

15 December 2011

**Watermark Global Plc
("Watermark" or the "Company")**

**Conditional Disposal of subsidiary
Acquisition of interest in coal briquetting project**

Watermark (WET:LSE), the AIM–quoted company that focuses on the treatment of Acid Mine Drainage (AMD) and contaminated water in South Africa announces that it has, today, entered into a conditional agreement to sell its operating subsidiary, Western Utilities Corporation ("WUC") to Capricorn Investment Holdings Limited ("Capricorn") for a total cash and share consideration of £4.50 million (the "Transaction").

Highlights

- Conditional disposal of WUC, Watermark's operating subsidiary, for £4.5 million in cash and shares
- Consideration of £1.81 million in cash and £2.69 million in Capricorn shares
- Watermark will become an Investment Company, owning 40% of the enlarged capital of Capricorn (and thereby, indirectly, of WUC)
- Continued interest in WUC water treatment projects, reduced financing risk
- Agreements entered into relating to a coal briquetting project

Peter Marks, Chairman of Watermark, commented: *"The Watermark Board is pleased to have found a means of progressing both its AMD and coal briquetting projects without having to return to shareholders for additional funding. In view of the political and commercial challenges inherent in achieving success with our projects*

and given difficult equity market conditions we are very pleased to have secured Capricorn and its shareholders as partners.”

Introduction

Watermark has, today, entered into a conditional agreement to sell its operating subsidiary, WUC, to Capricorn Investment Holdings Limited (“Capricorn”) for a consideration of £4.50 million comprising £1.81 million in cash and £2.69 million in Capricorn shares.

Capricorn is a South African investment company which was listed on the Johannesburg Stock Exchange (“JSE”) and has applied for relisting following completion of the Transaction. Capricorn’s only asset currently is cash. The cash consideration for the acquisition of WUC is intended to be provided from Capricorn’s existing cash reserves and from the proceeds of a simultaneous underwritten issue of new shares in Capricorn to investors in South Africa intended to raise Rand 40 million, equivalent to approximately £3.2 million (the “Capricorn Fundraising”).

Following the Transaction, it is expected that Watermark will hold approximately 40% of the share capital of Capricorn and thereby, indirectly, of WUC. Capricorn intends to use a portion of the proceeds of the Capricorn Fundraising to fund WUC’s coal briquetting project. Details of this new project, which the directors of Watermark consider to be a potentially profitable standalone project, are contained in this announcement. The Directors consider that the Transaction will allow shareholders to retain a significant interest in Watermark’s core Acid Mine Drainage (AMD) project and gain exposure to other potentially valuable projects whilst reducing financial risk. The relationship with Capricorn will provide access to finance for WUC’s projects, enabling Watermark shareholders to benefit from the development of those projects without further share issues by Watermark which, at this stage, and given current market conditions, could be highly dilutive.

Further details of the Transaction and Capricorn will be sent to shareholders in a circular in January 2012 (the “Circular”). As WUC is the Group’s main subsidiary, the Transaction constitutes a fundamental change of business under Rule 15 of the AIM Rules and is therefore conditional upon the approval of the Company’s shareholders (“Shareholders”). Accordingly, the resolution to approve the

Transaction will be put to Shareholders at a general meeting of the Company (“General Meeting”) notice of which will be contained in the Circular.

Background to and Reasons for the Transaction

As investors are aware, over the past three years, as part of the development and proposed commercialisation of the AMD project in the Witwatersrand basins of the Gauteng province process, Watermark has raised equity and debt finance, conducted pilot plant trials, created not-for-profit companies in association with six mining houses, produced pre-feasibility and definitive feasibility studies and conducted 14 specialist studies as part of the required Environmental Impact Assessment programme. Significant amounts of time have been spent with a range of government departments and agencies discussing the proposed method of treatment of AMD. Despite this intense activity and total project expenditure to date of R77m, Watermark has not yet received clarification of any potential role it may have in the treatment of AMD in respect of the longer-term solution.

