which came into effect on 1 July 2009), as amended by the Taxation Laws Amendment Bill, 2009.

## 3 REFERENCES

### 3.1 LEGISLATION

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	<b>Income Tax Act No. 58 of 1962: Section 12J</b>
Other Legislation:	<b>None</b>
International Instruments:	<b>None</b>

## 4 DEFINITIONS AND ACRONYMS

<b>Impermissible Trade</b>	<p>In terms of section 12J(1) 'impermissible trade' means:</p> <ol style="list-style-type: none"> <li>any trade carried on in respect of immovable property, other than a trade carried on as an hotel keeper;</li> <li>any trade carried on by a bank as defined in the Banks Act, 1990 (Act No. 94 of 1990), a long-term insurer as defined in the Long-Term Insurance Act, 1998 (Act No. 52 of 1998), a short term insurer as defined in the Short-Term Insurance Act, 2008 (Act No. 53 of 1998), and any trade carried on in respect of money-lending or hire-purchase financing;</li> <li>any trade carried on in respect of financial or advisory services, including trade in respect of legal services, tax advisory services, stock broking services, management consulting services, auditing or accounting services;</li> <li>any trade carried on in respect of gambling;</li> <li>any trade carried on in respect of liquor, tobacco, arms or ammunition;</li> <li>any trade carried on as a franchisee; or</li> <li>any trade carried on mainly outside the Republic;</li> </ol>
<b>Investment Income</b>	<p>In terms of section 12E(4)(c) of the Act 'investment income' means:</p> <ol style="list-style-type: none"> <li>any income in the form of dividends, royalties, rental derived in respect of immovable property, annuities or income of a similar nature;</li> <li>any interest as contemplated in section 24J. (other than any interest received by or accrued to any co-operative bank as contemplated in paragraph (a)(ii)(ff)), any amount contemplated in section 24K and any other income which, by the laws of the Republic administered by the Commissioner, is subject to the same treatment as income from money lent; and</li> <li>any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities or immovable property;</li> </ol>

<b>Junior Mining Company</b>	Any company that is solely carrying on a trade of mining exploration or production which is either an unlisted company as defined in section 41 of the Act or listed on the alternative exchange division of the JSE Limited
<b>Qualifying Company</b>	In terms of section 12J(1) 'qualifying company' means any company if: <ul style="list-style-type: none"> <li>a) that company is a resident;</li> <li>b) the company is not a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of 'connected person';</li> <li>c) the tax affairs of the company are in order and the company has complied with all the relevant provisions of the laws administered by the Commissioner;</li> <li>d) the company is an unlisted company as defined in section 41 or a junior mining company;</li> <li>e) the company is not carrying on any impermissible trade;</li> <li>f) the sum of the investment income, as defined in section 12E(4)(c), derived by that company during any year of assessment does not exceed an amount equal to 20 per cent of the gross income of that company for that year;</li> </ul>
<b>Qualifying Share</b>	An equity share held by a venture capital company which is issued to that company by a qualifying company, unless that venture capital company has an option to dispose of the share, or the qualifying company has an obligation to redeem that share, for an amount other than the market value of the share at the time of that disposal or redemption
<b>The Act</b>	The Income Tax Act No. 58 of 1962
<b>SARS</b>	South African Revenue Services
<b>VCC</b>	Venture Capital Company

## 5 FREQUENTLY ASKED QUESTIONS

<b>1. What is a Venture Capital Company?</b>	<ul style="list-style-type: none"> <li>• It is company that has satisfied the stipulated requirements and has been approved by SARS.</li> </ul>
<b>2. What is the purpose of the Venture Capital Company incentive?</b>	<ul style="list-style-type: none"> <li>• To assist small and medium-sized businesses and junior mining companies in terms of equity finance</li> <li>• The incentive aims to encourage <i>Investors</i> to invest in approved <i>Venture Capital Companies (VCCs)</i>, which will, in turn, invest in qualifying <i>Investees</i> (i.e. small and medium-sized businesses and junior mining companies), thus providing these sectors with equity finance.</li> </ul>
<b>3. How can a company apply for a VCC status?</b>	<ul style="list-style-type: none"> <li>• An application form is available on the SARS website (<a href="http://www.sars.gov.za">www.sars.gov.za</a>).</li> <li>• The form must be completed and submitted to the SARS – Large Business Centre together with the required supporting documentation.</li> </ul>
<b>4. How and where must the application form be submitted to?</b>	<ul style="list-style-type: none"> <li>• The signed application form and supporting documentation can be submitted via the following methods: <ul style="list-style-type: none"> <li>▫ Email to : <a href="mailto:vcc@sars.gov.za">vcc@sars.gov.za</a></li> <li>▫ Post to : SARS Large Business Centre Technical Enablement: Domestic Taxes (Direct Tax) Venture Capital Companies Private Bag X170 Rivonia 2128</li> <li>▫ Fax to : (011) 602 4889</li> </ul> </li> </ul>
<b>5. What happens after the application form has</b>	<ul style="list-style-type: none"> <li>• SARS will assess the application form to determine if the company meets the requirements.</li> </ul>



<p>been submitted?</p>	<ul style="list-style-type: none"> <li>▫ If the application is successful, a VCC reference number will be allocated and an approval letter will be issued to the applicant</li> <li>▫ If the application is not successful, a rejection letter will be issued to the applicant stating the reason(s) for the rejection.</li> </ul>
<p><b>6. What are the preliminary requirements to be met to become an approved VCC?</b></p>	<ul style="list-style-type: none"> <li>• A company must meet all the following preliminary requirements to qualify for an approved VCC status for each year of assessment: <ul style="list-style-type: none"> <li>▫ The company must be a South African resident;</li> <li>▫ The sole object of the company must be the management of investments in qualifying companies (i.e. investees);</li> <li>▫ The company must be an unlisted company (in terms of section 41 of the Act);</li> <li>▫ The company must not be a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of “connected person” in section 1 of the Act;</li> <li>▫ The company’s tax affairs must be in order;</li> <li>▫ The company, together with any connected person, must not control any qualifying company (i.e. small business or junior mining company) in which it holds shares;</li> <li>▫ The company must be licensed in terms of section 7 of the Financial Advisory and Intermediary Services Act, 2002.</li> </ul> </li> </ul>
<p><b>7. Are there any additional requirements to be met by an approved VCC?</b></p>	<ul style="list-style-type: none"> <li>• Yes. The company must satisfy the following additional requirements after the expiry of 36 months from the date of SARS approving the VCC status: <ul style="list-style-type: none"> <li>▫ The expenditure incurred by the VCC to acquire qualifying shares (in an investee) must be at least: <ul style="list-style-type: none"> <li>○ R150 million - in any junior mining company;</li> <li>○ R30 million - in any other qualifying company.</li> </ul> </li> <li>▫ A minimum of 80% of the expenditure incurred by the VCC to acquire assets must be for qualifying shares, and each qualifying company (i.e. investee) must, immediately after the issuing of the qualifying shares, hold assets with a book value not exceeding: <ul style="list-style-type: none"> <li>○ R100 million - in any junior mining company; or</li> <li>○ R10 million - in any other qualifying company</li> </ul> </li> <li>▫ The expenditure incurred by the VCC to acquire qualifying shares in any one qualifying company must not exceed 15%.</li> </ul> </li> </ul>
<p><b>8. Are there any tax benefits to the VCC incentive?</b></p>	<ul style="list-style-type: none"> <li>• Yes. Qualifying investors can claim income tax deductions in respect of their investments in approved VCCs.</li> </ul>
<p><b>9. Who qualifies to be an investor?</b></p>	<ul style="list-style-type: none"> <li>• The following entities qualify to invest in an approved VCC <ul style="list-style-type: none"> <li>▫ Individuals</li> <li>▫ Listed companies (and group company members in terms of section 41 of the Act)</li> </ul> </li> </ul>
<p><b>10. Are there any limits to the tax deductions that investors can claim?</b></p>	<ul style="list-style-type: none"> <li>• Yes. <ul style="list-style-type: none"> <li>▫ Individuals are eligible for a 100% deduction of the amount invested in an approved VCC in exchange for <i>newly</i> issued shares only (in other words, the deduction does not apply to secondary trading of VCC shares). The following limits apply to individuals: <ul style="list-style-type: none"> <li>○ Annual deduction limit : R750 000</li> <li>○ Cumulative lifetime deduction limit (adjusted for</li> </ul> </li> </ul> </li> </ul>

