

RECM and Calibre Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 2009/012403/06)  
Preference share code: RACP  
ISIN: ZAE000145041  
("RAC" or the "Company")

### Prepared comments by the Chairman at RAC shareholders meeting, Newlands, 28 August 2013

The first few months of the new financial year has been quite active for RECM and Calibre (RAC). We have welcomed Jan van Niekerk to the board, restructured our shareholders and the company's control structure and we have fully committed our capital base to an exciting array of investments.

Let me deal with each in turn.

Jan joined RECM in April of this year as CEO. He subsequently joined the board of RAC as CFO in May of this year. Jan brings a wealth of financial markets expertise to RAC. In the short time that he has been with us, he has already contributed significantly to the growth of our company.

We restructured the shareholding of the ordinary shares in RAC. Both Jan and I purchased significant additional shares in RAC to do so, for which we paid NAV, i.e. above market prices. We think we got a bargain. The result is that 100% of the ordinary shares are held by the three executive directors of RAC, Theunis de Bruyn, Jan van Niekerk and I. This represents a significant monetary commitment by all three of us. I would remind you that we have no options or phantom share schemes. All shares have been purchased outright, for cash.

Finally, since year-end, RAC has either invested, or committed to investments which in aggregate brings us to a position where all of the equity capital of the company has been applied. Most of our recent investments are in businesses that are growing rapidly, where consumers want and like to buy their product, and which need capital for growth in order to satisfy their consumers. This bodes well for future opportunities to deploy more capital into businesses we know and like.

The following table sets out the current allocation of the company's capital to the various investments.

Rand Invested/Committed (R mn)	% of total	Type of investment
145	24	Alternative gaming
100	17	Retail
90	15	Mining
75	13	Food
35	6	US Housing
150	25	Small listed companies

Allow me some time to discuss each part of our investment portfolio:

We have acquired a significant stake in the third largest LPM and bingo operator in South Africa. This transaction is still subject to all the necessary regulatory approvals, but should close by October. The company is growing rapidly and therefore has the opportunity to deploy capital to roll out the sites for which it has already acquired licenses. We are proud to partner with one of the better management teams in this fast growing sector.

Our investment into the retail sector comprises two companies: Safari & Outdoor and Dischem. S&O is a fast growing purveyor of fine hunting and related equipment. It currently has two stores: one in Stellenbosch and one in Pretoria, and is opening a third in Johannesburg. RAC has acquired a significant stake in this business, and we are excited to partner with an outstanding management team. If you are interested in hunting and the great outdoors, please make sure to visit their stores: they will have what you are looking for.

We have also acquired a minority stake in Fledge Capital, which in turn has as its only investment a minority stake in Dischem, another fast growing consumer goods company with outstanding management.

The mining investment was initially committed to almost three years ago. It entails a JV with Transhex to purchase a diamond mine called Namakwa, from De Beers. We are still waiting on the imminent approval of one final suspensive condition. Once this is done, we will move full steam ahead with what promises to be a strongly cash generative proposition. We think we have partnered with the best management team in the diamond business, and look forward to a long and profitable relationship. We have also identified other opportunities in the mining sector. It is a sector where capital has recently become scarce, and risk/return ratios to those providers able to step into the breach can be attractive.

Our investment into the Food sector is through two companies (KWV and Sovereign Foods) which are slow growing, but well managed and where the price we paid to acquire our shareholding is substantially below what we think a reasonable intrinsic value is for the two businesses.

Last year, we invested into the US single family residential housing market. I am pleased to report that this investment is progressing well. We initially invested into a limited partnership, at gross rental yields of over 15% in US Dollar terms. Subsequently the partnership was absorbed into a larger unlisted investment trust. We are still carrying this investment at book value as their year-end audit is still in progress. Once we have received audited financials we will be able to place a more realistic value on this investment.

Finally we own a portfolio of smaller listed companies. All of these were purchased at prices that we thought were significantly below intrinsic value. Some have worked out well, other less well. Overall, the portfolio has shown a gain of 18% since we started buying these shares. We think some of these investments will provide us with the basis for fruitful long term partnerships.

Overall, we have committed the company's capital to good businesses with good management teams, and we have paid what we believe to be good prices. (As a rude indication of valuation, the average P/E on our acquisitions is around 6)

In our annual report, we disclosed the NAV per ordinary and preference share of RAC to be R11,83. At the end of July, after significant transactional activity (and the costs associated with it), the unaudited NAV per share has declined marginally to R11,73. In our annual report, we estimated that the NAV was 64% of the Intrinsic Value as at 31 March 2013. Today, we think this gap has widened even further. We believe the intrinsic value is at a premium to NAV, and therefore a significant premium to the current share price.

I believe that the patience that we have applied in completely deploying the capital of the company, has allowed us to create a unique portfolio of desirable assets – a portfolio of businesses that imply significant returns on our capital. But we have only begun. We remain open for business, and keen to take calls from people who want to do business with us.

As a significant shareholder in RAC, I am very excited about the future.

Any forward looking statements contained in this announcement have not been reviewed nor reported on by the Company's auditors.

Piet Viljoen  
Chairman

Cape Town

28 August 2013

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