Although Watermark’s water treatment technology is acknowledged as being the lowest cost and most appropriate technology in the Inter Ministerial Committee (IMC) report released by the South African government it has not yet been granted the rights to implement its project as yet, rather the South African government has appointed TCTA to liaise with a number of interested parties including Watermark to develop and implement a short-term solution (the next three years) for AMD in the three basins. At the same time, the Department of Water Affairs has commenced with a tender process for the feasibility study to develop a Long Term Solution as previously announced. This process is envisaged to take up to 18 months from the date the tender is awarded. Implementation of any project could be up to two years away at the earliest from when final decisions are made. Therefore, whilst the Board still believes that the AMD project is a very strong long-term investment which has the potential for significant value not only for Shareholders, but for the South African Government, the associated mining houses and the people of South Africa, it has been assessing options for preserving value in Watermark in the intervening timeframe and stabilising the project from a financing perspective.

In addition to the AMD project, we mentioned in our last interim results announcement that we were investigating a project for briquetting of coal anthracite fines in KwaZulu Natal, South Africa. WUC has today entered into agreement with Prodiflex Coal (Pty) Ltd, a South African company holding

intellectual property rights for the processing and briquetting of coal fines, and Octavovox (Pty) Ltd, a South African company with an offtake agreement with a coal mine in KwaZulu for the acquisition of a 51% stake in Octavovox and 50% in Prodiflex Coal (Pty) Ltd for combined consideration of Rand 2,000,000. The Directors believe this project has good prospects for positive cash flow within 12 months of start-up. The project will require funding for the initial infrastructure build and working capital of approximately Rand 15 million in aggregate over the coming 12 months. Pending completion of the Transaction, WUC will need to finance a proportion of the start up costs from its existing resources. Capricorn has entered into an agreement to refund these costs following completion of the Transaction and intends that a proportion of the proceeds of the Capricorn Fundraising will be used for this purpose. Should the Transaction not complete, Watermark will retain its ownership interest in the project companies and will seek alternative means of financing the project. Further details of the arrangements the Company has entered into in relation to this new project are provided below under “Further information on the Coal Briquetting Project”.

Given the backdrop of uncertainty as to if, or when, substantive contracts might be awarded to WUC for the treatment of AMD combined with the on-going volatility and uncertainty in global financial markets your board has been assessing ways to provide finance for the project for the long term as well as providing WUC with local South African partners who can assist with the promotion of the AMD project with the relevant government agencies. In addition to this, the proposed Transaction would leave cash resources in Watermark that could be used for additional investments in current areas of expertise, including, but not necessarily limited to, water treatment, resource management and infrastructure project management. As a consequence of the above developments the opportunity which was being reviewed in the oil industry, and which potentially utilises aspects of the company’s water treatment technology, will not be pursued at this stage.

Principal Terms of the Transaction

Pursuant to a sale and purchase agreement between the Company and Capricorn, Capricorn has agreed to acquire 100% of WUC. Completion of the Transaction is conditional upon, *inter alia*, the approval of the Transaction by Shareholders, completion of the equity issue by Capricorn, approval of the Transaction by Capricorn shareholders and regulatory approvals from the JSE, the South African Takeover Regulation Panel and the South African Reserve Bank, if applicable.

The Consideration for the disposal of WUC is £4.50 million comprising:

- Cash consideration of £1.81 million payable to Watermark provided from Capricorn's existing cash resources and the proceeds of the Capricorn Fundraising
- Share consideration of £2.69 million to be satisfied by the issue of Capricorn Shares at a price of Rand 0.19 per share

The sale and purchase agreement includes customary warranties and indemnities.

Further information on Capricorn

Capricorn is an investment company which has been listed on the development capital board of the JSE with historical investments in electromagnetic equipment businesses which were divested in late 2010. Currently, Capricorn is a cash shell. The shares of Capricorn have recently been suspended from the JSE due to the failure to conclude agreements to acquire assets prior to 30 June 2011. The JSE has agreed that subsequent to the completion of the Transaction, the suspension of Capricorn will be lifted.