	<p>recoupments) : R2.25 million</p> <ul style="list-style-type: none"> <li>▫ Listed companies are eligible for a 100% deduction of the amount invested in an approved VCC to the extent that its investments, together with the investments of its group companies (section 41 of the Act), do not exceed 40% of the equity shares of the VCC i.e. although it is allowed to invest in more than 40% of the shares of the VCC, it will not get a deduction in respect of the amount in excess of the 40%.</li> </ul>
<b>11. How is the deduction recouped?</b>	<ul style="list-style-type: none"> <li>• The deduction is recouped (recovered) if an individual disposes of the VCC shares to the extent of the initial VCC investment (under the general recoupment rules of section 8(4)). <ul style="list-style-type: none"> <li>▫ Example: If an individual investor makes a R2.25 million investment in VCC's over three years and subsequently recoups R1 million of a VCC investment in later years, the investor can still obtain a R1 million deduction for future VCC investments.</li> </ul> </li> </ul>
<b>12. How does an investor support the claim for a deduction?</b>	<ul style="list-style-type: none"> <li>• On request from SARS, the investor must verify a claim for a deduction by providing a VCC Investor Certificate that has been issued by an approved VCC, stating the amount of the investment and the year of assessment in which the investment was made</li> </ul>
<b>13. Who qualifies to be an investee?</b>	<ul style="list-style-type: none"> <li>• An entity that meets all of the following requirements will qualify as an investee: <ul style="list-style-type: none"> <li>▫ The company must be a South African resident;</li> <li>▫ The company must be an unlisted company (in terms of section 41 of the Act) or a junior mining company. A junior mining company may be listed on the Alternative Exchange Division (AltX) of the JSE Limited;</li> <li>▫ The company's tax affairs must be in order (a tax clearance certificate must be requested from SARS to support this requirement);</li> <li>▫ The company must not be a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of "connected person" in section 1 of the Act;</li> <li>▫ During a year of assessment, the sum of the investment income derived by the company must not exceed 20% of its gross income for that year of assessment;</li> <li>▫ The company must not carry on any of the following impermissible trades: <ul style="list-style-type: none"> <li>○ Dealing in or renting of immoveable property, except trade as a hotel keeper (includes bed and breakfast establishments);</li> <li>○ Financial service activities such as banking, insurance, money-lending and hire-purchase financing;</li> <li>○ Provision of financial or advisory services, including legal, tax advisory, brokering, management consulting, auditing, accounting and other related activities;</li> <li>○ Operating casino's or other gambling related activities including any other games of chance;</li> <li>○ Manufacturing, buying or selling liquor, tobacco products or arms or ammunition;</li> <li>○ Trading as a franchisee;</li> <li>○ Any trade carried on mainly outside the Republic.</li> </ul> </li> </ul> </li> </ul>
<b>14. Are there any special tax benefits for investees?</b>	<ul style="list-style-type: none"> <li>• No. The standard tax rules will apply.</li> </ul>
<b>15. Can an approved VCC status be withdrawn by</b>	<ul style="list-style-type: none"> <li>• Yes.</li> </ul>

SARS?	
16. What are the conditions that will trigger the withdrawal of an approved VCC status?	<ul style="list-style-type: none"> <li>• Non-compliance with the following will trigger a withdrawal of an approved VCC status:               <ul style="list-style-type: none"> <li>▫ If, <i>during any year of assessment</i>, after the approval of the VCC status, the company:                   <ul style="list-style-type: none"> <li>○ Fails to comply with the preliminary approval requirements;</li> <li>○ Derives more than 20% of its gross income from investment income, as defined in section 12E(4)(c) (other than dividends and proceeds from qualifying shares), or services rendered to a qualifying company in which the company holds shares;</li> </ul> </li> <li>▫ If the company, <i>on expiry of 36 months from the date of approval of the VCC status</i>, fails to meet the additional requirements</li> </ul> </li> </ul>
17. Will SARS allow the VCC a grace period to rectify the non-compliance?	<ul style="list-style-type: none"> <li>• Yes.               <ul style="list-style-type: none"> <li>▫ A written notification will be issued to the VCC stating the requirements that have not been met and the period allowed for the VCC to meet the requirements.</li> </ul> </li> </ul>
18. What happens if the VCC fails to rectify the non-compliance?	<ul style="list-style-type: none"> <li>• If the approved VCC does not take the acceptable corrective steps within the period specified in the written notice from the SARS office, the approved VCC status will be withdrawn from:               <ul style="list-style-type: none"> <li>▫ the commencement of that year of assessment, or</li> <li>▫ the date of approval of the VCC status where the VCC does not meet the additional requirements after the expiry of 36 months from the date of approval</li> </ul> </li> </ul>
19. What are the consequences of a withdrawal?	<ul style="list-style-type: none"> <li>• The VCC will become liable for penalties.</li> </ul>
20. What is the penalty amount?	<ul style="list-style-type: none"> <li>• The penalty is equal to 125% of the amount that each qualifying investor has invested in the VCC in exchange for a VCC investor certificate.</li> <li>• The penalty must be included in the income of the VCC for the year of assessment in which the approved VCC status is withdrawn.</li> </ul>
21. Can a company voluntarily apply for a withdrawal of their VCC status?	<ul style="list-style-type: none"> <li>• Yes.               <ul style="list-style-type: none"> <li>▫ The request for withdrawal must be submitted in writing and must include the following information:                   <ul style="list-style-type: none"> <li>○ The VCC reference number</li> <li>○ Income tax reference number</li> <li>○ Reason(s) for withdrawal</li> </ul> </li> </ul> </li> </ul>
22. Are penalties applicable to voluntary withdrawals?	<ul style="list-style-type: none"> <li>• The SARS office will decide on levying penalties in light of whether or not the VCC met its requirements.</li> </ul>
23. Can a company reapply for a VCC status?	<ul style="list-style-type: none"> <li>• Yes.               <ul style="list-style-type: none"> <li>▫ If the company takes the corrective steps to rectify the non-compliance that resulted in the withdrawal of the VCC status, the company may reapply for an approved VCC status in the year of assessment following the year of assessment in which the VCC status was withdrawn.</li> <li>▫ The standard application form must be used if the company opts to reapply.</li> </ul> </li> </ul>
24. Are there any special tax	<ul style="list-style-type: none"> <li>• No. The standard tax rules will apply.</li> </ul>

