

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this circular apply *mutatis mutandis* throughout this circular.

If you are in any doubt as to the action you should take, please consult your CSDP, broker, banker, accountant, legal adviser or other professional adviser immediately.

Action required

1. If you have disposed of all your Blue Label shares, then this circular should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom you disposed of your shares.
2. Blue Label shareholders are referred to page 3 of this circular, where the actions required by them are set out.



**BLUE LABEL
TELECOMS**

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)

Share code: BLU ISIN: ZAE000109088 ("Blue Label" or "the Company")

Circular to Blue Label shareholders:

regarding:

- the specific repurchase by Blue Label of 91,851,852 ordinary shares in its issued share capital from Microsoft Corporation, in terms of section 48 of the Companies Act, 71 of 2008, as amended; and
- the Annual General Meeting of Blue Label;

and incorporating:

- a notice convening the Annual General Meeting of Blue Label shareholders; and
- a form of proxy for use by certificated Blue Label shareholders and own name dematerialised shareholders only.

Investment bank



Sponsor to Blue Label



Attorneys



Reporting accountants and auditors



Independent expert



Date of issue: 20 October 2011

This circular is available in English only. Additional copies of this circular, in its printed format, may be obtained from the Company at its address as set out on page 1 of this circular during normal business hours from Thursday, 20 October 2011 up to and including Tuesday, 22 November 2011. This circular will also be available on the Blue Label website (www.bluelabeltelecoms.co.za) from the commencement of normal business hours on Thursday, 20 October 2011.

The Annual General Meeting can be accessed by Blue Label shareholders via electronic participation in accordance with the notice of Annual General Meeting attached to this circular. In this regard Blue Label shareholders are referred to page 37 of this circular.

CORPORATE INFORMATION

<p>Directors</p> <p>LM Nestadt (Independent Non-Executive Chairman) # BM Levy (Joint Chief Executive Officer)* MS Levy (Joint Chief Executive Officer)* MV Pamensky (Chief Operating Officer)* DB Rivkind (Financial Director)* KM Ellerinet† GD Harlow# NN Lazarus SC† JS Mthimunye#</p> <p><i>*Executive</i> <i>†Non-Executive</i> <i>#Independent Non-Executive</i></p>	
<p>Company secretary and registered office</p> <p>E Viljoen Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)</p>	<p>Transfer secretary</p> <p>Computershare Investor Services (Proprietary) Limited (Registration Number: 2004/003647/07) 70 Marshall Street Johannesburg 2001 (PO Box 61051, Marshalltown, 2107)</p>
<p>Investment bank</p> <p>Investec Corporate Finance (Registration Number: 1969/004763/06) 100 Grayston Drive Sandown Sandton 2196 (PO Box 785700, Sandton, 2146)</p>	<p>Attorneys</p> <p>Edward Nathan Sonnenbergs Incorporated (Registration Number: 2006/018200/21) 150 West Street Sandton Johannesburg 2196 (PO Box 783347, Sandton, 2146)</p>
<p>Sponsor</p> <p>Investec Bank Limited (Registration Number: 1969/004763/06) 100 Grayston Drive Sandown Sandton 2196 (PO Box 785700, Sandton, 2146)</p>	<p>Reporting accountants and auditors</p> <p>PricewaterhouseCoopers Incorporated 2 Eglin Road Sunninghill 2157 (Private Bag X36, Sunninghill, 2157)</p>
<p>Independent expert</p> <p>Ernst & Young Advisory Services Limited Wanderers Office Park 52 Corlett Drive Illovo (Private Bag X14, Northlands, 2116)</p>	

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ACTION REQUIRED

The definitions commencing on page 5 of this document apply throughout this document.

1. If you are in any doubt as to the action you should take, please consult your stockbroker, CSDP, banker, legal adviser, accountant or other professional adviser immediately.
2. If you have disposed of all your Blue Label shares, this document should be handed to the purchaser of such shares or the stockbroker, CSDP, banker or other agent through whom such disposal was effected.
3. If you are a certificated shareholder or own name dematerialised shareholder you may attend and vote at the Annual General Meeting in person. If you are unable to attend the Annual General Meeting and wish to be represented thereat, you must complete and return the attached form of proxy to the transfer secretaries (Computershare, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)) to be received by no later than 10h00 on Friday, 18 November 2011.
4. If you are a dematerialised shareholder other than an own name dematerialised shareholder or if you hold Blue Label shares through a nominee, your nominee or CSDP or broker (as the case may be) should contact you in the manner stipulated in the agreement concluded between you and your nominee or CSDP or broker to ascertain how you wish to cast your vote at the Annual General Meeting. If you have not been contacted, it would be advisable for you to contact your nominee or CSDP or broker and furnish it with your voting instructions in order for your nominee or CSDP or broker to vote in accordance with those instructions at the Annual General Meeting. If you wish to attend the Annual General Meeting in person or if you wish to send a proxy to represent you at the Annual General Meeting, you should advise your nominee or CSDP or broker timeously of your intention to do so in order for you to be provided with the necessary letter of representation.
5. In terms of section 61(10) of the Companies Act, the holders of shares in a public company must have reasonable access within South Africa to electronic participation at every general meeting of such company in the manner contemplated in section 63(2) of the Companies Act. Details in this regard are included in the notice of the Annual General Meeting attached to this circular (see page 37 of this circular).

IMPORTANT DATES AND TIMES

The definitions commencing on page 5 of this document have been used in the following table of important dates and times:

	2011
Last day to trade in order to be eligible to vote at the Annual General Meeting on	Friday, 4 November
Record date in order to vote at the Annual General Meeting on	Friday, 11 November
Last day to lodge forms of proxy by 10:00 on	Friday, 18 November
Annual General Meeting to be held at 10:00 on	Tuesday, 22 November
Results of the Annual General Meeting published on SENS on	Tuesday, 22 November
Cancellation and delisting of the Microsoft shares on or about	Thursday, 1 December

Notes:

1. Shareholders will be notified of any amendments to the above dates or times on SENS and in the South African press.
2. All times indicated above are South African Standard Times.

DEFINITIONS

In this circular and the annexures hereto, unless otherwise indicated, reference to the singular shall include the plural and *vice versa*, words denoting one gender include others, expressions denoting natural persons include juristic persons and associations of persons, and the words in the first column have the meanings stated opposite them in the second column.

“Annual General Meeting”	the annual general meeting of Blue Label shareholders to be held at 10:00 on Tuesday, 22 November 2011 for the purposes of considering, and if deemed fit, passing the resolutions contained in the notice of Annual General Meeting, including the resolutions required to implement the specific repurchase;
“Annual Report”	the integrated annual report of Blue Label for the year ended 31 May 2011, which has been posted simultaneously with the posting of this circular;
“Blue Label shareholders” or “shareholders”	the registered holders of Blue Label shares;
“Blue Label shares” or “shares”	shares of 0.000001 Rand each in the issued share capital of Blue Label, all of which are listed on the JSE;
“Blue Label” or “the Company”	Blue Label Telecoms Limited (Registration Number: 2006/022679/06), a public company incorporated under the laws of South Africa the shares of which are listed on the JSE;
“broker”	any person registered as a “broking member (equities)” in terms of the rules of the JSE made in accordance with the provisions of the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“cents”	South African cents in the official currency of South Africa;
“certificated shareholders”	holders of certificated shares;
“certificated shares”	Blue Label shares, other than dematerialised shares;
“CIPC”	the Companies and Intellectual Property Commission (CIPC) of the Companies Act, 2008 (Act 71 of 2008), as amended, the official custodian of the legal status of companies, close corporations, co-operatives and intellectual property rights and a member of the Department of Trade and Industry of South Africa;
“circular”	this circular to Blue Label shareholders dated 20 October 2011, regarding the specific repurchase and which has been posted simultaneously with the Annual Report;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“CSDP”	a Central Securities Depository Participant, being a “participant” as defined in section 1 of the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“dematerialised shareholders”	holders of dematerialised shares;
“dematerialised shares”	Blue Label shares that have been dematerialised in accordance with Strate and which shareholding is recorded electronically;
“directors” or “the board”	the board of directors of Blue Label;
“exchange control regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (No. 9 of 1933), as amended;
“group”	Blue Label and its subsidiaries;

"Income Tax Act"	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
"JSE"	the JSE Limited (Registration Number: 2005/022939/06), a public company duly registered and incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004);
"last practicable date"	Tuesday, 11 October 2011, being the last practicable date prior to the finalisation of this document;
"Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Microsoft"	means Microsoft Corporation, a company with limited liability duly incorporated in accordance with the laws of Washington State, United States of America, with its principal place of business at One Microsoft Way, Redmond, WA 98052, United States of America;
"Microsoft shares"	91,851,852 shares owned by Microsoft and which shall be repurchased by Blue Label in terms of the specific repurchase;
"own name dematerialised shareholders"	dematerialised shareholders who have instructed their CSDP to hold their dematerialised shares in their own name on the sub-register (the list of shareholders maintained by the CSDP and forming part of Blue Label's shareholder register);
"purchase consideration"	an amount of R390,370,371 which shall be paid by Blue Label to Microsoft in terms of the specific repurchase as the purchase consideration for the Microsoft shares;
"Rand"	South African Rand, being the official currency of South Africa;
"repurchase price"	the price of R4.25 per share payable by Blue Label to Microsoft for each Microsoft share purchased by Blue Label from Microsoft in terms of the specific repurchase;
"SENS"	the Securities Exchange News Service of the JSE;
"specific repurchase"	the proposed acquisition by Blue Label of the Microsoft shares from Microsoft as set out in this circular in terms of section 48, in particular section 48(2)(a) of the Companies Act and pursuant to the terms and conditions of the Share Buy-Back Agreement;
"Share Buy-Back Agreement"	the written share buy-back agreement entered into between the Company and Microsoft, dated 5 October 2011, dealing with the specific repurchase;
"South Africa"	the Republic of South Africa;
"Strate"	an electronic settlement environment for transactions to be settled and transfer of ownership to be recorded electronically, which is managed by Strate Limited (Registration Number: 1998/022242/06);
"subsidiary"	shall have the meaning ascribed thereto in the Companies Act;
"this document"	this bound document, dated 20 October 2011, which includes the circular, the annexures, the notice of Annual General Meeting and the form of proxy;
"transfer secretaries" or "Computershare"	Computershare Investor Services (Proprietary) Limited (Registration Number: 2004/003647/07), a private company incorporated under the laws of South Africa;
"STT"	Securities Transfer Tax in terms of the Securities Transfer Tax Act, 2007 (Act No. 25 of 2007); and
"VWAP"	volume weighted average price.