As part of the Transaction, Capricorn intends to raise a total of Rand 40 million (approximately £3.2 million) through the Capricorn Fundraising. These proceeds will be used to part fund the consideration for WUC as set out above (Rand 15 million) and Rand 20 million is expected to be allocated to the Coal Briquetting Project. Following the Transaction shareholders should be aware that Watermark will hold shares in a South African listed company and there is no guarantee that the shares will appreciate in value. Watermark will hold 40 per cent of Capricorn on completion of the Transaction and the Board expects Watermark to have significant influence on Capricorn but it will not have board control and will not therefore be able to control operational decisions. It does mean, however, that there will be no further dilution of equity for Shareholders in Watermark in the short term for the AMD or Coal Briquetting Projects.

Further information on the Coal Briquetting Project

The Company has, today, entered into agreements to acquire 50% of the issued share capital of WE Shelf Trading 270 (Pty) Ltd (to be known as Prodiflex Coal (Pty)

Ltd) (“Prodiflex”), a South African registered company that owns intellectual property in the binder, formulae and processes to be used in the briquetting of coal fines, for the sum of Rand 1,000,000 and 51% of the issued share capital of Octavovox (Pty) Ltd (“Octavovox”), a South African registered company, also for the total sum of Rand 1,000,000.

Octavovox has entered into an offtake agreement with an Anthracite producing colliery located in Northern Kwazulu Natal, South Africa, to process coal fines into briquettes at a rate of approximately 5,000 tons per month. The quality of the material and briquettes makes it highly sought after in the metallurgical industry. The Mine will have the right of first refusal to acquire the briquettes at a discount to the spot price.

WUC has also entered into a loan agreement with Octavovox to enable Octavovox to acquire assets for the installation and assembly of the production plant and to put the production plant into operation. The loan, in an initial amount of Rand 2,607,605 with a facility for an additional Rand 12,800,000, is repayable on or before 31 December 2015 and will be secured by a notarial covering bond over the assets to be acquired by Octavovox. Under the terms of a shareholders agreement entered into with the other shareholders of Octavovox it is anticipated that WUC will continue to finance Octavovox’s operations in proportion to its shareholding.

The Coal Briquetting Project processing facility will be located immediately adjacent to the washing plant where there is already infrastructure established by the mine, which will significantly reduce the capital costs that WUC would ordinarily require for a project of this magnitude. WUC will also make use of the mines already established distribution network. There are opportunities to tap into other operational and financial synergies that would further reduce the operational costs of WUC.

Capricorn has entered into an agreement to refund the costs of the acquisitions of shares in Prodiflex and Octavovox as well as the initial amounts to be loaned to Octavovox post completion of the Transaction.

Proposed Directorate change

Upon completion of the Transaction, Watermark will be able to appoint a non-executive director to the board of Capricorn. It is intended that Jaco Schoeman, CEO of Watermark, and Managing Director of WUC will take this appointment. At the same time, Mr Schoeman will step back into a non-executive role at Watermark and

the entire Watermark board will then be non-executive, in line with similar investment companies.

Information on Western Utilities Corporation

WUC, which is registered in South Africa, is a 100% owned subsidiary of Watermark. It is the entity through which all of the Company's activities, described above in "Background to and Reasons for the Transaction", have been conducted. It was formed in 2007 to promote and commercialise a method of treating AMD in the Witwatersrand Basins of the Province of Gauteng, South Africa. Operations commenced in 2008. Bertie Styler, Managing Director of WUC will continue in this role following the Transaction.

Change in status to Investment Company

Following the Transaction, Watermark will be classified as an Investment Company under the AIM Rules. The Company will invest in companies and projects within the natural resources and infrastructure sectors, in line with the knowledge base of the existing board and the holding that the Company will have in Capricorn following the Transaction. It is intended that the Board will identify any potential investments through the Directors' knowledge of and relationships in these sectors. Further details of the Company's proposed investment strategy will be included in the Circular.

Recommendation

The Directors of Watermark intend to recommend to all shareholders to vote in favour of the Transaction as they intend to do so in respect of their holdings in the Company.

Enquiries:

Watermark Global plc

Peter Marks, Chairman

Tel: + 44(0) 20 7233 1462

Jaco Schoeman, Chief Executive Officer

Tel: + 44(0) 20 7233 1462

Nominated Adviser : Cenkos Securities

Ian Soanes / Elizabeth Bowman

Tel: +44(0) 20 7397 8928