benefits for VCCs?	
25. Who can I contact for enquiries relating to the VCC scheme?	<ul style="list-style-type: none"> <li>• If you have any enquiries regarding Venture Capital Companies, you can contact SARS as follows:               <ul style="list-style-type: none"> <li>▫ By phone : (011) 602 3629 or (011) 602 3332</li> <li>▫ By fax : (011) 602 4889</li> <li>▫ By email : <a href="mailto:vcc@sars.gov.za">vcc@sars.gov.za</a></li> <li>▫ By Post : SARS Large Business Centre Technical Enablement: Domestic Taxes (Direct Tax) Venture Capital Companies Private Bag X170 Rivonia 2128</li> </ul> </li> </ul>

## 6 QUALITY RECORDS

- None

## 7 DOCUMENT MANAGEMENT

Designation	Name / Division
Business Owner:	Senior Manager: Legal and Policy
Policy Owner:	Senior Manager: Product Design and Development
Author:	N Juta
Detail of change from previous revision:	Initial Release
Template number and revision	POL-TM-07 - Rev 3



**VENTURE CAPITAL COMPANY**

**Application for SARS Approval**

(Section 12J of the Income Tax Act No. 58 of 1962)

VCC001

**Particulars of the Organisation**

Registered name

Trading name

Email address

Name of Public Officer

Telephone No.

Fax No.

Are you a first time applicant? Y  N  If No, please state the reason for the withdrawal or rejection of the previous application

**Business Address**

Unit No.

Complex (if applicable)

Street / Name of Farm

Suburb / District

City / Town

Postal Code

**Postal Address**

Mark here with an "X" if same as above or complete your Postal Address

Postal Code

**Reference / Registration Number(s)**

Income Tax Reference No.

VAT Registration No. **4**

PAYE Reference No. **7**

SDL Reference No. **L**

UIF Reference No. **U**

FSP License No. (Attach copy of FSP license certificate)

Co / CC Registration No. (Attach copy of certificate issued by CIPRO)

**Information Relating to the Organisation**

Is the company a South-African resident? Y  N  Does the company derive more than 20% of its gross income from "investment income" as defined in section 12E(4)(c) of the Income Tax Act No. 58 of 1962 (other than dividends and proceeds derived from qualifying shares) or services rendered to a qualifying company in which the company holds shares? Y  N

Are all of the company's tax affairs in order? (Attach a tax clearance certificate) Y  N

Is the sole object of the company the management of investments in "qualifying companies", as defined in Section 12J of the Income Tax Act No. 58 of 1962? Y  N  Is the company a controlled group company in relation to a group of companies contemplated in paragraph (d)(i) of the definition of "connected person" in section 1 of the Income Tax Act No. 58 of 1962? Y  N

Is the company an unlisted company in terms of Section 41 of the Income Tax Act No. 58 of 1962? Y  N  Does the company together with any "connected person" control any "qualifying company"? Y  N

**Declaration of Public Officer**

I declare that:

- The information furnished in this application as well as the supporting documentation attached is true and correct in every respect; and
- I consent to SARS publishing the following information for access by the public, in terms of section 4(2B) of the Income Tax Act, No. 58 of 1962:
  - Company Name
  - VCC Reference No
  - VCC Status
  - Contact Details
  - VCC Status Date

Signature

Date (CCYYMMDD)

Forward to: [form@saars.gov.za](mailto:form@saars.gov.za) or email [vcc@sars.gov.za](mailto:vcc@sars.gov.za) or fax 0800 00 SARS (7277)

---

**OLIVEWOOD REGISTRATION WITH THE FSB**

---

2009/00376/FSP  
24/08/2009



**FINANCIAL SERVICES BOARD  
LICENCE No. 38966**

**FINANCIAL SERVICES PROVIDER  
Financial Advisory and Intermediary Services Act, 2002**

**It is hereby certified that with effect from 11 August 2009**

**OLIVEWOOD TRADE AND INVEST 15 PROPRIETRY LIMITED**

**IS LICENSED AS A FINANCIAL SERVICES PROVIDER IN TERMS OF SECTION 8 OF THE  
FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (ACT No. 37 OF 2002)  
subject to the conditions and restrictions set out in the Annexure**

  
.....  
**REGISTRAR OF FINANCIAL SERVICES PROVIDERS**



This document to be displayed in terms of section 8(8)(a) of the Act. The Annexure to be available for the information of clients.



---

**OLIVEWOOD REGISTRATION WITH THE COMMISSIONER**


---

**Large Business Centre**  
**Venture Capital Company**  
**Office**

**Enquiries**  
 Bennie Lindeque

**Switchboard**  
 (011) 602 2000

**Direct Line**  
 (011) 602 3332

**Facsimile**  
 (011) 602 4889

**E-mail**  
 vcc@sars.gov.za

**Sector**  
 VCC Office  
 c/o Technical Enablement:  
 Domestic Taxes

**Reference**  
 9498/503/16/9

**Date**  
 20 October 2009



The Public Officer  
 Olivewood Resources Limited  
 PO Box 411130  
 GRAIGHALL  
 2024

For attention: Mr James Allan

**South African Revenue Service**

Large Business Centre

1st Floor, Blocks A and B,  
 Megawatt Park, Maxwell Drive,  
 Sunninghill, Sandton  
 (No postal deliveries to this address)

Private Bag X170, Rivonia, 2128

SARS online: [www.sars.gov.za](http://www.sars.gov.za)

Dear Mr Allan

**OLIVEWOOD RESOURCES LIMITED**  
**APPROVAL OF APPLICATION FOR VENTURE CAPITAL COMPANY STATUS**


I refer to your application to register as a Venture Capital Company (VCC) in terms of section 12J of the Income Tax Act, 1962 (the Act).

The application has been successful and the company is now an approved VCC. Your reference number is VCC-0001. Please quote this reference number when communicating with SARS.

Please note that should the company at any stage fail to comply with the provisions of section 12J of the Act the approval may be withdrawn and the company could become liable to penalties. You may refer to the VCC reference guide on the SARS website for the guidance in this regard.