BLUE LABEL TELECOMS

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)

Share code: BLU ISIN: ZAE000109088 ("Blue Label" or "the Company")

Directors

LM Nestadt (Independent Non-Executive Chairman)#
BM Levy (Joint Chief Executive Officer)*
MS Levy (Joint Chief Executive Officer)*
MV Pamensky (Chief Operating Officer)*
DB Rivkind (Financial Director)*
KM Ellerinet†
GD Harlow#
NN Lazarus SC†
JS Mthimunye#

*Executive

†Non-Executive

#Independent Non-Executive

CIRCULAR TO BLUE LABEL SHAREHOLDERS

1. INTRODUCTION

The purpose of this circular is to furnish to Blue Label shareholders information relating to the specific repurchase and the other matters to be dealt with at the Annual General Meeting as set out in the notice of Annual General Meeting attached to this circular at which shareholders can vote on the resolutions required to implement the specific repurchase and the other resolutions and matters to be dealt with at the Annual General Meeting.

On the listing of Blue Label in 2007, Microsoft subscribed for the Microsoft shares at a price of R6.75 per share. On 6 October 2011, Blue Label announced on SENS that it had entered into an agreement with Microsoft in terms of which Blue Label will acquire the Microsoft shares from Microsoft, subject to the terms and conditions of the Share Buy-Back Agreement, at the repurchase price.

It is intended that the specific repurchase will be funded out of existing cash resources of Blue Label.

2. RATIONALE FOR THE SPECIFIC REPURCHASE

The specific repurchase, at the repurchase price, is earnings accretive to shareholders and is an efficient use of Blue Label's excess cash.

The specific repurchase also avoids a potential overhang of the Microsoft shares in the market.

Accordingly, in terms of the Share Buy-Back Agreement and section 48 of the Companies Act, the board has resolved that Blue Label will acquire the Microsoft shares from Microsoft in terms of the specific repurchase.

3. TERMS OF THE SPECIFIC REPURCHASE AND CONDITIONS PRECEDENT

The repurchase price has been agreed with Microsoft in terms of the Share Buy-Back Agreement. This represents a discount of:

- 15.0% to the closing price;
- 15.1% to the 30 day VWAP;
- 11.4% to the 60 day VWAP; and
- 15.4% to the 90 day VWAP

to 5 October 2011, being the business day immediately preceding the day on which the specific repurchase was announced on SENS.

In terms of the Listings Requirements, the specific repurchase is a related party transaction as Microsoft, by virtue of its 12% shareholding in Blue Label, is a material shareholder (as defined in the Listings Requirements) and is consequently a related party to Blue Label. Therefore, in terms of the Listings Requirements, in order to implement the specific repurchase, a special resolution of the Company must be passed by shareholders excluding Microsoft.

In terms of the Listings Requirements, the votes of Microsoft will be taken into account in determining whether a quorum of shareholders is present at the Annual General Meeting, but such votes will not be taken into account in determining the results of the voting at the Annual General Meeting on each of special resolution number 1 and ordinary resolution number 1 relating to the specific repurchase and contained in the notice of Annual General Meeting on pages 32 and 33 of this circular.

The Share Buy-Back Agreement is subject to the fulfilment of the following conditions precedent:

- at the Annual General Meeting the shareholders pass a special resolution in accordance with the Companies Act and the Listings Requirements, authorising Blue Label by way of a specific authority in accordance with the Companies Act and the Listings Requirements to buy-back the Microsoft shares from Microsoft, at the repurchase price, and such special resolution being lodged with the CIPC; and
- the grant by the Financial Surveillance Department of the South African Reserve Bank of any necessary approval for the entering into and implementation of the sale of the Microsoft shares to Blue Label as contemplated in the Share Buy-Back Agreement.

Attached as Annexure II to this circular is the independent expert's report prepared by Ernst & Young Advisory Services Limited relating to the specific repurchase, which is required in terms of section 48(8)(b) read with section 114 of the Companies Act.

4. ADEQUACY OF CAPITAL

4.1 The directors of Blue Label have considered the impact of the specific repurchase and are of the opinion that:

- 4.1.1 the provisions of section 4 and section 48 of the Companies Act have been complied with;
- 4.1.2 Blue Label and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of approval of this circular;
- 4.1.3 the assets of Blue Label and the group will be in excess of its liabilities for a period of 12 months after the date of approval of this circular, where for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the group;
- 4.1.4 the share capital and reserves of Blue Label and the group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of this circular; and
- 4.1.5 the working capital of Blue Label and the group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of this circular.

4.2 Furthermore, it is stated as follows:

- 4.2.1 in terms of section 46(1)(a)(ii) of the Companies Act and the Listings Requirements, the board has authorised the specific repurchase by resolution;
- 4.2.2 in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the solvency and liquidity test immediately after completing the specific repurchase; and
- 4.2.3 in terms of section 46(1)(c) of the Companies Act, the board has, by resolution, acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the specific repurchase.

5. MAJOR BENEFICIAL SHAREHOLDERS

To the best of Blue Label's knowledge and belief, the following major beneficial shareholders were, as at the last practicable date, directly or indirectly, the beneficial owners of 5% or more of the issued share capital of Blue Label:

Shareholder	Number of shares held	Percentage of issued share capital
Shotput Investments (Proprietary) Limited	116,736,000	15.2%
Microsoft	91,851,852	12.0%
BM Levy	82,613,331	10.8%
Allan Gray Asset Management	78,774,149	10.3%
MS Levy	75,205,922	9.8%
FIL Investments International	50,423,644	6.6%
Total	495,604,898	64.7%

6. MATERIAL CHANGES

There have been no known material changes in the financial or trading position of the group since the end of the last financial period being 31 May 2011 up to and including the last practicable date.

7. DIRECTORS

7.1 DIRECTORS

Name	Business address	Designation
Laurence Nestadt (Born: 1950)	Global Capital 21 West Street Houghton	Independent Non-Executive Chairman
Brett Levy (Born: 1975)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Joint Chief Executive Officer
Mark Levy (Born: 1971) BCompt (UNISA)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Joint Chief Executive Officer
Mark Pamensky (Born: 1972) BCom (Wits), BCompt (Hons) (UNISA), CA(SA)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Chief Operating Officer
David Rivkind (Born: 1972) BAcc (UNISA), CA(SA)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Financial Director

Name	Business address	Designation
Kevin Ellerine (Born: 1969) National diploma in Company Administration	51 West Street Houghton 2014	Non-Executive Director
Gary Harlow (Born: 1957) BBusSci (Hons) (UCT), FCMA, CA(SA)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Independent Non-Executive Director
Joe Mthimunye (Born; 1965) BCom (Zululand), BCompt Hons/CTA (UNISA), CA(SA)	aloeCap Ground Floor Block A 21 Impala Road Chislehurst Sandton 2196	Independent Non-Executive Director
Neil Lazarus SC (Born: 1958) BA LLB (Wits)	Blue Label Telecoms Limited 75 Grayston Drive, corner Benmore Road Morningside Extension 5 2196 (PO Box 652261, Benmore, 2010)	Non-Executive Director

7.2 DIRECTORS' INTERESTS

The directors' interests in Blue Label shares, as at 31 May 2011, are as follows:

	Number of shares held as at 31 May 2011		% of total issued share capital
	Direct beneficial	Indirect beneficial	
Blue Label directors			
BM Levy	74,340,553	8,272,778	10.78%
MS Levy	66,933,145	8,272,777	9.81%
KM Ellerine	—	296,297	0.04%
JS Mthimunye	20,000	—	0.00%
MV Pamensky	—	5,565,738	0.73%
LM Nestadt	—	8,204,674	1.07%
GD Harlow	—	2,000,000	0.26%
NN Lazarus	4,803,424	—	0.63%
DB Rivkind	—	3,700,000	0.48%
Total	146,097,122	36,312,264	23.80%

There has been no change in the directors' interests in Blue Label shares during the period from 31 May 2011 up to and including the last practicable date.

8. SHARE CAPITAL

The table below sets out the authorised and issued share capital of Blue Label before and after the specific repurchase:

	(R)
Share capital as at 31 May 2011	
Authorised share capital 1,000,000,000 (31 May 2010: 1,000,000,000) ordinary shares of 0.000001 Rand each	1,000
Issued share capital 766,360,894 (31 May 2010: 766,360,894) ordinary shares of 0.000001 Rand each	766
Share premium	4,404,737,004
Treasury shares 10,091,890 (31 May 2010: 9,701,713)	(56,505,750)
Share capital after the specific repurchase	
Authorised share capital 1,000,000,000 (31 May 2010: 1,000,000,000) ordinary shares of 0.000001 Rand each	1,000
Issued share capital 674,509,042 (31 May 2010: 766,360,894) ordinary shares of 0.000001 Rand each	674
Share premium	4,012,516,725 ¹
Treasury shares 10,091,890 (31 May 2010: 9,701,713)	(56,505,750)

¹Once-off net transaction costs assumed in respect of the specific repurchase of approximately R1.85 million have been deducted off share premium. This comprises Securities Transfer Tax on the specific repurchase and additional anticipated transaction costs as outlined in paragraph 11 below.

9. FINANCIAL EFFECTS

The table below sets out the unaudited *pro forma* financial effects of the specific repurchase on the audited basic earnings, diluted basic earnings, headline earnings, diluted headline earnings and core earnings per Blue Label share for the year ended 31 May 2011 and the net asset value and tangible net asset value per Blue Label share at that date. The unaudited *pro forma* financial effects have been prepared in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA and the measurement and recognition requirements of International Financial Reporting Standards (IFRS). The accounting policies used to prepare the unaudited *pro forma* financial effects are consistent with those applied in the preparation of the financial statements for the year ended 31 May 2011.

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only, in order to provide information on how the specific repurchase may have affected the financial results and position of a Blue Label shareholder and, because of their nature, may not give a true reflection of the actual financial effects of the specific repurchase. The unaudited *pro forma* financial effects are the responsibility of the directors.

Per Blue Label share	Before the specific repurchase (cents) ¹	After the specific repurchase (cents) ²	% Change	Notes
Basic earnings	57.04	62.57	9.7%	3, 6, 7
Diluted basic earnings	56.49	61.88	9.5%	3, 6, 7
Headline earnings	46.20	50.23	8.7%	3, 6, 7
Diluted headline earnings	45.75	49.67	8.6%	3, 6, 7
Core earnings	60.34	66.32	9.9%	3, 6, 7
Net asset value	388.90	383.63	(1.4%)	4, 5, 6, 7
Tangible net asset value	331.58	318.38	(4.0%)	4, 5, 6, 7
Weighted average number of shares in issue ('000)	756,359	664,508		
Diluted weighted average number of shares in issue ('000)	763,742	671,891		
Number of shares in issue ('000)	756,269	664,417		

Notes to the unaudited *pro forma* financial effects

1. The "Before the specific repurchase" column reflects the basic earnings, diluted basic earnings, headline earnings, diluted headline earnings and core earnings per Blue Label share for the year ended 31 May 2011 and the net asset value and the tangible net asset value per Blue Label share as at 31 May 2011.
2. The "After the specific repurchase" column is based on the assumption that the Microsoft shares were repurchased for a total consideration of R390.4 million (excluding costs, as the costs are charged to equity) with effect from 1 June 2010 for earnings per share purposes and a total consideration of R392.22 million (including costs) from 31 May 2011 for net asset value and tangible net asset value per share purposes.
3. Earnings have been decreased by the finance income earned on the excess cash utilised to finance the specific repurchase. This amount has been calculated as R15.7 million which is based on the average interest rate realised for the year of 5.4% (3.9% after tax). This effect is expected to be of a continuing nature.
4. Once-off net transaction costs assumed in respect of the specific repurchase of approximately R1.85 million have been taken into account and charged to equity. This comprises Securities Transfer Tax on the repurchase of the Microsoft shares and additional anticipated transaction costs as outlined in paragraph 11 below.
5. Cash and cash equivalents have been decreased by an amount of R392.22 million to reflect the cash outflow required for the specific repurchase and the anticipated transaction costs. The specific repurchase is assumed to be funded from existing cash balances.
6. The weighted average number of shares, diluted weighted average number of shares and total number of shares in issue have been adjusted for the Microsoft shares repurchased, which are assumed to be cancelled after the specific repurchase.
7. In terms of the dividend definition in section 1 of the Income Tax Act an acquisition by a company of its own securities through a reduction of its contributed tax capital will not be regarded as a dividend and therefore no secondary tax on companies is payable in respect of the specific repurchase.

