

Blackstar Group Plc
("Blackstar" or the "Company")

Trading update and proposal to obtain a listing on the ALTx of the Johannesburg Stock Exchange and proposed private placing of up to 15 million new shares.

1. Trading Update

The Company's main highlight in 2010 was the return from its investment in Litha Healthcare Limited ("Litha"). At year end, Blackstar owned 45% of Litha. The Litha share price has increased some 193% from 1 January 2010 to 31 December 2010. Blackstar's investment in Litha is held using the equity accounting method. Had the investment in Litha been accounted for at fair value, it would have been valued at £38.9 million and this would have resulted in an additional gain of £24.5 million and an increase in net asset value of 33 pence per share at year end.

However, Blackstar has been affected by our exposure to the steel industry through KMG Steel Service Centres (Pty) Ltd ("KMG"). KMG has continued to be negatively affected by the local steel market and depressed state of the construction industry. Blackstar's consolidated income statement will be adversely affected by the recognition of our share of KMG's losses for 2010 and the impairment of the KMG's intangible assets and goodwill recognised on acquisition, all of which have arisen as a result of KMG's poor performance. Subsequent to year end, Blackstar has facilitated a transaction that will involve the sale of one of KMG's divisions and the restructuring of the KMG group.

The success of Litha together with the pleasing performance of certain of Blackstar's other investments, such as Ferro Industrial Products (Pty) Limited has more than offset the losses and write downs in KMG. Another notable highlight during the year was the realisation of Blackstar's indirect investment in Mvelaphanda Resources Limited, which generated an overall profit since acquisition of £8.5 million for Blackstar.

During the year Blackstar continued its share buy-back programme with the repurchase of 4,317,495 shares representing 5.5% of the Company's issued ordinary share capital. In addition Blackstar paid its maiden dividend of 0.065 pence per Share.

2. Proposal to obtain a listing for the Shares on the ALTx and proposed placing of up to 15 million Shares

The Company's shares (the "Shares") continue to trade on AIM at a significant discount to the net asset value per issued Share calculated by reference to the value of the Company's underlying investments as determined by the Board for the purposes of preparing the latest management accounts of the Company. In addition, the ten largest shareholders in the Company together hold in excess of 85% of the Shares in issue and this has resulted in the Shares being relatively illiquid which the Directors believe is one of the causes of the discount.

The Directors believe that both the size of the discount and the concentration of the Company's shareholder base are exacerbated by the fact that South African investors are currently precluded from directly buying Shares due to South African exchange control restrictions.

In the opinion of the Board, South African investors are likely to be more familiar than the typical AIM investor with the Company's assets as these mainly comprise investments in companies which are recognised operators in their respective industries in South Africa. Furthermore, the Company has developed a profile and brand in South Africa and is well known amongst South African institutional investors. The Directors are aware that there is growing interest in the Company from South African investors.

A listing of the Shares in issue on the Alternative Exchange of the Johannesburg Stock Exchange ("ALTx") would enable South African investors to invest in the Company through the ALTx. The Directors consider that the ALTx listing in addition to the existing listing on AIM is likely to make investment in the Company more attractive to a broader range of investors, particularly South African investors with a greater understanding of Blackstar's asset base and management. The Directors expect this to unlock value for existing Shareholders through creating demand for the Shares which will help to enhance the liquidity of the market in the Shares and would accordingly be likely to broaden the shareholder base of the Company. Several comparable companies which have obtained listings on the ALTx have benefited from increased liquidity and demand for their shares, which has resulted in increases in their share price.

The ALTx Listing will not affect the ability of shareholders to trade their Shares on AIM, and all shareholders will be able to trade through both AIM and the ALTx, provided they are entered on the South African sub-register.

The Directors estimate that the additional cost of maintaining the ALTx Listing to be approximately £13,000 per annum, and they consider this to be an acceptable cost in light of the perceived benefits of the ALTx Listing.

It is a requirement of obtaining the ALTx Listing that the Company maintains a sub-register in South Africa representing approximately 10 per cent of its issued share capital. To help meet this requirement, the Directors are planning a placing (the "Placing") of up to 15 million new shares which, when issued, will be included on the South African sub-register. The price at which these Shares will be issued is expected to be no less than £0.85 per share (representing a premium of 5.59% to the Share price at the close of business on 18 March 2011).

If the Placing is subscribed in full, it is expected to raise gross proceeds of approximately £12.75 million for the Company (assuming an issue price of 85 pence per Share) and will result in an aggregate of 89.8 million Shares being in issue. The new Shares will, when issued, rank pari passu in all respects with the existing Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on such Shares.

Blackstar has expanded its offering into fund management and the Company will apply the proceeds raised from the Placing to continue developing and growing its fund management business. In

addition, Blackstar will also apply additional capital raised to fund investment opportunities in its pipeline most notably through Litha.

The Board currently expects to have completed the Placing by the end of May 2011, with the ALTx Listing expected to happen by early June 2011. The ALTx Listing is not conditional on the Placing being completed. The Company will update shareholders on the progress of the ALTx Listing and the Placing as and when appropriate. Under the rules of the ALTx, the Company is required to produce a prospectus to accompany its admission to trading on the ALTx. The prospectus will be distributed to Shareholders in due course.

In the interests of keeping the costs and timing associated with the Placing to a minimum, the Directors have concluded that the Placing Shares should be placed with a limited number of potential investors which may include one or more existing shareholders, without offering all of the existing shareholders the opportunity to participate in the Placing on a pre-emptive basis. In order to proceed in this way, it is necessary to obtain shareholder approval for the disapplication of pre-emption rights.

Accordingly, a circular has been distributed this morning to all shareholders detailing the resolutions that will need to be passed at a general meeting that will be held on 8 April 2011 to implement the proposals detailed in section 2 above.

The Board believes that the proposed resolutions are in the best interests of the Company and its shareholders. Accordingly, the Board recommends that shareholders vote in favour of the resolutions to be proposed at the general meeting, as they intend to do in respect of their own holdings of 974,486 Shares (representing approximately 1.3 per cent. of the Shares in issue).

Management have consulted with the holders of a majority of the Shares of Blackstar and they have indicated that they are happy with the proposals set out in the circular and will vote in favour of the resolutions. Blackstar Managers Limited and funds associated with Andrew Bonamour have indicated that they will vote in favour of the resolutions in respect of their holdings amounting, in aggregate, to 16,077,993 Shares (representing 21.5 per cent. of the Shares in issue).

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