Yours faithfully

  
 Mr B Lindeque  
 for Commissioner: SARS

  
 Mr D van Niekerk



## BRIEF OVERVIEW OF ENTERPRISE DEVELOPMENT AS A COMPONENT OF BBEE COMPLIANCE

### 1. ENTERPRISE DEVELOPMENT

Enterprise Development contributions consist of monetary or non-monetary, **recoverable or non-recoverable** contributions actually initiated and implemented in favour of beneficiary entities by a Measured Entity with the specific objective of assisting or accelerating the development, sustainability and ultimate financial and operational independence of that beneficiary. This is commonly accomplished through the expansion of those beneficiaries' financial and/or operational capacity.

- The full value of contributions to any enterprise meeting the following criteria are recognisable:
  - 50% black owned or 30% black women owned with a BEE Status of between Level One and Level Eight (See Paragraphs 4 and 5);
  - 25% black owned or 20% black women owned with a BEE Status of between (See Paragraphs 4 and 5).
- Contributions include **payments made by the Measured Entity to third parties** to perform enterprise development on the Measured Entities behalf.
- There is **no indication that beneficiary entities must be operating in the same/similar industries** as the Measured Entity.
- If you donate the contribution without expecting a return then you can **see your Enterprise Development contributions as a Tax**.

### 2. METHODS OF CALCULATING BBEE COMPLIANCE

- Qualifying Small Enterprise (QSE):
  - Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies.
  - Must select any four of the seven Elements of BBEE for measurement under the QSE scorecard;
  - If no Elements are selected the top four Elements will be used.
- Exempted Micro-Enterprise (EME):
  - Any enterprise with an annual Total Revenue of R5 Million or less qualifies;
  - Deemed to have BBEE status of Level Four Contributor (100%);
  - May qualify for Level Three Contributor if more than 50% owned by black people or by black women;
  - May use QSE Scorecard to maximise BBEE recognition.
- All other Enterprises:
  - Must use the Generic Scorecard.

### 3. CALCULATING ENTERPRISE DEVELOPMENT SCORES BASED ON CONTRIBUTIONS

Criteria	Weighting Points	Compliance Target
Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target. .	15	3% of NPAT

**Table 13** BBEE Enterprise Development Scores

4. **THE GENERIC SCORECARD:**

<b>Element</b>	<b>Weighting</b>	<b>Code series reference</b>
Ownership	20 points	100
Management control	10 points	200
Employment equity	15 points	300
Skills development	15 points	400
Preferential procurement	20 points	500
Enterprise Development	15 points	600
Socio-Economic Development initiatives	5 points	700

**Table 14** BBBEE Generic Scorecard

5. **CORRESPONDING BBBEE STATUS BASED ON GENERIC SCORECARD:**

<b>BBBEE Status</b>	<b>Qualification</b>	<b>BBBEE recognition level</b>
Level One Contributor	≥100 points on the generic scorecard	135%
Level Two Contributor	≥85 but <100 points	125%
Level Three Contributor	≥75 but <85 points	110%
Level Four Contributor	≥65 but <75 points	100%
Level Five Contributor	≥55 but <65 points	80%
Level Six Contributor	≥45 but <55 points	60%
Level Seven Contributor	≥40 but <45 points	50%
Level Eight Contributor	≥30 but <40 points	10%
Non-Compliant	<30 points	0%

**Table 15** BBBEE Status

6. THE BENEFIT FACTOR MATRIX

Qualifying Contribution type	Contribution Amount	Benefit Factor
<b>Grant and Related Contributions</b>		
Grant Contribution	Full Grant Amount	100%
Direct Cost incurred in supporting enterprise development	Verifiable Cost (including both monetary and non-monetary)	100%
Discounts in addition to normal business practices supporting enterprise development	Discount Amount (in addition to normal business discount)	100%
Overhead Costs incurred in supporting enterprise development (including people appointed in enterprise development)	Verifiable Costs (including both monetary and non-monetary)	80%
<b>Loans and Related Contributions</b>		
Interest-Free Loan with no security requirements supporting enterprise development	Outstanding Loan Amount	100%
Standard Loan to Black Owned EME and QSEs	Outstanding Loan Amount	70%
Standard Loan provided to other Beneficiary Enterprises	Outstanding Loan Amount	60%
Guarantees provided on behalf of a Beneficiary entity	Guarantee Amount	3%
Lower Interest Rate	Outstanding loan amount	Prime Rate – Actual Rate
<b>Equity Investments and Related Contributions</b>		
Minority Investment in Black Owned EME and QSEs	Investment Amount	100%
Minority Investment in Other Beneficiary Enterprises	Investment Amount	80%
Enterprise Development Investment with lower dividend to financier	Investment Amount	Dividend Rate of Ordinary Shareholders – Actual Dividend Rate of Contributor
<b>Contributions made in the form of human resource capacity</b>		
Professional services rendered at no cost and supporting enterprise development	Commercial hourly rate of professional	80%
Professional services rendered at a discount and supporting enterprise development	Value of discount based on commercial hourly rate of professional	80%
Time of employees of Measured Entity productively deployed in assisting beneficiaries	Monthly salary divided by 160	80%
<b>Other Contributions</b>		
Shorter payment periods	Percentage of invoiced amount	Percentage being 15 days less the number of days from invoice to payment

Table 16 BBEE Benefit Factor Matrix

---

**LETTER OF SUPPORT FROM ESKOM'S CHIEF EXECUTIVE OFFICER**


---



Mr James Allan  
Allan Hochreiter  
5th Floor, Hyde Park Corner  
Cnr Jan Smuts and 6th Road

Date:  
31 August 2009  
Enquiries:

Dear James

**PROPOSAL TO FACILITATE THE INVESTMENT INTO JUNIOR MINING OPPORTUNITIES**

We have studied your VCC proposal and would like to commend you on the initiative.

Eskom's long term coal supply strategy has identified access to capital as a limiting factor for the development of a healthy junior coal mining sector and the timely development of coal resources to meet the country's primary energy needs over the medium to long term.

Although the investment thesis for Eskom could be quite compelling, Eskom does not see its way open to do so at this stage, given the challenging funding needs of its build program.

We are however confident that you will be able to raise the required capital and wish you success in the endeavor.

Yours sincerely

Jacob Maroga  
**CHIEF EXECUTIVE**

**Head Office**  
Megawatt Park, Maxwell Drive, Sunninghill, Sandton, PO Box 1091, Johannesburg, 2000, SA  
Tel +27 11 800 3161 Fax +27 11 800 5803 www.eskom.co.za

**Directors:** RM Godsell (Chairman) P J Maroga (Chief Executive) LCZ Cele SD Dube LG Josefsson (Swedish)  
HB Lee (Korean) WE Lucas-Bull PM Makwana J Mirenge (Rwandan) JRD Modise AJ Morgan  
U Nene **Company Secretary:** TN Msomi  
Eskom Holdings Limited Reg No 2002/015527/06



---

## MINING WEEKLY ARTICLE ON THE CANADIAN FLOW THROUGH SYSTEM

---

### Mining Weekly

#### Flow-through shares put Canadian mining and exploration juniors ahead

Christy van der Merwe  
3rd August 2007

The introduction of flow-through shares in Canada over 50 years ago greatly stimulated mining exploration activity, and it is partly due to this incentive system that Canada has led the world in minerals exploration expenditure for the last five years.