The directors are not aware of any subsequent events post 31 May 2011 that are likely to have a significant impact on the above financial effects.

The independent reporting accountants' assurance report on the unaudited *pro forma* financial effects is set out in Annexure I to this document.

10. LITIGATION STATEMENT

Africa Prepaid Services Nigeria Limited ("APSN") instituted arbitration proceedings in South Africa against Multi-Links Telecommunications Limited ("MLT") a company registered and incorporated in Nigeria ("the arbitration"). APSN is incorporated in Nigeria and has its principle place of business in Nigeria. Africa Prepaid Services (Proprietary) Limited ("APS") owns 51% of APSN. Blue Label owns 72% of APS. MLT is a wholly-owned subsidiary of Telkom International (Proprietary) Limited which in turn is a wholly-owned subsidiary of Telkom SA Limited. APSN claims that MLT wrongfully repudiated and purported to cancel a Super Dealer Agreement ("the Agreement") concluded between APSN and MLT, and consequently, APSN's claim is for damages suffered by APSN as a result thereof. MLT has instituted a counter claim against APSN based, *inter alia*, on APSN's alleged breach of its obligations under the Agreement. It is likely that the arbitration will proceed during 2012.

Other than disclosed above, there are no legal or arbitration proceedings, including proceedings that are pending or threatened, of which Blue Label is aware, that may have or have had, in the twelve month period preceding the date of this circular, a material effect on the financial position of the group.

11. COSTS OF THE SPECIFIC REPURCHASE

The costs (exclusive of Value-Added Tax) of the specific repurchase are anticipated to be:

Description	Name	R'000
Corporate Advisory and Sponsor fees	Investec Bank Limited	300
Legal fees	Edward Nathan Sonnenbergs Inc.	235
Independent expert's report	Ernst & Young Advisory Services Limited	125
Reporting accountants' report	PricewaterhouseCoopers Inc.	40
Printing, publication and distribution expenses	Bastion Graphics (Proprietary) Limited	100
Securities Transfer Tax		1,000
Documentation fee	JSE	20
Other fees		30
Total		1,850

12. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are set out on page 7 of this circular, collectively and individually accept full responsibility for the accuracy of the information given in this circular in relation to Blue Label and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement in this circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the Listing Requirements.

13. EXCHANGE CONTROL REGULATIONS

As Microsoft is a non-resident of the common monetary area, Microsoft has never been a resident in the common monetary area, Microsoft has a registered address outside the common monetary area and the Microsoft shares are dematerialised shares, the purchase consideration will be credited to its share account/s at the CSDP controlling the Microsoft shares.

14. IRREVOCABLE UNDERTAKINGS

Save in respect of Allan Gray Asset Management which has recommended to its clients to vote in favour of the specific repurchase, irrevocable undertakings to vote in favour of the specific repurchase have been secured from Blue Label shareholders holding 61.9% of the shares, as listed below:

Shareholder	Number of shares	Percentage shareholding
Shotput Investments (Proprietary) Limited	116 736 000	15.2%
Brett Levy – direct and indirect	82 613 331	10.8%
Allan Gray Asset Management*	78 774 149	10.3%
Mark Levy – direct and indirect	75 205 922	9.8%
Guinness Mahon & Co Limited	28 390 183	3.7%
Vocall Cellular (Proprietary) Limited	25 168 800	3.3%
Investec Asset Management	17 646 543	2.3%
Selwyn Diamond – direct	8 747 681	1.1%
Larry Nestadt – indirect	8 204 674	1.1%
Mark Pamensky – indirect	5 565 738	0.7%
Neil Lazarus – direct	4 803 424	0.6%
Sean Kaplan – direct	4 565 738	0.6%
Rubin Pogir Family Trust	4 500 000	0.6%
David Rivkind – indirect	3 700 000	0.5%
Dean Suntup – indirect	3 700 000	0.5%
Lucystat Investments (Proprietary) Limited	2 222 222	0.3%
Gary Harlow – indirect	2 000 000	0.3%
Richmark Holdings (Proprietary) Limited	1 727 363	0.2%
Joe Mthimunye – direct	20 000	0.0%
Total	474 291 768	61.9%

**In terms of its mandates, Allan Gray Asset Management undertook to recommend to its clients to vote in favour of the resolutions necessary to implement the specific repurchase.*

All Blue Label directors and their associated entities that hold Blue Label shares have signed irrevocable undertakings to vote in favour of the specific repurchase.

15. CONSENTS

The attorneys, independent expert, investment bank, reporting accountants, sponsor and transfer secretaries have consented in writing to act in the capacities stated in this document and to their names being stated in this document, and in the case of the reporting accountants, reference to their report in the form and context in which it appears, and have not withdrawn their consent prior to the publication of this document.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of Blue Label during normal office hours from Thursday, 20 October 2011 to Tuesday, 22 November 2011:

- 16.1 the memoranda of incorporation of Blue Label and the group;
- 16.2 audited annual financial statements of Blue Label for each of the years ended 31 May 2008, 31 May 2009, 31 May 2010 and 31 May 2011;
- 16.3 the signed consent letters of the attorneys, independent expert, investment bank, reporting accountants, sponsor and transfer secretaries;
- 16.4 a signed copy of this circular;
- 16.5 the signed independent reporting accountants' assurance report on the unaudited *pro forma* financial effects;
- 16.6 the signed independent expert's report required in terms of the applicable provisions of section 114 of the Companies Act; and
- 16.7 a copy of the Share Buy-Back Agreement.

By order of the board

Blue Label Telecoms Limited

E Viljoen

Group company secretary

20 October 2011

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS

The Directors
Blue Label Telecoms Limited
75 Grayston Drive, corner Benmore Road
Morningside Extension 5
2196

12 October 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF BLUE LABEL TELECOMS LIMITED ("BLUE LABEL")

Introduction

Blue Label is issuing a circular to its shareholders ("the circular") regarding the specific repurchase by Blue Label of 91,851,852 ordinary shares in the issued share capital of Blue Label from Microsoft Corporation ("Microsoft"), in terms of the Companies Act, 71 of 2008, as amended that is the subject of this circular ("the Specific Repurchase").

At your request and for the purposes of the circular to be dated on or about 20 October 2011, we present our limited assurance report on the unaudited *pro forma* financial information of Blue Label presented in paragraph 9 to the circular.

The unaudited *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Specific Repurchase might have affected the reported historical financial information presented, had the Specific Repurchase been undertaken at the commencement of the period or date of the unaudited *pro forma* statement of financial position being reported on.

Directors' responsibility

The directors of Blue Label are responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that: the unaudited *pro forma* financial information contained in this circular has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Blue Label; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the circular. We conducted our limited assurance engagement in accordance with ISAE 3000 (Revised): International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the *Guide on Pro forma Financial Information* issued by the South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our limited assurance conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted audited historical financial information of Blue Label with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Blue Label, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the directors of Blue Label in respect of the Specific Repurchase that is the subject of the circular.

In arriving at our limited assurance conclusion, we have relied upon financial information prepared by the directors of Blue Label and other information from various public, financial and industry sources.

While our work performed involved an analysis of the historical financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information concluded in accordance with the International Standards on Auditing or the International Standards on Review Engagements and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Blue Label; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to sections 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc.

Per Eben Gerryts
Director
2 Eglin Road
Sunninghill
2157

INDEPENDENT EXPERT'S REPORT REQUIRED IN TERMS OF THE APPLICABLE PROVISIONS OF SECTION 114 OF THE COMPANIES ACT

The definitions and interpretations commencing on page 5 of this circular apply *mutatis mutandis* throughout this report.

The Directors
Blue Label Telecoms Limited
75 Grayston Drive, corner Benmore Road
Morningside Extension 5
2196
South Africa
(PO Box 652261, Benmore, 2010)

12 October 2011

Dear Sirs

Independent expert's report in terms of Section 114 of the Companies Act in respect of the specific repurchase by Blue Label of 91,851,852 ordinary shares in its issued share capital from Microsoft

Introduction

On the listing of Blue Label in 2007, Microsoft subscribed for shares at a price of R6.75 per share. On 6 October 2011, Blue Label announced on SENS that it had entered into an agreement with Microsoft in terms of which Blue Label will acquire the Microsoft shares from Microsoft, subject to the terms and conditions of the Share Buy-Back Agreement, at the repurchase price.

It is intended that the specific repurchase will be funded out of existing cash resources of Blue Label.

Scope

The purpose of our engagement was to perform the role of an Independent Expert ("IE") as envisaged by the applicable provisions of section 114 of the Companies Act in relation to the specific repurchase of the Microsoft shares. Our work did not entail an independent valuation of Blue Label, nor did it entail expressing any opinion on the fairness, reasonableness, or otherwise of the specific repurchase. We have compiled a report to the board (and for inclusion in this circular) detailing certain information, as contemplated by the applicable provisions of section 114(3) of the Companies Act.

Information utilised

In the course of our analysis, we relied upon financial and other information obtained from Blue Label management, together with information available in the public domain. Our findings are dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our scope of work include:

- This circular and the reporting accountants' report in Annexure I;
- Draft annual report for the year ended 31 May 2011;
- McGregor BFA;
- Articles and Memorandum of Association of Blue Label;
- Share Buy-Back Agreement;
- Various analysts' reports; and
- Discussions with management of Blue Label.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our findings, whether in writing or obtained through discussions with the management of Blue Label.

Requirements of section 114 of the Companies Act and results of IE work performed:

As per section 114 (3): The person retained in terms of subsection (2) of the Companies Act must prepare a report to the board, and cause it to be distributed to all holders of the company's securities, concerning the proposed arrangement, which must, at a minimum:

- (a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;
- (b) identify every type and class of holders of the company's securities affected by the proposed arrangement;
- (c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);
- (d) evaluate any material adverse effects of the proposed arrangement against –
 - (i) the compensation that any of those persons will receive in terms of that arrangement; and
 - (ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the company;
- (e) state any material interest of any director of the company or trustee for security holders; [Para. (e) substituted by s. 70 (c) of Act No. 3 of 2011.]
- (f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e); and
- (g) include a copy of sections 115 and 164.

