CAPESPAN

Antwerp
Cape Town
Dubai
Hong Kong
London
Montreal
Philadelphia
Sheerness
Tokyo

13 February 2009

Dear Outspan shareholder

CAPESPAN SIMPLIFICATION TRANSACTION: BASE COST ALLOCATION PERCENTAGE FOR OUTSPAN LIMITED SHARES

This letter is important and should be retained for purposes of completing your tax return.

Introduction

The purpose of this letter is to inform you of the base cost allocation percentage for the disposal of your Outspan shares in terms of the Capespan Simplification Transaction.

This letter should be read in conjunction with the Tax Consequences section (paragraph 11) on page 15 of the orange Outspan circular that was issued on 3 December 2008. For your convenience, the applicable portion of the Tax Consequences section is repeated below.

Tax Consequences

The Tax Consequences section states that in respect of the Capespan Group Limited ("Newco") shares received as a distribution *in specie* on 28 January 2009 (which, based on the buy-back price have a market value of R1.25 per share):

- R1.20 per Newco share should be regarded as a local **dividend** for South African tax purposes. This dividend will however not carry a STC credit;
- R0.05 per Newco share should be regarded as **proceeds** for the deemed part disposal of Outspan shares; and
- Outspan shareholders holding Outspan ordinary shares on capital account should be able to allocate a portion of the base cost of their Outspan shares to such disposal.

It further advises that a letter will be sent to Outspan shareholders to advise them of their base cost allocation percentage for the deemed part disposal of their Outspan shares, hence the purpose of this letter.

Base cost of Newco shares

The base cost of your Newco shares should be equal to the market value of the Newco shares received, which based on the buy-back offer, should be R1.25 per Newco share.

Deemed part disposal of Outspan shares

On the successful conclusion of the section 44OK offer by Newco on 28 January 2009, each Outspan shareholder received 3.0020 Newco shares for every 1 Outspan share held as a dividend *in specie* (refer to paragraph 5.2.2 on page 13 of the orange Outspan circular). This resulted in a deemed part disposal of your Outspan shares.

If your Outspan shares were held on capital account, the proceeds of the deemed part disposal amounts to R0.05 multiplied by the number of **Newco shares**.

For capital gains tax purposes, Outspan shareholders holding Outspan shares on capital account can allocate **99.9370%** of their base costs per Outspan share, multiplied by the number of **Outspan shares** held, to the proceeds as outlined above.

The base cost valuation per Outspan share as at 1 October 2001 is R2.33. Please note that this base cost is not necessarily applicable to all shareholders, as some shareholders may have acquired their Outspan shares after 1 October 2001 and would have a different base cost.

Any capital loss arising from the deemed disposal **cannot** be utilised and will be disregarded in terms of paragraph 19 of the Eighth schedule of the Income Tax Act.

Illustrative example

If you held 100 000 Outspan shares, you would have received the following Newco shares as a distribution *in specie*:

100 000 * 3.0020 = 300 200 Newco shares
The tax calculation is set out below:

Dividend calculation

Number of Newco shares	300 200	*100 000 * 3.0020*
Dividend portion	R1.20	*As set out above in this letter*
Total dividend	**R360 240.00**	*300 200 * R1.20*

Deemed part disposal

Proceeds	R0.05 per share	*As set out above in this letter*
Base cost	(R2.33) per share	*99.9370% * R2.33*
Total proceeds	R 15 010.00	*R0.05 * 300 200 Newco shares*
Total base cost	(R233 000.00)	*R2.33 * 100 000 Outspan shares*
Total capital loss	**(R217 990.00)**	*R15 010.00 – R233 000.00*
The full capital loss of R217 990.00 will be disregarded as a result of paragraph 19 of the Eighth Schedule of the Income Tax Act.		

Disclaimer

The tax consequences outlined above, applicable only to Outspan shareholders who are subject to South African tax legislation, is a general guide and is not intended to constitute a complete analysis of the tax consequences of the simplification in terms of South African tax law. This letter neither purports to constitute tax advice in any form whatsoever, nor does it intend to deal with the tax position of any specific Outspan shareholder. This letter is therefore intended solely to draw the Outspan shareholders' attention to certain key aspects of the tax legislation that may be relevant to them pursuant to the simplification. Outspan, Capespan, and Capespan's advisors cannot be held responsible for the tax consequences of the simplification.

Outspan shareholders are advised to consult their own tax advisors about their respective tax positions.

Yours faithfully

Capespan Group Limited

sappi triple green™
sugar cane fibre. chlorine-free. sustainable afforestation.
PRINTED BY INCE (PTY) LTD
REF. W2CF06937