In order for South African mining juniors to compete with foreign mining companies, particularly when it comes to raising capital, it is felt that incentives for listing on the stock exchange are needed, and the role that government plays is key.

The Canadian federal, provincial and territorial governments provide generous tax deductions and credits for minerals exploration, and are willing to give up limited tax revenues in exchange for increased exploration to sustain the mining industry. In turn, many Canadian investors are looking for an interesting, and often speculative, investment in exchange for sheltering part of their personal income from taxation.

“Canada has a large number of junior exploration companies. “In June 2006, 1 224 mining companies were listed on the Canadian exchanges, most of which were junior mining companies. “These companies usually have no income from operational mining, and depend on raising money on the stock exchanges. “Since they have no production revenues against which to claim the tax deductions, the flow-through mechanism allows them to exchange these deductions for immediate funding,” explains Natural Resources Canada minerals and metals tax and exploration division director **Robert Clark**.

Clark goes on to point out that Canada has a sophisticated financial and legal community with significant expertise that allows them to understand the needs of the junior mining industry. Toronto and Vancouver are home to securities commissions and stock exchanges that have kept the regulatory burden and listing requirements manageable.

The “bottom line”, as Clark puts it, when it comes to flow-through shares, is that, firstly, junior mining and exploration companies benefit because they can obtain funds for exploration, partly in exchange for tax deductions that they would not be able to use anyway.

Secondly, as long as exploration is restricted to the specific country, new mines provide economic benefits to the country, and its rural communities, in particular.

Thirdly, investors in flow-through shares benefit because they reduce their income tax and have shares of viable value in a mining company or a mutual fund and, lastly, the direct costs to the government are said to be modest.

Thus, the cost-effectiveness of flow-through shares can be felt by the government, the investor, the mining company, and, of course, local communities, which benefit in the long run from jobs and growth from new discoveries.

“A Finance Canada study found that flow-through shares provided a significant portion of all exploration funding during times when additional incentives were offered, but inflated the cost of doing exploration work. “The study concluded that during the period from 1987 to 1991, for each dollar of lost tax revenue, \$2,60 of new incremental-exploration work was undertaken. The multiplier appears to be of a similar magnitude for the current period,” states Clark.

A significant amount of new minerals deposits was discovered by using some mix of flow-through funding and other funding, and the creation of an additional means of obtaining risk financing for exploration is viewed as key to these successes. The flow-through share system also benefited the economy of Canada overall, particularly in Ontario, British Columbia, Quebec, Nunavut, and the North West Territories.

Elsewhere in the world, Chile has obtained information on the flow-through share mechanism, and while Australia had a form of flow-through shares in the 1960s, industry and State governments have advocated its reintroduction since 2001.

South Africa has been studying the mechanism for several years, and a joint working group headed by the National Treasury is evaluating the need for, and the potential scope of, these types of shares in South Africa.

While the Canadian model serves as a useful reference, the system would have to be adapted to suit South Africa's, and potentially Africa's, needs.

JSE marketing and business development senior GM **Noah Greenhill** confirms that the JSE is looking at trying to remove the administration hurdles that companies have to go through to list on the JSE.

"Other resources markets benefit from incentives; if we are to catch up in South Africa, we need to box a whole lot smarter," he adds.

<http://www.miningweekly.com/article/flowthrough-shares-put-canadian-mining-and-exploration-juniors-ahead-2007-08-03>



---

## PRESS COVERAGE ON OLIVEWOOD

---

The logo for Brunswick, featuring the word "BRUNSWICK" in a white, serif, all-caps font centered within a dark rectangular box.

### Media Coverage

**Client** Olivewood Resources Development  
**Date** 14 - 25 September 2009  
**Subject** Olivewood Launch

#### Financial Mail

##### One way to skin the taxman

Matthew Hill

25 Sep 09

The difference between a taxidermist and a tax collector, Mark Twain wrote, is that the taxidermist takes only your skin. Now, though, investors will be able to get significant amounts of money back from the taxman after a group of mining bigwigs have formed a company to exploit a new tax deduction law. Last week James Allan, CEO of venture capital fund Olivewood, introduced the company. Though it's a small company with zero assets, attendees included former Kumba Iron Ore boss Ras Myburgh (he is now at Eskom - CEO Jacob Maroga sent his apologies for not making the event), an indication of the experience the company can draw on. Olivewood will invest in small and medium-sized mining companies and renewable-energy projects in SA. By doing this it will take advantage of amendments to the Income Tax Act effected in July. It states that investors in companies like Olivewood will be able to deduct a portion of their investment from their tax payments. How much money can be deducted from income tax depends on what tax bracket the investor falls into. For example, if you put in R2,2m, you'd get tax relief of R900 000 spread over three years. Olivewood will plough the investment into mainly coal projects and renewable-energy enterprises, such as wind and solar power generation. Allan, a diamond and coal analyst-turned-mining financier, spotted the opening provided by the change in the law, and moved swiftly to start the first fund to take advantage of it.

Investors have to put in a minimum R150 000. What Olivewood hasn't decided yet is how people will get their return after having invested. The obvious way is to sell shares, but when a company's not listed, it's not always so easy to find a buyer for your shares, never mind arriving at a valuation. Listing Olivewood probably won't be the best solution for Allan and his team, as the company will have a collection of minority stakes in companies. This sort of situation often leads to a share trading at a discount to its net asset value. An option is to develop the companies in which it has interests and list those, distributing the shares to investors in Olivewood. All in all, it seems there could be quite a bit of money to be made - for the investor who's got a taste for a bit of a gamble. It may be better to have



exposure to the junior resources sector through a company that spreads its bets over a number of projects than through one hoping to develop a single mine. It should provide a level of comfort that people like former top-rated platinum analyst Rene Hochreiter and ex-De Beers financial director Paddy Kell are sitting on the board and Con Fauconnier (who used to head Kumba Resources) is heading the investment committee. Questions could be asked concerning conflicts of interests given that Allan Hochreiter - the consultancy operated by Allan and Hochreiter - will be one of the intermediaries that will receive a 4% capital raising fee from the first private placement towards the end of the year. Is it a conflict of interest that Allan and Hochreiter run both companies? "Absolutely not," Allan says. After all, he adds, Allan Hochreiter will get only a portion of the 4% fee, to be split with other private banks that have as yet not been named. They may be receiving their fee, but you'll walk away with at least a saving on your tax bill, and maybe a lot more.

**Business Report** (with picture of Con and James)

**New investment firm to cash in on growing coal demand**

Lucky Biyase

15 Sep 09

Olivewood was set to exploit investment opportunities presented by the forecast increased demand for coal and energy, chief executive James Allan said at the launch of the investment company yesterday. The company planned to invest primarily in junior coal mining companies that were empowered, Allan said. It would put together a private placing document and start raising funds next month. "Capital raising will run from early October until mid-November, during which time the company aims to raise R1 billion. "A number of listed companies have been approached and discussions are under way with individuals who have shown an interest in investing," he said. "Coal will probably be the most active sector in the South African mining industry in the next five to 10 years. We believe that this offers the best area for investment in the short to medium term." Allan said in the next weeks Olivewood would meet listed firms and individuals to look at putting its directors in the companies to be invested in. "We want to put both technical and financial support in these companies," he said.