Findings:

(a) state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

Trading price:

- The specific repurchase will take place at R4.25 per share.
- Refer to paragraph 3 of this circular regarding the repurchase price discount to the 30, 60 and 90 day VWAP as well as the spot price of Blue Label shares.
- The repurchase price compares favourably with the VWAPs and the spot price.
- The annualised share liquidity of Blue Label is shown in the table below:

Period	Volume traded	Total shares	Annualised liquidity
Past 30 days	21,838,262	766,360,894	34.7%
Past 60 days	45,928,293	766,360,894	36.5%
Past 90 days	59,679,992	766,360,894	31.6%
Past 6 months	152,120,608	766,360,894	39.7%
Past year	342,655,122	766,360,894	44.7%

Source: McGregor BFA & EY workings.

The shares show a reasonable level of liquidity. Blue Label's free float pre-specific repurchase amounts to approximately 42%.

Broker recommendations:

The views from analysts' reports indicate a hold or buy recommendation. The 12-month target prices are above the current spot share price at respective analyst report dates:

	Analyst A	Analyst B	Analyst C	Analyst D	Analyst E
Date of report	24-Aug-11	19-May-11	25-Aug-11	25-Aug-11	24-Aug-11
Price per share (R)	4.90	5.97	4.85	4.93	4.90
12-mth price target (R)	6.50	6.50	7.16	6.80	5.60
Recommendation	Outperform, trading at a discount	Hold recommendation	Reaffirming buy recommendation	Remains bullish, buy recommendation	Neutral

Source: Analyst report

(b) identify every type and class of holders of the company's securities affected by the proposed arrangement;

Particulars of ordinary shares:

In terms of the Memorandum of Association of Blue Label, the share capital of the Company consists of R1,000, divided into:

- 1,0 billion ordinary par value shares of R0.000001 each;
- Nil preference par value shares of Nil rand each; and
- Nil redeemable preference par value shares of Nil rand each.

There are approximately 10.1 million treasury shares held by Blue Label.

At the date of the Share Buy-Back Agreement entered into between Blue Label and Microsoft, Blue Label had an issued share capital of R766.00 divided into 766,360,894 shares of R0.000001 each.

The major beneficial shareholders of Blue Label are shown in paragraph 5 of this circular.

Due to the fact that Blue Label only has ordinary par value shares issued, the specific repurchase will only have an effect on the voting power of holders of ordinary par value shares as illustrated in part (c).

Forfeitable share plan:

Forfeitable shares awarded to directors are shown on page 29 of this circular.

(c) describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

The specific repurchase will not vary the rights of Blue Label shareholders, apart from a change in the number of voting rights as set out below.

Article 11 of the Memorandum of Association of Blue Label deals with votes of members. The relevant section of Article 11 is set out below:

"11. Votes of Members

- 11.1 Subject to any rights of restrictions attaching to any class or classes of share and to the provisions of Article 6.2, on show of hands a member of the company present in person or by proxy shall have only 1 (one) vote irrespective of the number of shares he holds or represents, provided that a proxy shall irrespective of the number of members he represents have only 1 (one) vote. On a poll a member who is present in person or represented by proxy shall if the share capital is divided into shares of no par value, shall be entitled to 1 (one) vote in respect of each share he holds."

After the specific repurchase, the voting power of each Blue Label shareholder will be as per Article 11 of the Memorandum of Association.

In view of the Memorandum of Association, the specific repurchase will have no material effect on the rights and interests of the shareholders.

The specific repurchase would not have an impact on the forfeitable share plan.

Financial effects of the transaction:

Please refer to paragraph 9, Financial Effects, of this circular. We note that Blue Label's financial position after the financial effects of the specific repurchase compare favourably to pre-transaction.

Other material impacts:

Subsequent to the specific repurchase the revised shareholdings are likely to be as follows:

Shareholder	No. of shares held after repurchase	% of shares in issue	% change
Shotput Investments (Proprietary) Limited	116,736,000	17.3%	13.6%
Microsoft	—	—%	(100.0%)
BM Levy	82,613,331	12.2%	13.6%
MS Levy	75,205,922	11.1%	13.6%
Allan Gray Asset Management	78,774,149	11.7%	13.6%
FIL Investments International	50,423,644	7.5%	13.6%
Total material shareholders	403,753,046	59.9%	(7.4%)
Other	270,755,996	40.1%	13.6%
Total shares in issue	674,509,042	100.0%	—%

Source: Draft circular (paragraph 5) & EY workings

We understand that all directors and their associated entities have voted in favour of the specific repurchase and that irrevocable undertakings have been obtained in this regard.

The free float would increase from 42% to 48% post the specific repurchase.

We are not aware of any other impacts on rights and interests of Blue Label shareholders (other than the amended shareholding structure noted above).

(d) evaluate any material adverse effects of the proposed arrangement against –

(i) the compensation that any of those persons will receive in terms of that arrangement; and

The Microsoft shares will be acquired at a price of R4.25 per share. This is a 15.4% discount to the 90 day VWAP to 05 October 2011.

Cash and cash equivalents per the draft 31 May 2011 Annual Report was approximately R2.2 bn. Considering the cash balance and the net working capital at the 2010 and 2011 financial year ends, it appears that Blue Label will have sufficient cash to fund any working capital requirements post the specific repurchase.

In addition, the directors of Blue Label have asserted through paragraph 4.1.5 of this circular that working capital will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the circular, while paragraph 4.2.2 provides the directors' assurance in terms of the solvency and liquidity test.

(ii) any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the company;

Blue Label will acquire the Microsoft shares. It is understood that Blue Label is unlikely to be affected adversely as a result of Microsoft no longer being a shareholder of Blue Label.

(e) state any material interest of any director of the company or trustee for security holders; [Para. (e) substituted by s. 70 (c) of Act No. 3 of 2011.]

We refer to paragraph 7.2 of the circular regarding the directors' interests in Blue Label shares.

(f) state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e);

The directors' shareholdings will increase by 13.6% (from 23.80% to 27.04%) as a result of the specific repurchase:

Director	No. of shares held before repurchase	%	No. of shares held after repurchase	%	% change
BM Levy – direct and indirect	82,613,331	10.78%	82,613,331	12.25%	13.62%
MS Levy – direct and indirect	75,205,922	9.81%	75,205,922	11.15%	13.62%
LM Nestadt – indirect	8,204,674	1.07%	8,204,674	1.22%	13.62%
MV Pamensky – indirect	5,565,738	0.73%	5,565,738	0.83%	13.62%
NN Lazarus – direct	4,803,424	0.63%	4,803,424	0.71%	13.62%
DB Rivkind – indirect	3,700,000	0.48%	3,700,000	0.55%	13.62%
GD Harlow – indirect	2,000,000	0.26%	2,000,000	0.30%	13.62%
KM Ellerine – indirect	296,297	0.04%	296,297	0.04%	13.62%
JS Mthimunye – direct	20,000	0.00%	20,000	0.00%	13.62%
Total shares held by directors	182,409,386	23.80%	182,409,386	27.04%	13.62%
Total shares in issue	766,360,894	100.00%	674,509,042	100.00%	n/a

Source: Draft circular (paragraphs 7.2, 14) & EY workings.

(g) include a copy of sections 115 and 164.

Section 115: Required approval for transactions contemplated in Part (Part A: Approval for certain fundamental transactions of Chapter 5: Fundamental Transactions, Takeovers and Offers)

- 1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless –
 - a) the disposal, amalgamation or merger, or scheme of arrangement –
 - i) has been approved in terms of this section; or
 - ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to –
 - i) dispose of all or the greater part of its assets or undertaking;
 - ii) amalgamate or merge with another company; or
 - iii) implement a scheme of arrangement, the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).
- 2) A proposed transaction contemplated in subsection (1) must be approved –
 - a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2);
 - b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if –
 - i) the holding company is a company or an external company;
 - ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

- c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- 3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if –
- a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- 4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights –
- a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- 4A) In subsection (4), ‘act in concert’ has the meaning set out in section 117(1)(b).
- 5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either –
- a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - b) treat the resolution as a nullity.
- 6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant –
- a) is acting in good faith;
 - b) appears prepared and able to sustain the proceedings; and
 - c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- 7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if –
- a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- 8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person –
- a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - b) was present at the meeting and voted against that special resolution.
- 9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect –
- a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - c) the transfer of shares from one person to another;
 - d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Section 164: Dissenting shareholders appraisal rights

- 1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- 2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to –
 - a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - b) enter into a transaction contemplated in section 112, 113, or 114,that notice must include a statement informing shareholders of their rights under this section.
- 3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- 4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who –
 - a) gave the company a written notice of objection in terms of subsection (3); and
 - b) has neither –
 - i) withdrawn that notice; or
 - ii) voted in support of the resolution.
- 5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if –
 - a) the shareholder –
 - i) sent the company a notice of objection, subject to subsection (6); and (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - ii) the company has adopted the resolution contemplated in subsection (2); and
 - b) the shareholder –
 - i) voted against that resolution; and
 - ii) has complied with all of the procedural requirements of this section.
- 6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- 7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within –
 - a) 20 business days after receiving a notice under subsection (4); or
 - b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- 8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state –
 - a) the shareholder's name and address;
 - b) the number and class of shares in respect of which the shareholder seeks payment; and

- c) a demand for payment of the fair value of those shares.
- 9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless –
- a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- 10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- 11) Within five business days after the later of –
- a) the day on which the action approved by the resolution is effective;
 - b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- 12) Every offer made under subsection (11) –
- a) in respect of shares of the same class or series must be on the same terms; and
 - b) lapses if it has not been accepted within 30 business days after it was made.
- 13) If a shareholder accepts an offer made under subsection (12) –
- a) the shareholder must either in the case of –
 - i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and –
 - i) tendered the share certificates; or
 - ii) directed the transfer to the company of uncertificated shares.
- 14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has –
- a) failed to make an offer under subsection (11); or
 - b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- 15) On an application to the court under subsection (14) –
- a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - c) the court –
 - i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - iii) in its discretion may –
 - aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

- bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - v) must make an order requiring –
 - aa) the dissenting shareholders to either withdraw their respective demands, or to comply with subsection (13)(a); and
 - bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- 15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case –
- a) that shareholder must comply with the requirements of subsection 13(a); and
 - b) the company must comply with the requirements of subsection 13(b);
- 16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- 17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months –
- a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - b) the court may make an order that –
 - i) is just and equitable, having regard to the financial circumstances of the company; and
 - ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- 18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- 19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to –
- a) the provisions of that section; or
 - b) the application by the company of the solvency and liquidity test set out in section 4.
- 20) Except to the extent –
- a) expressly provided in this section; or
 - b) that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

Limiting conditions

We have relied upon the accuracy of the information used by us in deriving our findings albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/ies, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Blue Label.

The above findings are necessarily based upon the information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals, will be properly fulfilled/obtained. Subsequent developments may affect our findings, however, we are under no obligation to update, revise or re-affirm such.

Independence and consent to publication

We have been retained by the board as an independent advisor to the board and the Blue Label shareholders in connection with the specific repurchase and we will receive a fixed fee for the services provided in connection herewith, which fee is payable upon delivery of this opinion. We confirm that, other than the aforementioned, we have no interest, direct or indirect, beneficial or non-beneficial, in Blue Label or in the success or failure of the specific repurchase which forms the subject matter hereof.

We hereby consent to this letter and the references thereto being made public to Blue Label shareholders in the form and context in which they are to be published in this circular to Blue Label shareholders on or about 20 October 2011. We confirm that we have given and have not withdrawn our consent prior to the issue of this circular to Blue Label shareholders.

Sincerely,

Anil Khimjee
Director
Ernst & Young Advisory Services Limited
Wanderers Office Park
52 Corlett Drive, Illovo
Private Bag X14
Northlands 2116

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- (A) BLUE LABEL REMUNERATION POLICY**
- (B) ABBREVIATED CURRICULUM VITAE OF DIRECTORS RETIRING BY ROTATION AND OFFERING THEMSELVES FOR RE-ELECTION**
- (C) ABBREVIATED CURRICULUM VITAE OF THE PROPOSED MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF BLUE LABEL**
- (D) FULL PARTICULARS OF ALL REMUNERATION PAID TO DIRECTORS FOR THEIR SERVICES AS DIRECTORS AS WELL AS REMUNERATION PAID FOR CONSULTING SERVICES**
-

(A) BLUE LABEL REMUNERATION POLICY

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Company has been delegated by the board with responsibility for determining the remuneration of the executive directors and senior managers, as well as for approving the allocation of shares under the Company's forfeitable share plan. The Remuneration Committee also acts as the Nomination Committee.

The committee also makes recommendations in respect of the fee structure for non-executive directors and the fees for members of the board committees, for approval by the shareholders once approved by the board.

The committee consists of three non-executive directors, being NN Lazarus SC (chairperson), GD Harlow and KM Ellerine. The Joint Chief Executive Officers and the Financial Director attend certain meetings of the committee by invitation but do not vote on committee decisions.

Whilst the majority of the committee members are categorised as not independent, the board is satisfied that it is made up of the board members most suitably qualified to perform the role and that the committee members act impartially and fairly in that role.

The chairperson reports to the board on the committee's deliberations and decisions.

Philosophy

The committee aims to achieve a balance between shareholders' interests and attractive and appropriate executive and senior management remuneration packages. The remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of the group. Remuneration arrangements are designed to support Blue Label's business strategy, vision and to conform to best practices. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the group operates. Total incentive-based rewards are earned through the attainment of demanding targets consistent with shareholder growth expectations.

Policy

The remuneration of executive directors and senior management is determined on a total cost-to-company basis and has three components:

- Fixed remuneration: fixed monthly salary and benefits;
- Variable remuneration: a short-term performance-related bonus scheme; and
- Forfeitable Share Plan: a long-term performance-related incentive scheme.

Fixed remuneration is reviewed annually to ensure that the executives and senior management who contribute to the success of the group remain remunerated at appropriate levels in accordance with the remuneration philosophy. The variable pay element provided by the short-term bonus scheme is intended to enhance total pay opportunities, should that be merited by corporate and individual performance. Long-term incentives, in the form of forfeitable shares awarded under the share plan, are based on a percentage of total annualised salary packages and are intended to reward sustained long-term performance and to align the interests of the executive and senior management with those of shareholders.

The purpose of the annual performance-related bonus scheme is to reward and motivate the achievement of group and subsidiary financial targets, as well as to motivate strategic and personal performance. The Joint Chief Executive Officers may earn an annual incentive bonus of up to 120% of fixed remuneration and other executive directors up to 70%. Senior management may earn up to 50% of their annualised salary package.

Advisors

In the course of its deliberations, the committee considered the view of the Joint Chief Executive Officers on the remuneration and performance of the other executive directors and members of senior management.

Independent advice on market information and remuneration trends is provided to the committee by external remuneration consultants from time to time. Blue Label's human resources department also assists the committee by providing supporting information and documentation relating to matters presented to the committee. The Company bears all the expenses relating to the appointment of external remuneration consultants and other appropriate independent professional advisors.

Fixed Remuneration

Blue Label applies discretion in all remuneration reviews and there is no minimum across-the-board increase to all employees.

The inflation rate considered for salary increases was 4.2% based on CPI data for April 2011. Salary increases for the forthcoming financial year ranged from 0% to 4.2% in bands of 0%, 2% and 4.2%. Management of each operating company was given the discretion to apply the appropriate increase to each staff member falling under their control within the stipulated range.

The salaries of executive management for the forthcoming year will remain at current levels in accordance with the election by executive management not to take up an increase. Executive management made the election in support of the cost cutting initiatives implemented by the group.

Details of the directors' emoluments for the year ended 31 May 2011 appear on page 31 of this circular. The King Report on Corporate Governance for South Africa 2009 ("King III") recommends that the salaries of the top three executives, excluding executive directors, should be disclosed. After due consideration of the provisions of King III, the Company decided not to disclose the remuneration of these individuals due to their specialised skills, value to Blue Label and the competitive nature of these positions in the market. It was also concluded that the disclosure in the Annual Report in respect of Prescribed Officers is adequate.

Incentive Bonus Plan

The executive directors and senior management participate in an annual incentive bonus plan, which is based on the achievement of short-term performance targets. These targets comprise financial and non-financial components. The financial performance component is based on growth in profits, as measured by headline earnings per share. The non-financial elements include the achievement of agreed transformation targets, progress in the Company's growth strategy in the countries in which it operates, the rollout of the group's transactional footprint and the level of progress made in respect of organisational development issues and succession planning. Each of these elements carried an appropriate weighting.

For the year ended 31 May 2010, the Joint Chief Executive Officers and the Chief Operating Officer elected not to take up their bonus allocations as they were not satisfied with the group's financial performance. In respect of the year ended 31 May 2011, they again elected not to take up their bonus allocations. They are to be commended for leading by example.

The aggregate sum of the bonuses allocated to senior members of staff and executives amounted to R9 million.

Forfeitable Share Plan

Forfeitable shares awarded in September 2010 will vest over a period of three years commencing on 1 September 2010 and ending on 1 September 2013. The element of performance criteria will be based on group results and individual performance for the years ended 31 May 2011 to 31 May 2013.

The criteria for vesting comprises 25% retention, 25% non-financial indicators and group performance makes up 50% determined with reference to growth in CPI plus 15% over the three-year vesting period.

The forfeitable shares that were granted to executive directors during the year are as follows:

	Balance 1 June 2010	Issue date	Forfeitable shares awarded	Vesting date	Balance 31 May 2011
BM Levy	343,060	1 September 2010	450,486	1 September 2013	793,546
MS Levy	343,060	1 September 2010	450,486	1 September 2013	793,546
MV Pamensky	250,148	1 September 2010	379,787	1 September 2013	629,935
DB Rivkind	149,572	1 September 2010	196,409	1 September 2013	345,981

Executive Service Contracts

The three-year service contracts of the executive directors were renewed in November 2010 for a further three year period. These contracts include a restraint of trade provision applicable for a period of 12 months from the day that the executive leaves the employ of the Company of his own accord. The restraint of trade is not enforceable in the event of the employment contract not being renewed by the Company or if the executive's employment is terminated by the Company.

Non-Executive Remuneration

Non-executive directors receive fees for services on the board and board committees, dependent on attendance. Non-executive directors do not receive short-term incentives nor do they participate in the forfeitable share plan of the Company. The fees payable to the Chairman and non-executive directors are recommended by the Remuneration and Nomination Committee to the board, which in turn proposes the fees for approval by the shareholders at the Company's annual general meeting.

Non-executive directors may be contracted to render services to the group in addition to the foregoing services from time to time. The remuneration for such additional services is considered by executive management and approved by the Chairman of the board on a monthly basis and is thereafter submitted to the board for its approval. Details of the fees paid to each of the non-executive directors during the period under review are reflected on page 31 of this circular.

The group intends to continue to use the services of GD Harlow and NN Lazarus SC during the forthcoming 2012 financial year for the provision of legal, corporate, financial and strategic advice, and they shall continue to render those services for market-related fees. The fees shall continue to be considered by executive management and approved by the chairman of the board on a monthly basis, who will, in turn, submit the fees to the board from time to time for approval.

The board resolved at its meeting held on 6 July 2011 that non-executive directors' remuneration not be increased for the 2012 financial year, in support of and in solidarity with the cost cutting initiatives implemented by the group. The proposed fees payable to non-executive directors are set out in the notice of Annual General Meeting attached to this circular.

No increase has been applied to the fees listed on page 34 of this circular and such fees are those fees approved by shareholders for the previous period 1 June 2010 to 31 May 2011.

(B) ABBREVIATED CURRICULUM VITAE OF DIRECTORS RETIRING BY ROTATION AND OFFERING THEMSELVES FOR RE-ELECTION

Mark Pamensky Chief Operating Officer (Born: 1972)

– BCom (Wits), BCompt (Hons) (UNISA), CA(SA)

Mark completed his articles with PricewaterhouseCoopers Inc. before moving to the corporate finance department of Mercantile Bank. In 1999 he joined the boutique corporate advisory firm, Nucleus Corporate Finance, before joining Blue Label in 2001. Mark has played an integral role in the strategic and operational management of the group and much of its expanding telecommunications footprint can be attributed to his leadership. Mark is a member of the South African Institute of Chartered Accountants (SAICA) and the Young Presidents Organisation (YPO).

Board Committee membership:
Executive Committee: Member
Investment Committee: Member

David Rivkind
Financial Director

(Born: 1972)

– BAcc (UNISA), CA(SA)

David completed articles at Papilsky Hurwitz and in 1999 joined Merrill Lynch International (UK) as financial controller. David was employed by Credit Suisse for a brief period before returning to South Africa in 2002 to take up the role of financial director at Integr8IT (Proprietary) Limited. Previously as Chief Financial Officer and now Finance Director for Blue Label he contributes significantly to the governance and reporting systems supporting the group's growth. David is a member of SAICA.

Board Committee membership:

Investment Committee: Member

Executive Committee: Member

Audit, Risk and Compliance Committee: Attendee

Transformation Committee: Alternate member to Brett Levy

(C) ABBREVIATED CURRICULAM VITAE OF THE PROPOSED MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF BLUE LABEL

Gary Harlow

Independent Non-Executive Director

(Born: 1957)

– BBusSci (Hons) (UCT), FCMA, CA(SA)

Gary graduated from the University of Cape Town in 1979, later qualifying as a Chartered Accountant (SA) in 1982, an Associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow Chartered Management Accountant (UK) in 1996. He forged his early career in merchant banking and was also an advisor to the finance department of the African National Congress in the early 1990's regarding developing a BEE policy. In 1992, he played an instrumental role in the creation of Thebe Investment Corporation and also served as Joint Chief Executive Officer of Msele Corporate and Merchant Bank, South Africa's first black-controlled merchant bank.