The company would not only be looking at investing in South African juniors with a focus on coal but would scrutinise other minerals. "Although coal will be our main focus, we will also evaluate investments in the platinum, chrome, manganese and gold tailing sectors, as well as in companies that invest in renewable energy resources and those that supply goods and services to the South African resource industry," he said. "We will be concentrating only on empowered South African companies. We won't be investing in Australian companies," he added. At the recent Coaltrans conference held in Sandton, it emerged that coal demand from Eskom and prime export markets, particularly India, would rise strongly in the next 10 years, making investment in new and existing coal mines a clear priority. "Every newspaper is talking about Eskom's expansion programmes and it goes

without saying that there will be demand for coal to generate energy," Allan said. The company would not apply for mining rights but would work with people and companies who owned them.

## **Moneyweb**

### **Offsetting Eskom price hikes**

Maya Fisher-French

15 Sep 09

#### *A tax deductible private equity investment in energy*

This week Olivewood, a resource development company, was launched as the first venture capital company to take advantage of Section 12J of the Income Tax Act. This provision allows individuals and companies to offset their income against investments in specified venture capital companies. Olivewood is a private equity fund playing in the resources space by taking stakes in AltX listed resource companies as well as identifying and investing in new projects. For investors who want to gain exposure to junior mining through a more diversified portfolio this is an attractive option especially when you add on the tax benefits which accrue over three years. For example if you invest R500 000 in Olivewood, each year you would be able to use R167 000 as a tax deduction against your income. The tax benefit for individuals is limited to a R2.25 million investment but there is no limit placed on companies investing in the venture.

Apart from the resources story, the focus of the investment will take full advantage of the energy crisis facing South Africa by investing in coal and renewable energy. 77% of South Africa's primary energy needs are provided by coal and 25% of coal production is exported. South Africa needs at least 40 new coal mines at an estimated cost of R40bn. Then, as electricity prices soar (around 267% by 2012) renewable energy will become cost effective and in high demand. Government has announced its Renewable Energy Feed-in Tariff (REFIT) at R1.25 kwh for the next 20 years making project funding easier to access. An investment in energy is a great offset to higher electricity prices. The timing of the investment is possibly in a sweet spot. Resource prices and those of the companies are off their peaks in 2008 making it more affordable to enter the sector, yet the recovery this year has also put some faith back into the market that a longer term recovery is underway.

This all looks good on paper, but should Olivewood be added to your portfolio? At this stage Olivewood is fund raising and has no assets, so it is impossible to value the business. What you are buying are names. The main drivers behind the venture are well respected resource analysts James Allan and Rene Hochreiter and they have attracted the who's who of mining to sit on the board: James Campbell (Anglo Platinum, Anglo Coal, Anglo Base Metals, Anglogold Ashanit, Ferrous Resources, Highveld Steel), Con Fauconnier (Anglo American, Gencor, JCI, Iscor and Exxaro and former President of the Chamber of Mines) and Paddy Kell (former group financial manager of De Beers).

These guys know mining and there is plenty of grey hair and experience which will be put to good use in advising and mentoring the companies they take in interest in. As Fauconnier says, he gets lots of requests for advice, not for funding. The money is out there but many of these junior mining companies do not have the experience or knowledge to develop the resources profitably. As a Section 12J company, they are regulated by the Financial Services Board, but ultimately it is a venture capital investment with all the risks associated with it - so this is for the "high risk" portion of your portfolio. But for my money (they accept a minimum of R150 000), rather than investing in a single junior mining company on AltX I prefer this more diversified option and I like the experience - I would rather they were selecting the opportunities for me than making those calls myself.

### **Business Day**

#### **New Resources Company will focus on renewable energy**

Bheki Mpofu

15 Sep 09

A new resources development company was launched yesterday to take advantage of the expected large investment in SA's coal and renewable energy. Olivewood will focus primarily on investing in coal and renewable energy and will be involved in developing smaller mining companies. "Coal is probably going to be the most active sector in the South Africa mining industry in the next five to ten years. We believe that this offers the best area of investment in the short to medium term," said CEO James Allan.

### **Miningmx**

#### **New fund targets energy projects**

Brendan Ryan

14 Sep 09

INVESTORS are to be offered the opportunity to buy into junior mining companies focussing on coal and renewable energy through a private equity company and get a tax break into the bargain. This follows changes to the Income Tax Act announced in the March Budget aimed at promoting investment in the South African junior mining sector. The strategy is similar to that introduced in Canada of "flow through" investment in mining company shares but investors in South Africa have to channel their funds through a venture capital company (VCC). In Canada they can invest directly into the mining companies. The first such resources development company – Olivewood - has been set up by mining entrepreneurs and consultants James Allan and Rene Hochreiter with the aim of raising R1bn from listed corporates and high net worth individual investors. The cost of each share will be R150,000 and the capital raising exercise is to run from early October to mid-November. Allan is a former top-rated diamond analyst while Hochreiter is a former top-rated platinum analyst. The two are now partners in mining consulting firm Alan Hochreiter.

They have attracted the support of some of South Africa's best known mining executives, a number of whom have retired recently. These include Con Fauconnier – former CEO of Exxaro Resources, Paddy Kell – former financial director of De Beers, James Campbell – former head of Anglo Base Metals and Anglo Coal and Botha Schabort who is the former CEO of PSG Investment Bank. These executives will sit on Olivewood's board of directors and/or its investment committee. Allan said the expected exposure of the Olivewood fund would be about 40% to coal, 40% to renewable energy and 20% to other minerals and mining services. In terms of the new legislation - section 12J of the Income Tax Act – the VCC must invest at least R150m within 36 months and put 80% of the funds into junior mining companies with a book value not greater than R100m. No more than 15% of the VCC's capital may be invested in any one qualifying company and the VCC may not control the qualifying company. The qualifying companies must be resident in South Africa and either unlisted or listed on the JSE's AltX board.

Individuals buying shares in Olivewood would be allowed tax deductions on the investment of up to R2.25m amounting to an effective R900,000 tax relief spread over three years. Listed corporates have no limit on tax deductibility and the investments can be deducted in year one. Allan said coal had been targeted because of power utility Eskom's requirements which implied South Africa needed at least 40 new coal mines to be built at an estimated cost of up to R40bn. Renewable energy – specifically wind farms – were being targeted because of the SA government's aim of sourcing 3% of energy consumption from renewable energy sources and the announcement in March of a workable renewable energy feed-in tariff (REFIT). According to Campbell one of the possible strategies being looked at by Olivewood is to try and consolidate a number of small coal producers. He commented, "it makes sense to look at bringing together three or four coal producers located in a particular region which can all supply the particular type of coal needed by a particular Eskom power station. "That way you would get economies of scale as well as efficiencies in operation and management," he said. Campbell compared a wind farm to a "large, self-contained coal mine." He said it would be "at least two years" before Olivewood was in a position to announce anything specific on the development of a wind farm. Reasons were the need to put up a trial wind generator to test the reliability of the wind resource on the proposed site as well as the permitting requirements – in particular environmental permitting – for such a development.