Gary was appointed group Chief Executive Officer of Unihold Limited in 1996, where he led its transformation from an engineering conglomerate to an international IT and telecommunications group, prior to its delisting through a management buy-out. He remains Executive Chairman today. Gary has served on numerous private and public company boards. He is presently an independent Non-Executive Director of Mvelaserve Limited, Chairman of their Audit and Risk Committee and member of their Remuneration, Investment and Transformation Committees.

Board Committee membership:

Investment Committee: Chairman

Transformation Committee: Chairman

Audit, Risk and Compliance Committee: Member

Remuneration and Nomination Committee: Member

Joe Mthimunye

Independent Non-Executive Director

(Born: 1965)

– BCompt Hons/CTA (UNISA), CA(SA)

Joe Mthimunye qualified as a Chartered Accountant in 1993. In 1996, he co-founded Gobodo Incorporated, an accounting practice with eight other partners which in time became the biggest black accounting firm in South Africa. In 1999, he led a management buyout of Gobodo Corporate Finance from the accounting firm and rebranded it as aloeCap (Proprietary) Limited. He is currently Executive Chairman of aloeCap. He also serves on the board of directors of Invicta Limited and all the non-listed companies in which aloeCap Private Equity is invested.

Board Committee membership:

Audit, Risk and Compliance Committee: Chairman

Investment Committee: Member

Neil Lazarus SC
Non-Executive Director
(Born: 1958)
– BA LLB (Wits)

Neil graduated from the University of the Witwatersrand in 1981 with a BA LLB degree. After completing articles, he was admitted as an attorney in 1983. He was admitted as an advocate in 1984 and practised at the Johannesburg bar. He was appointed as Senior Counsel by President Mandela in 1998. He also served as an acting judge. As an advocate, Neil specialises in corporate restructures, mergers and acquisitions and has been involved in some major corporate reorganisations both locally and internationally. Upon leaving the profession in 2000 he became a director of Corpcapital Limited, establishing its corporate finance business. Neil discharges both corporate finance and legal mandates for a number of local and international companies.

Board Committee membership:

Remuneration and Nomination Committee: Chairman

Audit, Risk and Compliance Committee: Member

Investment Committee: Member

(D) FULL PARTICULARS OF ALL REMUNERATION PAID TO DIRECTORS FOR THEIR SERVICES AS DIRECTORS AS WELL AS REMUNERATION PAID FOR CONSULTING SERVICES

Directors emoluments

R'000	Services as directors of Blue Label Telecoms Limited	Salary and allowances	Bonuses and performance related payments	Other benefits	Sub total	Services as directors of subsidiaries of Blue Label Telecoms Limited	Salary and allowances from subsidiaries	Bonuses and performance related payments from subsidiaries	Retirement and related benefits from subsidiaries	Corporate finance and legal fees for services rendered to Blue Label Telecoms Limited	Total	Fair value of forfeitable shares
For the year ended 31 May 2011												
Executive directors												
	Levy, BM	5 958	—	91	6 049	—	—	—	—	—	6 049	4 365
	Levy, MS	5 965	—	84	6 049	—	—	—	—	—	6 049	4 365
	Pamensky, MV	5 065	—	35	5 100	—	—	—	—	—	5 100	3 465
	Rivkind, DB	2 602	—	35	2 637	—	—	—	—	—	2 637	1 903
		19 590	—	245	19 835	—	—	—	—	—	19 835	14 098
Non-executive directors												
	Nestadt, LM	750	—	—	750	—	—	—	—	—	750	—
	Ellerine, KM	160	—	—	160	—	—	—	—	—	160	—
	Harlow, GD	441	—	—	441	50	—	—	—	1 302	1 793	—
	Lazarus, NN	397	—	—	397	—	—	—	—	4 576	4 973	—
	Mthimunye, JS	362	—	—	362	—	—	—	—	—	362	—
	Nyati, M	34	—	—	34	—	—	—	—	—	34	—
	Tyalimpi, LM	286	—	—	286	—	—	—	—	—	286	—
		2 430	—	—	2 430	50	—	—	—	5 878	8 358	—
		2 430	19 590	—	22 265	50	—	—	—	5 878	28 193	14 098



BLUE LABEL TELECOMS

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)

Share code: BLU ISIN: ZAE000109088 ("Blue Label" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING OF BLUE LABEL SHAREHOLDERS

All terms defined in the circular, to which this notice of Annual General Meeting is attached, shall bear the same meanings when used in this notice of Annual General Meeting.

Notice is hereby given to Blue Label shareholders recorded in the Company's securities register on 30 September 2011, that the fourth Annual General Meeting of the shareholders of Blue Label will be held in the Boardroom, Blue Label Telecoms corporate offices, 75 Grayston Drive, Sandton, on Tuesday, 22 November 2011 at 10:00, to conduct such business as may lawfully be dealt with at the Annual General Meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder (including the ordinary and special resolution in respect of the specific repurchase). The record date for determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 11 November 2011. Accordingly, the last day to trade in order to be eligible to participate and vote at the Annual General Meeting will be Friday, 4 November 2011.

Please note that Blue Label intends to provide for participation by way of electronic communication to Blue Label shareholders to participate in the Annual General Meeting. In this regard, please read the notes at the end of this notice.

RESOLUTIONS RELATED TO THE SPECIFIC REPURCHASE

Special resolution number 1 – Specific authority, in terms of the Companies Act, for the repurchase by the Company of the Microsoft shares, namely 91,851,852 Blue Label shares

Resolved that, the Company be and is hereby authorised, by way of a specific authority, in terms of the Companies Act, the Listings Requirements and article 36 of the Company's memorandum of incorporation, to acquire 91,851,852 Blue Label shares at a price of R4.25 per Blue Label share, from Microsoft upon the terms and conditions of the Share Buy-Back Agreement.

In terms of sections 48(8)(b), 62(3)(c) and 65(9) of the Companies Act, article 36 of the Company's memorandum of incorporation and paragraph 5.69(b) of the Listings Requirements, the requisite percentage of voting rights for this resolution to be adopted is 75%.

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is to specifically authorise the Company to acquire the Microsoft shares, namely 91,851,852 Blue Label shares in terms of the Companies Act, the Listings Requirements, the memorandum of incorporation of the Company, and the Share Buy-Back Agreement. In terms of the Listings Requirements, the votes of Microsoft will be taken into account in determining whether a quorum of shareholders is present at the Annual General Meeting, but such votes will not be taken into account in determining the results of the voting at the Annual General Meeting on each of special resolution number 1 and ordinary resolution number 1 relating to the specific repurchase.

The effect of special resolution number 1 is to enable the Company, by way of a specific authority, to acquire shares in the Company from Microsoft in terms of the Share Buy-Back Agreement.

In terms of the Listings Requirements, the specific repurchase is a related party transaction as Microsoft, by virtue of its 12% shareholding in Blue Label, is a material shareholder (as defined in the Listings Requirements) and is consequently a related party to Blue Label. Therefore, in terms of the Listings Requirements, in order to implement the specific repurchase, a special resolution of the Company must be passed by shareholders excluding Microsoft.

Statement by the directors of the Company

The directors of Blue Label have considered the impact of the specific repurchase and are of the opinion that:

- the provisions of section 4 and section 48 of the Companies Act have been complied with;
- Blue Label and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of approval of this circular;
- the assets of Blue Label and the group will be in excess of its liabilities for a period of 12 months after the date of approval of this circular, where for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the group;
- the share capital and reserves of Blue Label and the group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of this circular; and
- the working capital of Blue Label and the group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of this circular.

Furthermore, it is stated as follows:

- in terms of section 46(1)(a)(ii) of the Companies Act and the Listings Requirements, the board has authorised the specific repurchase by resolution;
- in terms of section 46(1)(b) of the Companies Act, it reasonably appears that the Company will satisfy the solvency and liquidity test immediately after completing the specific repurchase; and
- in terms of section 46(1)(c) of the Companies Act, the board has, by resolution, acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act, and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the specific repurchase.

Ordinary resolution number 1 – Directors’ authority to take all such actions necessary to implement the specific repurchase

Resolved that, any director of the Company, be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of special resolution number 1.

In terms of sections 62(3)(c) and 65(7) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

RESOLUTIONS RELATED TO THE REMAINING BUSINESS OF THE ANNUAL GENERAL MEETING

Special resolution number 2 – Non-executive directors' remuneration

Resolved that, following the election of non-executive directors not to be paid an increase in the fees payable to them for services as directors, the current remuneration structure of the Company depicted below be and is hereby approved for the period 1 June 2011 to 31 May 2012:

	Current fee per meeting*	Current capped fee per annum**
Services as directors <ul style="list-style-type: none">• Chairman of the board• Board members	— R34,340	R750,000 R171,700
Audit, Risk and Compliance Committee <ul style="list-style-type: none">• Chairman• Members	R47,694 R28,617	R190,776 R114,468
Remuneration and Nomination Committee <ul style="list-style-type: none">• Chairman• Members	R38,155 R22,894	R152,620 R91,576
Investment Committee <ul style="list-style-type: none">• Chairman• Members	R28,617 R17,170	R228,936 R137,360
Transformation Committee <ul style="list-style-type: none">• Chairman• Members	R28,617 R17,170	R114,468 R68,680
Ad-Hoc Committee <ul style="list-style-type: none">• Chairman• Members	R28,617 R17,170	R114,468 R68,680

*In the event that there are fewer meetings as envisaged, the member shall receive the fee in respect of the number of meetings attended.

**In the event that there are more meetings per year than initially planned, directors' fees will be paid only up to the cap.

In terms of sections 62(3)(c) and 65(9) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 75%.

Reason for and effect of special resolution number 2

Section 66 of the Companies Act requires the approval by way of a special resolution of the remuneration payable to the directors in respect of their services as directors, which approval must be obtained within the previous 2 (two) years. Furthermore, specific remuneration payable to directors must be approved in advance in terms of the Listings Requirements and as recommended by King III. The effect of special resolution number 2 is that the fees payable to the directors are approved.

Special resolution number 3 – General authority to repurchase shares

Resolved that, the Company and any of its subsidiaries be and they are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in accordance with the requirements of the Company's memorandum of incorporation, the Companies Act and Listings Requirements, provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- this general authority shall be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of the passing of this special resolution number 3, whichever period is shorter;
- an announcement will be published as soon as the Company or any of its subsidiaries has cumulatively acquired ordinary shares constituting 3% of the initial number of ordinary shares in issue, and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter, in compliance with paragraph 11.27 of the Listings Requirements;
- the acquisition of shares in aggregate in any one financial year may not exceed 20% of the Company's ordinary issued share capital;
- the ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of the repurchase of such ordinary shares;

- the Company has been given authority by its memorandum of incorporation;
- at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any repurchase on behalf of the Company and/or its subsidiaries;
- the directors authorise the acquisition, the Company passes the solvency and liquidity test contemplated in section 4 of the Companies Act and that from the time that the test is done, there are no material changes to the financial position of the group;
- the Company and/or its subsidiaries undertake that they will not enter the market to repurchase the Company's shares until the Company's sponsor has provided written confirmation to the JSE regarding the adequacy of the Company's working capital in accordance with Schedule 25 of the Listings Requirements; and
- the Company and/or its subsidiaries shall not purchase any shares during a prohibited period, as defined in paragraph 3.67 of the Listings Requirements unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

In terms of sections 62(3)(c) and 65(9) of the Companies Act and paragraph 5.72(c) of the Listings Requirements, the requisite percentage of voting rights for this resolution to be adopted is 75%.

Reason for and effect of special resolution number 3

Section 48 of the Companies Act read with the Listings Requirements requires that shareholders approve a general repurchase of securities by way of a special resolution. The effect of this special resolution and its rationale is to grant the Company and any of its subsidiaries a general authority to facilitate the acquisition by the Company and/or any of its subsidiaries of the Company's shares, which general approval shall be valid for the period set out in the resolution above.

Special resolution number 4 – Financial assistance to directors, prescribed officers and related or inter-related companies

Resolved that, the board is authorised, as it in its discretion thinks fit, but subject to compliance with the requirements of the memorandum of incorporation of the Company and the Companies Act, in particular section 45 thereof, to provide direct or indirect financial assistance to a director or prescribed officer of the Company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, on the basis that the board shall have the authority to determine at the relevant time whether to make such financial assistance available on an interest free or market-related basis, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 4.

The board will, before making any such financial assistance available, satisfy itself that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Such authority shall endure for 2 (two) years following the date on which this special resolution number 4 is adopted.

In terms of sections 62(3)(c) and 65(9) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 75%.

Reason for and effect of special resolution number 4

This resolution is proposed in order to comply with the requirements of section 45 of the Companies Act as that section requires any financial assistance by the Company to, *inter alia*, its related and inter-related companies and corporations to first be approved by a special resolution of its shareholders. Section 45 of the Companies Act provides, *inter alia*, that financial assistance which is provided to, *inter alia*, a company that is related or inter-related to the Company must be approved by a special resolution of shareholders, adopted within the previous 2 (two) years.

Special resolution number 4 authorises the provision of financial assistance by the Company within the ambit of section 45 of the Companies Act.

Ordinary resolution number 2 – Presentation of annual financial statements

Resolved that, the annual financial statements of the Company and the consolidated annual financial statements of the group for the year ended 31 May 2011, be and are hereby received, considered and adopted, including the directors' report and auditor's report thereon posted together with the circular to which this notice of Annual General Meeting is attached.

Ordinary resolution number 3 – Re-election of directors

Resolved that, by way of a separate vote, each of the following directors retiring from the board by rotation, and who are eligible for re-election and have offered themselves for re-election to the board be and are hereby re-elected to the board:

3.1 Resolved that Mr Mark Pamensky retires as a director of the Company in accordance with article 15.1 of the Company's memorandum of incorporation and, being eligible for re-election as a director of the Company in terms of article 15.2 of the Company's memorandum of incorporation, offers himself for re-election by the shareholders, and be and is hereby re-elected as a director of the Company with immediate effect; and

3.2 Resolved that Mr David Rivkind retires as a director of the Company in accordance with article 15.1 of the Company's memorandum of incorporation and, being eligible for re-election as a director of the Company in terms of article 15.2 of the Company's memorandum of incorporation, offers himself for re-election by the shareholders, and be and is hereby re-elected as a director of the Company with immediate effect.

Brief biographies in respect of each director offering himself for re-election are contained on pages 29 and 30 of the circular.

In terms of sections 62(3)(c) and 65(7) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

Ordinary resolution number 4 – Re-appointment of external auditors

Resolved that, on the recommendation of the current Audit, Risk and Compliance Committee of the Company, PricewaterhouseCoopers Inc., be and is hereby re-appointed as independent registered auditors of the Company for the ensuing year until the conclusion of the next annual general meeting of the Company and Mr EJ Gerrys is re-appointed as the individual registered auditor for the ensuing year.

In terms of sections 62(3)(c) and 65(7) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

Ordinary resolution number 5 – Election of members of the Audit, Risk and Compliance Committee

Resolved that, by way of a separate vote, each of the following directors, be and are hereby elected as members of the Blue Label Audit, Risk and Compliance Committee, with effect from the date of this Annual General Meeting in terms of section 94(2) of the Companies Act:

5.1 Resolved that Mr JS Mthimunye, an independent non-executive director, be and is hereby elected as a member and the chairman of the committee;

5.2 Resolved that Mr GD Harlow, an independent non-executive director, be and is hereby elected as a member of the committee; and

5.3 Resolved that Mr NN Lazarus SC, a non-executive director, be and is hereby elected as a member of the committee.

Brief biographies of those directors offering themselves for election as members of the Audit, Risk and Compliance Committee are contained on pages 30 to 31 of this circular.

In terms of sections 62(3)(c) and 65(7) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

Ordinary resolution number 6 – Endorsement of the remuneration policy

Resolved that, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of non-executive directors and members of committees of the board for their services as directors and members of such committees) as set out on pages 27 to 29 of this circular, be and is hereby endorsed.

In terms of sections 62(3)(c) and 65(7) of the Companies Act, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

Ordinary resolution number 7 – General authority to directors to allot and issue authorised but unissued shares

Resolved that, as required by and subject to the memorandum of incorporation of the Company, the Companies Act and the Listings Requirements, the general authority granted to directors at the previous annual general meeting of the Company to allot and issue, as they in their discretion think fit, the unissued ordinary shares of the Company, be and is hereby renewed and such shares be and are hereby placed under the control of the directors of the Company as a general authority in terms of the Companies Act and Listings Requirements, and such directors are authorised to allot and issue same at their discretion until the next annual general meeting of the Company on the basis that such allotments and issues are subject to the provisions of the memorandum of incorporation of the Company, the Companies Act and the Listings Requirements.

In terms of sections 62(3)(c) and 65(7) of the Companies Act and the Listings Requirements, the requisite percentage of voting rights for this resolution to be adopted is 50.1%.

Ordinary resolution number 8 – General authority to issue shares for cash

Resolved that, subject to the renewal of the general authority proposed in terms of ordinary resolution number 7 above and in terms of the Listings Requirements, the directors be and are hereby granted a general authority to allot and issue ordinary shares in the capital of the Company for cash as and when suitable situations arise, subject to the following limitations:

- any issue of shares shall be to public shareholders as defined by the Listings Requirements;
- this authority shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting;
- a paid press announcement giving details, including the impact of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and if applicable, diluted earnings and headline earnings per share, and the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within one year, 5% or more of the ordinary number of issued shares prior to any such issues;
- that issues in the aggregate in any one financial year shall not exceed 15% of the ordinary shares in the issued share capital of the Company from time to time, and in determining the aforesaid percentage, instruments which are compulsorily convertible shall be included, and paragraph 5.52 of the Listings Requirements shall be taken into account; and
- in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the ordinary shares over the 30 days prior to the date that the price of issue is determined or agreed between the Company and the party/ies subscribing for the shares.

In terms of section 63(2) of the Companies Act and paragraph 5.50 of the Listings Requirements, the requisite percentage of voting rights for this resolution to be adopted is 75% (it being noted that in terms of this Listings Requirements this resolution is an ordinary resolution requiring the aforesaid 75% approval).

Entitlement to attend and vote at the Annual General Meeting

Blue Label shareholders who wish to participate in the Annual General Meeting should note that in terms of section 63 of the Companies Act, meeting participants are required to provide reasonable satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

Certificated shareholders or own name dematerialised shareholders may attend and vote at the Annual General Meeting, or alternatively appoint a proxy to attend, speak and, in respect of the applicable resolution(s), vote in their stead by completing the attached form of proxy and returning it to the transfer secretaries at the address given in the circular by no later than 10:00 on Friday, 18 November 2011.

Dematerialised shareholders other than own name dematerialised shareholders, must contact their CSDP or broker, as the case may be, and obtain the relevant letter of representation from it if they wish to attend the Annual General Meeting. If shareholders are unable to attend the Annual General Meeting but wish to be represented thereat, they must furnish their CSDP or broker, as the case may be, with their instructions for voting at the Annual General Meeting.

Forms of proxy should be forwarded to reach the transfer secretaries at the address given in the circular by not later than 10:00 on Friday, 18 November 2011. The completion of a form of proxy will not preclude a shareholder from attending the Annual General Meeting.

Shareholders wishing to participate electronically in the Annual General Meeting are required to:

- deliver written notice to the Company at 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, 2196 (marked for the attention of E Viljoen, Group company secretary) that they wish to participate via electronic communication at the Annual General Meeting; or
 - register on the Company's website at www.bluelabeltelecoms.co.za where a link to the registration page will be placed,
- by no later than 10:00 on Friday, 18 November 2011 ("**Electronic Notice**").

In order for the Electronic Notice to be valid it must contain: (a) if the Blue Label shareholder is an individual, a certified copy of his/her identity document and/or passport; (b) if the Blue Label shareholder is not an individual, a certified copy of a resolution or letter of representation by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution or signed the relevant letter of representation. The letter of representation or resolution must set out who from the relevant entity is authorised to represent the entity at the Annual General Meeting via electronic communication; (c) a valid e-mail address and/or facsimile number ("**Contact Address/Number**"); and (d) if the Blue Label shareholder wishes to vote via electronic communication, set out that the Blue Label shareholder wishes to vote via electronic communication. By no later than 24 (twenty four) hours before the Annual General Meeting the Company shall use its reasonable endeavours to notify a shareholder at its Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

Should you wish to participate in the Annual General Meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to dial-in on the date of the Annual General Meeting. The dial-in facility will be linked to the venue at which the Annual General Meeting will take place on the date of, from the time of commencement of, and for the duration of, the Annual General Meeting. The dial-in facility will enable all persons to participate electronically in the Annual General Meeting in this manner (and as contemplated in section 63(2) of the Companies Act) and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the Annual General Meeting. The costs borne by you or your proxy in relation to the dial-in facility will be for your own account.

SUPPLEMENTARY EXPLANATORY NOTES TO SPECIAL RESOLUTIONS 2 TO 4 (BOTH INCLUSIVE) AND ORDINARY RESOLUTIONS 2 TO 8 (BOTH INCLUSIVE) FOR CONSIDERATION AT THE ANNUAL GENERAL MEETING

Non-executive directors' remuneration for services as directors (special resolution number 2)

In terms of section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors, for their services as directors, in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a Company's memorandum of incorporation.