**Mining Weekly****Olivewood launches tax-effective investment opportunity**

Jonathan Faurie

14 Sep 2009

Investors looking to target the mining industry as a means of capital investment can look forward to some welcome relief in the coming months. The launch of South African resource development company Olivewood means that investors would be able to receive a return on their investment from the tax man. Olivewood CEO James Allan tells Mining Weekly Online that there are requirements that investors need to adhere to in order to qualify for the deduction. The first requirement is that investors need to invest a minimum of R150-million over the first 36 months of the agreed period. And at least 80% of the capital earmarked for investment must be invested in a junior mining company that has a value of no more than R100-million at the time of the investment. The qualifying investment for companies outside of the mining sector is R30-million. Investors must ensure that at least 80% of the capital earmarked for investment must be invested in a nonmining company that has a value of no more than R10-million at the time of the investment.

Allan reports that Olivewood has earmarked the coal and renewable energy sector as target areas for the company as it will provide investors with the quickest return on investment. "The company has received a letter from Eskom CEO Jacob Maroga expressing the company's interest in Olivewood's development and eventual establishment as a possible new supplier of coal to add to its coal supply mix," says Allan. To further support the company's investment in the coal industry, Allan highlights the fact that 77% of South Africa's primary energy needs are provided by coal and about 255 of South Africa's coal is exported. In order to build a sustainable energy industry, South Africa needs at least 40 new coal mines at a estimated start of cost of up to R40-billion. Other commodities that the company is looking into include platinum, gold tailings, chrome, and manganese.

**TRANSCRIPT****Summit TV****Tax deductible investing?**

Presenter: Giuletta Talevi

Guest(s): James Allan

*Summit TV speaks to James Allan chief executive of new venture Olivewood that aims to encourage investing in junior miners through tax incentives like the Canadian system*

**Giuletta Talevi:** Welcome to Face to Face. We love to hear about start-up investment companies in these troubled times - especially when their plans are big and the board has some heavy hitters. James Allan is a diamond expert and chief executive of a new venture called Olivewood. James, what is Olivewood all about?

**James Allan:** The government has put forward legislation that provides for individuals and listed companies to write off investments into a venture capital company against their tax - what they are doing is encouraging individuals and listed companies to put money into a vehicle that will then invest in the junior mining sector.

**Giuletta Talevi:** It's through your efforts as I understand it that they've come up with this vehicle...

**James Allan:** I think I have had something to do with it - I did a presentation to the Department of Finance four years ago where I talked about the Canadian flow-through shares scheme and the fact that we needed a similar piece of legislation to help stimulate the junior mining sector in South Africa.

**Giuletta Talevi:** What kind of resources or enterprises is Olivewood going to invest in?

**James Allan:** I think if you have a look at the press every article is about the demand for coal and electricity going into the future - I think the common thread there is really energy. South Africa is on the edge of its generating capacity at the moment - fortunately we've not had any black-outs or brown-outs recently but it's not going to be long before Eskom is at the envelope where the demand for energy is pushing the power stations. We believe that coal is one of the primary areas of investment in the next few years - and we are also going to be looking at renewable energy. Government has introduced legislation in terms of what they call refit tariffs where they guarantee the price of power that they get from renewable energy.

**Giulietta Talevi:** You're not worried with government already dragging its feet over legislation surrounding investing in renewable energy and off-take agreements - that doesn't deter you in any way?

**James Allan:** I think that Eskom and the government are trying to push things along as fast as possible.

**Giulietta Talevi:** What particularly in the coal sector are you looking at? Is it potential mines or companies that are already involved in mining coal?

**James Allan:** What we are looking at - and we haven't identified any target companies at this stage - there are numerous companies out there that have mineral rights that may or may not have drilled these up, they might not have done pre-feasibility studies or taken that to a bankable feasibility study - those will be some of the investments we would look at. We will also be looking at funding some start-ups and mines that may have already progressed beyond that stage.

**Giulietta Talevi:** You have really big plans as I mentioned - as I understand it you want to raise R1billion by mid-November?

**James Allan:** Yes, that's correct.

**Giulietta Talevi:** That's pretty big considering you don't have a detailed list of exactly what companies you plan to invest in?

**James Allan:** The bottom line is you are investing in the people - we have a top-flight board and investment committee. The investment committee is chaired by Dr Con Fauconnier former chief executive of Iscor mining, Kumba Resources and Exxaro. We also have Olly Oliviera on the investment committee - he might not be known to the general public but he was the corporate finance director at De Beers and has been involved in \$28billion of mining transactions in the last few years. He is based in London. We also have James Campbell on the board who was chairman of Anglo Base Metals and Anglo Coal. We have certainly got a lot of expertise on the investment committee. We have further strengthening on the board in the form of Paddy Kell who will chair the audit committee.

**Giulietta Talevi:** Of course you neglected to mention yourself and Rene Hockwright. The company that you have formed together - as I understand it you are a guru in diamonds and Rene is a guru in platinum - what kind of expertise are you going to bring to the table?



**James Allan:** Rene is going to bring platinum expertise to the table. We are both known in the base metals arena as well. Actually I was rated in coal when there was still a coal sector on the JSE which is quite a long time ago.

**Giulietta Talevi:** If you could talk about who you are approaching and who you want to raise this money from? Is that high net worth individuals? You mentioned companies - what kind of companies?

**James Allan:** We are in discussions with a lot of listed companies. Some of them are resource-based and some of them are not. I can't disclose those at the moment - but we are having further discussions with them. We are also targeting what we call "sophisticated investors" or high net worth individuals. The price per share is going to be R150,000 so this is not going to be an offer to the public - it's not an offer to the man on the street. We will be approaching people through private banks and the like.

**Giulietta Talevi:** Based on the discussions that you've already had are you quite confident that you will reach the target of R1billion that you are aiming for?

**James Allan:** As James Campbell said on Monday afternoon the proof of the pudding is in the eating so let's see if we can get there...

**Giulietta Talevi:** But clearly you are hopeful that you will?

**James Allan:** Absolutely.

**Giulietta Talevi:** Talking about the credits that companies can get by being invested in Olivewood - you mentioned they could get BEE credits - how does that work?

**James Allan:** The BEE codes of practice require that various mining companies - and any companies doing business with government - have to get credits in terms of the codes of good practice. One of these is enterprise development credits - by investing in Olivewood the company will invest in BEE companies and these credits flow back to the companies that have invested in Olivewood.

**Giulietta Talevi:** You mentioned in your press release that coal is going to be one of the best investment areas over the short to medium term - why do you reckon that?