Special resolution number 2 requires shareholders to approve the fees payable to the Company's non-executive directors for the period 1 June 2011 to 31 May 2012. The board agreed not to increase the fees payable to both executives and non-executive directors of the Company in line with the group's cost containment initiatives which were implemented.

Full particulars of all remuneration paid to non-executive directors for their services as directors as well as remuneration paid for consulting services rendered are contained on pages 31 and 34 of this circular. Particulars of the process followed by the Remuneration and Nomination Committee are contained in the Remuneration Policy on pages 27 to 29 of this circular.

General authority to repurchase shares (special resolution number 3)

The effect of this special resolution and its rationale is to grant to the Company and any of its subsidiaries a general authority to facilitate the acquisition by the Company and any of its subsidiaries of the Company's shares, which general approval shall be valid for the period contemplated in the resolution.

Any decision by the directors to use the general authority to acquire shares of the Company will be taken having regard to prevailing market conditions, the share price, the cash needs of the Company together with various other factors and in compliance with the Companies Act, the Listings Requirements and the memorandum of incorporation of the Company.

The directors are of the opinion that the renewal of this general authority is in the best interests of the Company as it allows the Company and any of its subsidiaries to repurchase the securities issued by the Company through the order book of the JSE, should the market conditions and price justify such action.

The directors have no specific intention, at present, for the Company or its subsidiaries to repurchase any of the Company's shares (other than for the purposes of the employee share incentive scheme) but consider that such a general authority should be put in place should an opportunity present itself to do so during the ensuing year.

Financial assistance to directors, prescribed officers and related or inter-related companies (special resolution number 4)

Section 45 of the Companies Act provides, *inter alia*, that financial assistance contemplated in such section, to a related or inter-related company may only be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and provided further that the board is satisfied that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The Company previously had to provide loans to and guarantees for the obligations of certain of its subsidiaries and was not precluded from doing so in terms of its constitutional documents or in terms of the Companies Act, 61 of 1973, as amended. The Company, in the ordinary course of its business, might well need to provide financial assistance to certain of its subsidiaries in accordance with section 45 of the Companies Act. In the circumstances and in order, *inter alia*, to ensure that the Company's subsidiaries and other related and inter-related companies have access to financing and/or financial backing from the Company, it is necessary to obtain the approval of shareholders, as set out in special resolution number 4.

Adoption of the annual financial statements (ordinary resolution number 2)

The directors are required to present to shareholders at the Annual General Meeting the annual financial statements incorporating the directors' report and the report of the auditors, for the year ended 31 May 2011. These are contained within the annual financial statements.

Re-election of directors (ordinary resolution number 3)

In accordance with the Company's memorandum of incorporation, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. Messrs MV Pamensky and DB Rivkind retire by rotation at the Annual General Meeting in accordance with article 15.1 of the Company's memorandum of incorporation, and have offered themselves for re-election. Abbreviated curriculum vitae in respect of directors offering themselves for re-election are contained on pages 29 to 30 of this circular.

The directors of the Company are satisfied that each of the directors standing for re-election, continue to make an effective and valuable contribution to the Company and to the board. The board recommends to shareholders that they should vote in favour of the re-election of the directors who retire by rotation.

Re-appointment of external auditors (ordinary resolution number 4)

PricewaterhouseCoopers Inc. has expressed its willingness to continue in office and ordinary resolution number 4 proposes the re-appointment of that firm as the Company's auditors until its next annual general meeting.

The Audit, Risk and Compliance Committee has satisfied itself that the proposed auditor, PricewaterhouseCoopers Inc., is independent of the Company as contemplated by the South African Independence laws and the applicable rules of the International Federation of Accountants. The committee nominated the re-appointment of PricewaterhouseCoopers Inc. as independent registered auditor of Blue Label for the 2012 financial year.

Election of Audit, Risk and Compliance ("ARC") Committee members (ordinary resolution number 5)

In terms of section 94(2) of the Companies Act, audit committee members must be elected by shareholders at each annual general meeting. King III likewise requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting.

In terms of the Regulation 42 of the Companies Regulations, 2011 relating to the Companies Act, at least one-third of the members of the Company's ARC Committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The proposed members have experience in audit, accounting, commerce, economics, law, corporate governance and general industry as is evident from the curriculum vitae of each of the members contained on pages 30 to 31 of this circular.

Blue Label Remuneration Policy (ordinary resolution number 6)

Chapter 2 of King III, dealing with boards and directors, requires companies to table their remuneration policy to shareholders for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted for the remuneration of executive directors and on their implementation. The Blue Label Remuneration Philosophy is contained in pages 27 to 29 of this circular.

Ordinary resolution number 6 is of a non-binding advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the Company's remuneration policy and the remuneration of executive directors.

Control of authorised but unissued shares and general authority to issue shares for cash (ordinary resolution numbers 7 and 8)

The existing authorities granted by the Blue Label shareholders at the previous annual general meeting held on 12 October 2010, will expire at the Annual General Meeting unless renewed. The authorities granted under these resolutions are subject to the Companies Act, the Listings Requirements and the memorandum of incorporation of the Company.

The directors are of the opinion that the granting of this general authority is in the best interests of the Company as it allows the Company to take advantage of business opportunities that may arise in the future.

By order of the board

BLUE LABEL TELECOMS LIMITED

E Viljoen

Group company secretary

20 October 2011

Registered office:

75 Grayston Drive, corner Benmore Road

Morningside Extension 5

2196

(PO Box 652261, Benmore, 2010)



BLUE LABEL TELECOMS

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa) (Registration number 2006/022679/06)

Share code: BLU ISIN: ZAE000109088 ("Blue Label" or "the Company")

FORM OF PROXY – ANNUAL GENERAL MEETING

All terms defined in the circular, to which this form of proxy is attached, shall bear the same meanings when used in this form of proxy.

For use by certificated shareholders or own name dematerialised shareholders at the Annual General Meeting of the Company to be held at 10:00 on Tuesday, 22 November 2011 at the registered office of Blue Label, 75 Grayston Drive, corner Benmore Road, Morningside Extension 5, Johannesburg.

If dematerialised shareholders, other than own name dematerialised shareholders have not been contacted by their CSDP or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the Annual General Meeting in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own name dematerialised shareholders and who wish to attend the Annual General Meeting must obtain their necessary letter of representation from their CSDP or broker, as the case may be and submit same to the transfer secretaries, at the address given on page 1 of the circular to which this form of proxy is attached, to be received by no later than 10:00, on Friday, 18 November 2011. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. **Such dematerialised shareholders, other than own name dematerialised shareholders, must not complete this form of proxy and should read note 11 of the overleaf.**

Full name: I/We (BLOCK LETTERS) _____

Of (address) _____

Telephone: (Work) (area code:) _____

Telephone: (Home) (area code:) _____

Fax: (area code:) _____

Cell number: _____

being the holder(s) of Blue Label shares

hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairman of the Annual General Meeting, _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of Blue Label shareholders to be held at 10:00 on Tuesday, 22 November 2011 or any adjournment thereof as follows:

Resolution	For	Against	Abstain
RESOLUTIONS RELATED TO THE SPECIFIC REPURCHASE			
Special resolution number 1 – Specific authority, in terms of the Companies Act, for the repurchase by the Company of the Microsoft shares, namely 91,851,852 Blue Label shares in terms of the specific repurchase			
Ordinary resolution number 1 – Directors’ authority to take all such actions necessary to implement the specific repurchase			
RESOLUTIONS RELATED TO THE REMAINING BUSINESS OF THE ANNUAL GENERAL MEETING			
Special resolution number 2 – Non-executive directors’ remuneration			
Special resolution number 3 – General authority to repurchase shares			
Special resolution number 4 – Financial assistance to directors, prescribed officers and related or inter-related companies			
Ordinary resolution number 2 – Presentation of annual financial statements			
Ordinary resolution number 3 – Re-election of directors:			
Mr Mark Pamensky			
Mr David Rivkind			
Ordinary resolution number 4 – Re-appointment of external auditors			
Ordinary resolution number 5 – Election of members of the Audit, Risk and Compliance Committee:			
JS Mthimunye			
GD Harlow			
NN Lazarus SC			
Ordinary resolution number 6 – Endorsement of the Blue Label Remuneration Policy (non-binding advisory vote)			
Ordinary resolution number 7 – General authority to directors to allot and issue authorised but unissued shares			
Ordinary resolution number 8 – General authority to issue shares for cash			

Signed at _____ this _____ day of _____ 2011

Signature _____

Assisted by me (if applicable) _____

Please read the notes on the reverse side hereof.

A shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more persons as his/her proxy to attend, speak or vote in his/her stead at the Annual General Meeting. A proxy need not be a shareholder of the Company.

On a show of hands, every Blue Label shareholder shall have one vote (irrespective of the number of Blue Label shares held). On a poll, every Blue Label shareholder shall have, for each share held by him/her/it that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Notes:

1. A Blue Label shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided with or without deleting "the chairman of the Annual General Meeting", but any such deletion must be initialled by the Blue Label shareholder. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Blue Label shares exercisable by you, insert the number of Blue Label shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairman, if the chairman is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she/it deems fit, in respect of all the Blue Label shareholder's votes exercisable thereat. A Blue Label shareholder or his/her/its proxy is not obliged to use all the votes exercisable by the Blue Label shareholder or its/his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Blue Label shareholder or his/her/its proxy.
3. Forms of proxy must be lodged with the transfer secretaries, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00 on Friday, 18 November 2011.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant Blue Label shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Blue Label shareholder wish to do so.
7. The chairman of the Annual General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairman is satisfied as to the manner in which the Blue Label shareholder wishes to vote.
8. This form of proxy shall not be valid after the expiration of six months from the date when it was signed.
9. Joint holders – any such persons may vote at the Annual General Meeting in respect of such joint shares as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present or represented at the Annual General Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her/its proxy, as the case may be, is alone entitled to vote in respect thereof.
10. Own name dematerialised shareholders will be entitled to attend the Annual General Meeting in person or, if they are unable to attend and wish to be represented thereat, must complete and return the attached form of proxy to the transfer secretaries in accordance with the time specified on the form of proxy.
11. Blue Label shareholders who hold shares in Blue Label through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the Annual General Meeting or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary letter of representation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instruction should they not wish to attend the Annual General Meeting in person, in order for their nominee to vote in accordance with their instruction at the Annual General Meeting.

Summary of the rights established in terms of section 58 of the Companies Act, 71 of 2008 (“Act”):

For purposes of this summary, “shareholder” shall have the meaning ascribed thereto in the Act.

1. At any time, a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders’ meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Act.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Act or expires earlier as contemplated in section 58(8)(d) of the Act.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
 - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
 - 3.2 a proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - 3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders’ meeting.
4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.
5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the company.
6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.
7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company’s Memorandum of Incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the company for doing so.
8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy provide otherwise.
9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
 - 9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - 9.2 the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;
 - 9.3 the company must not require that the proxy appointment be made irrevocable; and
 - 9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.