**James Allan:** There was a coal conference in Sandton last week - quite a few articles came out of that saying there's about R40billion worth of investment required in the local coal sector in the next few years. On top of that the Indians are building power stations on the West Coast and they are

saying they're going to be importing coal in competition with Eskom so I think there is massive demand for coal in the next 10 years in this country.

**Giulietta Talevi:** You don't think you will be jockeying for position with a lot of other companies that have identified coal as a good investment target?

**James Allan:** I am sure we will. It's an open market...

**Giulietta Talevi:** Surely you need the funds and backing if you are going to secure assets and mines?

**James Allan:** That's why we are setting out to raise R1billion.



## OLIVEWOOD RESOURCES LIMITED

(formerly Olivewood Trade and Invest 15 (Proprietary) Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2009/002531/06)

("Olivewood" or "the company")

---

### PRIVATE PLACEMENT APPLICATION FORM

**In respect of the private placement by way of subscription of 7 000 Olivewood ordinary shares at an issue price of R150 000 per share ("the Subscription Offer")**

---

*Please refer to the instructions overleaf before completing this private placement application form.*

#### **Payment by bank guaranteed cheque or banker's draft**

Applicants who wish to pay by way of **bank guaranteed cheque or banker's draft** must complete and return this private placement application form, together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" with "or bearer" deleted and drawn in favour of "Olivewood Resources Limited") in an envelope marked "Olivewood Private Placement" to:

*if delivered by hand or by courier:*

Olivewood Resources Limited  
c/o Allan Hochreiter (Proprietary) Limited  
5th Floor, North Wing, Hyde Park  
Jan Smuts Avenue and 6th Road  
Hyde Park

*if posted:*

PO Box 411130  
Craighall  
2024

**Proof of such payment by electronic transfer must be hand delivered, posted, faxed or emailed to the corporate advisor (and not the company secretary) to:**

*if delivered by hand:*

Olivewood Resources Limited  
c/o Allan Hochreiter (Pty) Ltd  
5th Floor, North Wing, Hyde Park  
Jan Smuts Avenue and 6<sup>th</sup> Road  
Hyde Park

*if posted:*

Olivewood Resources Limited  
c/o Allan Hochreiter (Pty) Ltd  
PO Box 411130  
Craighall  
2024

*if faxed or emailed:*

e-mail: james@olivewoodresources.co.za  
Fax number: (011) 325 4629

so as to be received by no later than 17h00 on Friday, 27 November 2009.

Payment by electronic transfer must be made into the following bank account:

Bank:	Standard Bank
Branch:	Sandton
Branch code:	009205
Account name:	Grayston Financial Nominees (Pty) Ltd No. 3 Account
Account number:	42987156
Swift code:	SBZAZAJJ

Olivewood accepts no responsibility and will not be liable for the correct or any allocation of private placement shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Olivewood, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placement shares.

LATE APPLICATIONS WILL BE ACCEPTED AT THE SOLE DISCRETION OF THE BOARD.

#### **Reservation of rights**

The directors of Olivewood reserve the right to accept or refuse any application(s), either in whole or in part, or to *pro rate* any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

The directors of Olivewood reserve the right to accept or reject, either in whole or in part, any private placement applications should the terms contained in this private placement memorandum of which this private placement application form forms part and the instructions herein not be complied with.

Applications may be made on this form only for a minimum acquisition cost of R150 000 for a single addressee acting as applicant.

#### **To the directors**

##### **Olivewood Resources Limited**

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the private placement memorandum, hereby irrevocably apply for and request you to accept my/our application for the under-mentioned number of shares in Olivewood or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association of Olivewood.
2. I/We understand that I/we will receive my/our allocated shares in certificated form and commit to accept the physical share certificate. Accordingly I/we hereby enclose a crossed cheque/banker's draft in favour of "Olivewood Private Placement" for the appropriate amount due in terms of this application.

Dated

2009 Telephone number ( )

Signature

Assisted by (where applicable)

---

<b>Surname of individual or Name of entity</b>	Mr, Mrs, Ms, Other title
<b>First names (in full)</b>	
<b>If company please state the nature of trade</b>	
<b>Postal address</b> (preferably PO Box address) Refund cheque and/or share certificate and annual financial statements and other correspondence, if applicable, will be sent to this address	
<b>Physical address</b>	
<b>Telephone number</b> (        )	
<b>Note:</b> Minimum acquisition cost of R150 000 for a single addressee acting as applicant	
<b>Total amount of cheque/banker's draft</b> to cover ordinary shares applied for herein at R150 000 per Olivewood share	R  (Enter figures only – not words)
<b>SARS income tax number (required for the SARS certificate in order to qualify the investment for deduction from income)</b>	
<b>Name of intermediary/referral</b>	
I would prefer to receive copies of annual financial statements and other correspondence from the company by email	(Indicate "yes" or "no")
<b>Email address</b>	

**Refunds will be done by electronic bank transfer. Please fill in your banking details below.**

If you have paid by cheque/banker's draft or bank transfer and want to have your bank account credited directly with any refund amounts please provide your bank details below:	
Name of bank	Name of account holder
Account number	Branch and branch number
<b>Please also provide a copy of your ID (if you are an individual) as well as a copy of a recent bank statement (with the bank balances deleted) for identification purposes.</b>	
<b>The banking details supplied above will also be used in the event of the payment of a dividend/s by Olivewood.</b>	

This application will constitute a legal contract between Olivewood and the applicant. The issuer of the shares is Olivewood. Application forms for certificated shares will not be accepted unless the above information has been furnished.

**Instructions:**

- Applications may be made on this private placement application form only. Copies or reproductions of this private placement application form will be accepted.
- Applications are irrevocable and may not be withdrawn once submitted to the corporate advisor.
- Please refer to the terms and conditions of the private placement set out in section 8 of the private placement memorandum. Applicants should consult their brokers, bankers or other professional advisers in case of doubt as to the correct completion of this private placement application form.
- Applications must be for a minimum acquisition cost of R150 000 for a single addressee acting as applicant.
- Applicants must submit only one private placement application form and one bank guaranteed cheque or banker's draft in respect of each application. Payment may also be by way of electronic transfer as set out above (applicant should use their SARS identification number as a reference). To the extent that more than one application is submitted, the first private placement application form received will be the one in respect of which Olivewood shares will be allocated in terms of the private placement memorandum and further application form(s) will be ignored. The application monies applicable thereto will be held by the company secretary and returned together with interest calculated thereon in accordance with paragraph 8.8 of the private placement memorandum to the applicants concerned with all other returned cheques in terms of the private placement memorandum at the applicant's risk. Postal orders, cash or telegraphic transfers will **not** be accepted.
- No receipts will be issued for application forms, application monies or any supporting documentation and applications will only be regarded as complete when the relevant cheque/banker's draft has been paid. All monies will be deposited immediately for payment. If a receipt is required, shareholders or lodging agents are required to prepare special transaction receipts for application forms lodged.
- If any cheque or banker's draft is dishonoured, the company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
- All alterations on this private placement application form must be authenticated by full signature.